CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Candriam Engagement Policy

DECEMBER 2025

Governance and policy document

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1- Introduction.

Engagement, integral to our *raison d'être*

The concept of Investment Stewardship refers to the responsible allocation, management, and oversight of capital by institutional investors, utilizing their rights and influence to maximize long-term value for clients and beneficiaries. This goal is to protect and enhance sustainable benefits for the economy, environment, and society, recognizing the importance of common economic, social, and environmental assets on which investment returns and other stakeholder interests depend.

As part of our commitment, we adhere to the UN PRI principles[1] and EFAMA Stewardship Code,[2] and have been signatories of the UK Stewardship Code[3] since February 2023.

Beyond the stewardship frameworks to which we are formally committed, we voluntarily consider other regional principles that contribute to sound stewardship practices, such as the Swiss Stewardship Code, where relevant.

Stewardship more specifically empowers investors to exercise their influence on Environmental, Social, and Governance (ESG) aspects. This is accomplished primarily through engagement activities, such as:

1 - United Nations Principles for Responsible Investment. What are the Principles for Responsible Investment? unpri.org, https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment
2 - European Fund and Asset Management Association, https://www.efama.org/policy/stewardship
3 - The UK Stewardship Code 2020, https://media.frc.org.uk/documents/The_UK_Stewardship_Code_2020.pdf

> **In our fund and portfolio management activities, Candriam strives to integrate engagement into our investment strategy wherever possible.**

- Engaging via discussions with issuers on ESG matters deemed material to them and their sustainable development future
- Casting votes at Annual General Meetings (AGMs)

Throughout this policy document, we use the term "engagement" to refer to all activities covering voting and engaging via discussions or other kind of interactions with issuers (eg, statements).

In our fund and portfolio management activities, Candriam strives to integrate engagement into our investment strategy wherever possible. Candriam actively monitors investees. Our engagements with both corporate and non-corporate (eg sovereigns) issuers address strategic concerns, non-financial performance, risk management, capital structure, environmental impact, and social concerns, including governance, human rights, labour practices, and risks related to oppressive regimes.

When Candriam believes our influence could be beneficial, we engage in dialogues with investees, exercise voting rights or any other rights attached to owned assets, collaborate with other investors, and communicate with relevant stakeholders.

Candriam acknowledges that, while engagement may not always lead to significant changes in issuer's performance, risk profile, or ESG practices, divestment remains the last resort measure.

This policy focuses on Candriam's engagement relative to ESG topics.

2 – Who Are We?

2.1. Engagement at Candriam

Candriam is a global multi-specialist asset manager and a recognized pioneer and leader in sustainable investment. Embedded in our name, **C**onviction **AND** **R**esponsibility **I**n **A**sset **M**anagement, our core values have made our company what it is today.

Since 1996, Candriam has been committed to responsible asset management, focusing on long-term investing. We believe that integrating ESG factors leads to better investment decisions by identifying material opportunities and risks. For this reason, we invest in in-house ESG research and ensure strong collaboration between our ESG specialists and portfolio managers.

As a founding signatory of the UN Principles for Responsible Investment (PRI) in 2006, Candriam continues to support and promote these principles.

Candriam engages with issuers on behalf of our clients through individual and collaborative dialogues, as well as voting activities, particularly in listed equities, on a global scale.

Engagement is embedded in the core of our investment strategy. Active ownership and engagement are interrelated and crucial to mitigate risks and to enhance long-term value. This commitment to engagement is a fundamental part of the services we offer clients, reflecting our fiduciary duty to act in their best interests while promoting positive change. By integrating engagement into our investment process, we align both financial objectives and sustainability goals at the heart of our strategy.

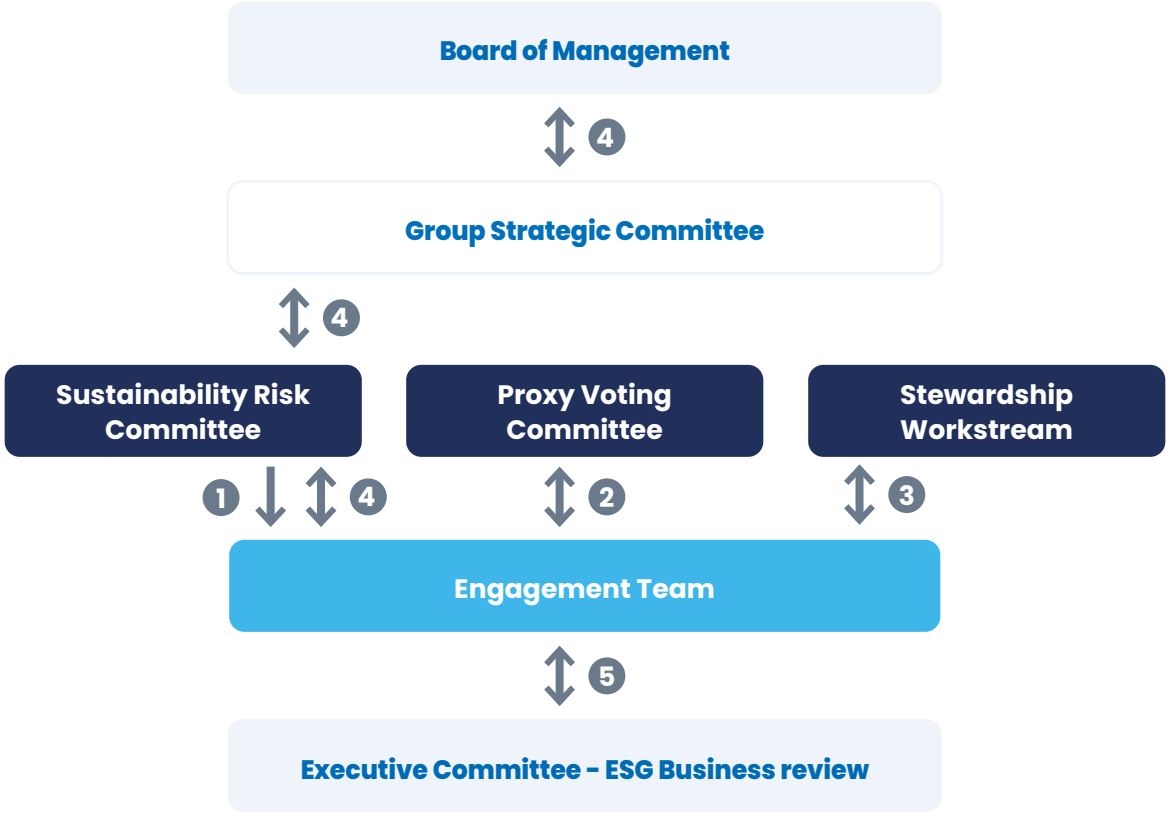
Beyond risk management, responsible investment can drive positive societal impact. Candriam supports the UN Sustainable Development Goals (SDGs) as part of our broader engagement strategy, which covers a wide range of asset classes and regions, including both corporate and non-corporate (eg sovereign) issuers). Therefore, we align our engagement objectives with relevant SDGs from the UN 2030 Agenda for Sustainable Development, a plan of action for People, Planet and Prosperity. The execution of all Candriam's ESG engagement initiatives come under the responsibility of the ESG Research and Investment Team. We conduct all our engagements in-house, and do not utilise external engagement services providers.[4]

2.2. Roles and Responsibilities

Candriam's ESG governance structure, headed by our **Group Strategic Committee**[5] as well as our **Sustainability Risk Committee** and **Proxy Voting Committee**, ensures that our engagement and voting policies are aligned with Candriam's duties and Convictions, are regularly updated, and are well-implemented. In this context, the Sustainable Risk Committee ensures the identification and evaluation of ESG risks as well as the monitoring of the Principle Adverse Impacts (PAI)[6] across our investment strategies. For a detailed overview of the functioning of the Sustainability Risk Committee and the applicable policies, please refer to Appendix I.

4 - Please note that this does not prevent us from supporting initiatives in which we have a more passive role, such as the Workforce Disclosure Initiative (WDI) and the Non-Disclosure Campaign from CDP, which are not external engagement services.
5 - Candriam's GSC, whose powers derive from the Board of Directors of Candriam, is in charge of all strategic aspects, such as growth initiatives, corporate strategy and financial results. Specifically, the GSC sets out the **strategic orientations** for the firm's ESG investing and Corporate Sustainability, with **sustainability focus sessions** supported by Candriam's ESG and CSR experts. The GSC also oversees the due diligence approach for Climate and Human Rights risks across the value chain, including the elaboration and review of appropriate policies.
6 - Ie, any impact of investment decisions or advice that results in a negative effect on sustainability factors, referring to SFDR, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32019R2088

Figure 1:
Engagement Interactions with Candriam Sustainable Governance



1. Engagement needs related to ESG risks identified (more details in Appendix I)
2. Control thorough implementation of the voting policy, update and validation of the voting policy and (semi-) annual voting reviews
3. Control of proper implementation of the engagement policy, update and validation of the engagement policy and the engagement annual reviews, validation of proposed new collaborative initiatives and escalation measures
4. Second-stage validation of the engagement and voting policies
5. Review latest engagement initiatives and discuss the associated challenges

The **Stewardship Workstream** oversees the implementation as well as updates of the engagement policy, and monitors engagement activities. It consists of internal representatives from Management (Executive Committee and GSC), Operations, and the ESG Research and Investment Team. Representatives of the Legal department may attend meetings upon request.

The **Proxy Voting Committee** provides strategic guidance on proxy voting best practices and monitors Candriam's voting policy. It consists of internal representatives from the Management (Executive Committee and GSC), Operations, Compliance and ESG Research and Stewardship Teams and of an Independent Member. Representatives of the Legal department may attend meetings upon request.

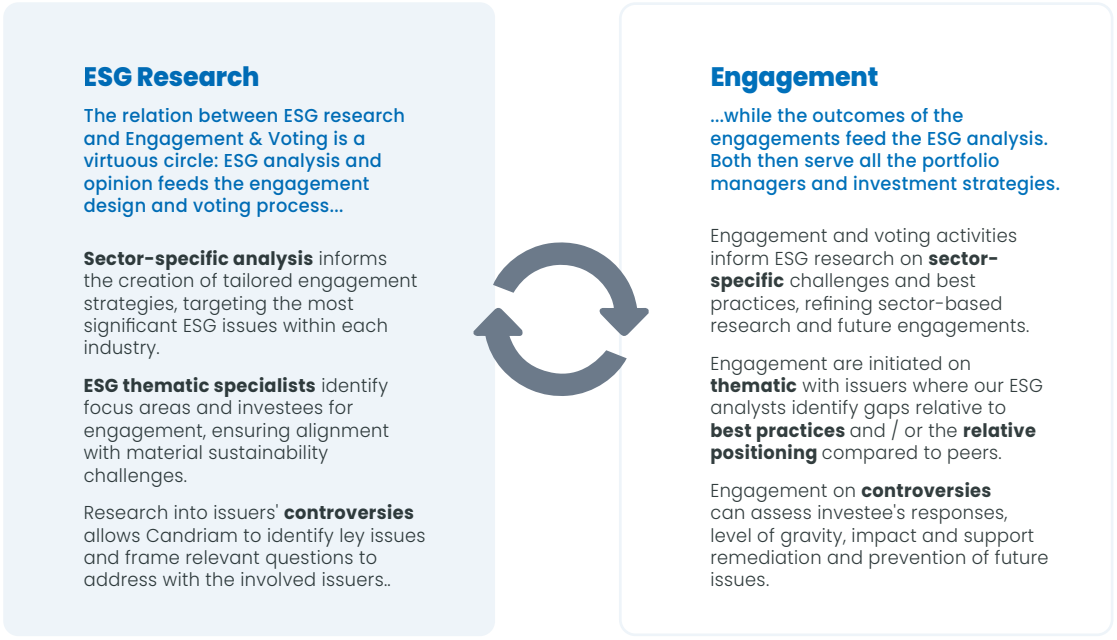
Candriam's Engagement Team belongs to our **ESG Research and Investment Team** which is in charge of:

- The ESG analysis of our ESG investment scope,[7] our ESG thematic research and the development of new and innovative investment and/or selection processes
- The definition and implementation of the engagement and voting policies
- The monitoring, development and enforcement of Candriam's engagement strategy across our company
- The centralization of initiated, ongoing, and previous engagements on a dedicated tool, available to relevant parties within Candriam
- The promotion of the best ESG standards, Sustainable and Responsible Investment and ESG integration

Within the ESG Research and Investment Team, **ESG analysts** conduct the direct engagement activities. More specifically, our dedicated Engagement and Voting analysts coordinate our engagement efforts, while working closely with ESG Research analysts. This close and systematic cooperation is fundamental in continuing to develop our expertise, and in defining Candriam's engagement priorities in terms of targets, themes and chosen approach.

7 - Our ESG investment scope encompasses all Candriam funds under SFDR classifications: Article 6, Article 8, and Article 9.

Figure 2:
Nature of the relationship between ESG Research and Engagement



Finally, **Investment Teams** and other internal interested parties are regularly informed of engagement follow-up, can take part in meetings organized with the issuers and may be involved in escalation choices decisions. As a result, while ESG Research members are primary actors for initiating dialogue on ESG topics with issuers, Candriam's investment teams, fundamental analysts as well as **equity or bond portfolio managers** are encouraged to raise ESG topics in their exchanges with issuers and to initiate engagement when deemed relevant and material.[8]

Role of External Providers

It is important to note that while we do not outsource our engagement, both our ESG analysis and engagement efforts can also be *supported* by specialized providers and data sources. While the **engagement is conducted in-house by our ESG team** presented above, external providers serve as valuable data resources to support the team. These external experts complement our internal expertise, ensuring that we have access to comprehensive, up-to-date information for informed decision-making. Below is a list of the key external providers Candriam utilises for ESG insights and data.[9]

8 - Materiality at Candriam refers to the PRI definition: ESG factors with a significant impact on the financial, economic, reputational, and legal prospects of an issuer, security, investment, or asset class. These factors may also relate to substantial effects on people or the planet. At the corporate level, investors would reasonably expect the disclosure of material ESG factors, as their omission or misstatement could influence investment decisions. Source: Reporting Framework glossary, https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article
9 - Non-exhaustive list as of June 2024.

Rating Agencies	Description[10]
Beyond Ratings	Sovereign Issuers: ESG performance of economies -- sovereign credit risk -- climate objectives alignment
Bloomberg	Market news and news flows, charting functionalities, performance monitoring and attribution, International standardized reporting and disclosure method for workplace gender data
Brokers	Source in the idea generation process of buy-side analysts
Carbon4 Finance	Environmental data based on energy transition and adaptation to climate change
CharlesRiver©	IMS portfolio management, trading, risk management
EIU	Sovereign Issuers: Country risk metrics and analysis and country energy data
Equileap	Gender equality criteria
FactSet	Market news flows, charting functionalities, revenue product mix and geographic split
GLG	Analysis of specific topics from a network of independent experts
ISS & GlassLewis	Service providers supporting our voting process operationally, for example by forwarding our votes to sub-custodians and applying the Candriam Voting policy.[11]
ISS-Ethix	Emerging Markets Companies: Norms-based criteria International Companies: Screening criteria used to exclude the weapon industry
ISS-Oekom	Measurement of Sustainable Development Goals
MapleCroft	Sovereign issuers: Country risk metrics and analysis
MSCI ESG Research	ESG Criteria: Controversial activities and norms-based criteria
PRS Group	Sovereign issuers: Quantitative data, political risk and country risk ratings
RepRisk	Sovereign issuers: ESG country risk metrics and analysis
S&P Trucost	Environmental data: Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels
Sustainalytics	ESG criteria: Controversial activities and norms-based criteria
Wood Mackenzie	Energy and mining sectors screening, used to exclude unconventional extraction methods and thermal coal

Part of the role of the Candriam ESG Team is to perform regular assessments of the methodologies and quality of external research and service providers, such as proxy advisers, in conjunction with other involved parties such as our Middle Office or Risk Department. Potential concerns are discussed during these reviews and Candriam's expectations are clearly explained. A due diligence of these external providers is also performed regularly by the Candriam Risk Department when deemed relevant, addressing amongst other elements, information security risks and business continuity risks.

10 - For the list of the different metrics used, formulas and methodology, please refer to our publication "ESG and Impact Indicators"
11 - For more details on the role of our proxy advisers, please refer to our dedicated Candriam's voting policy

3 – Engagement Fundamentals.

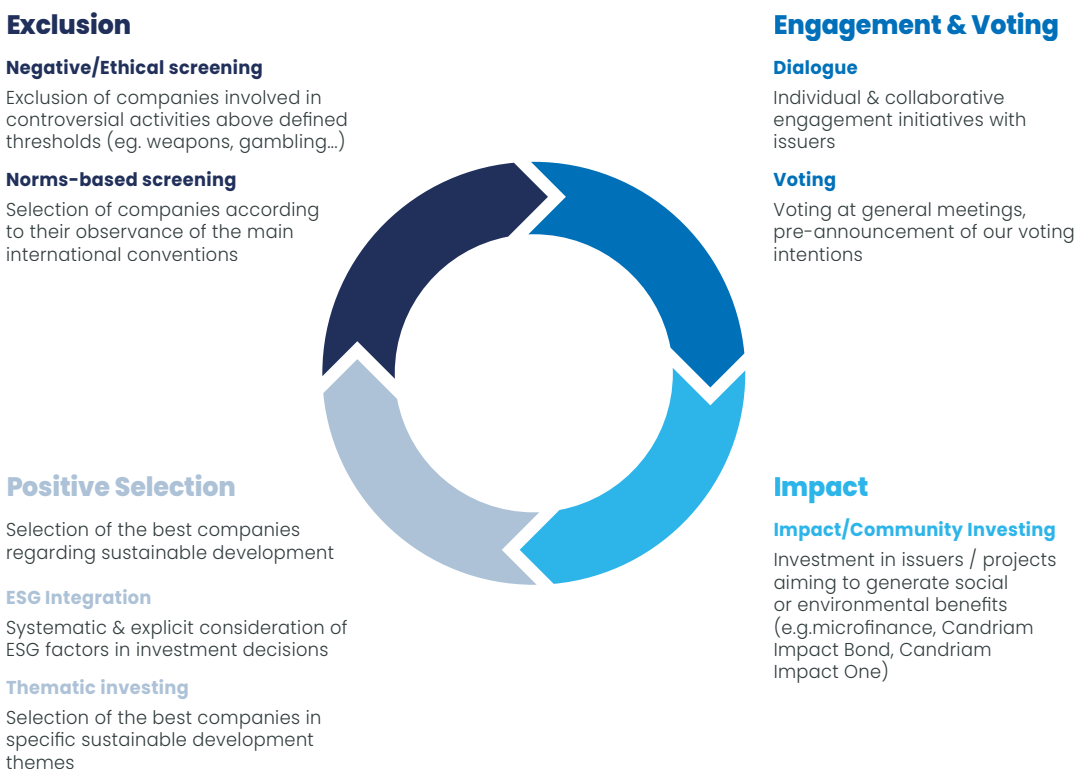
3.1. As Part of our Investment Philosophy

Continuous improvement is a core principle of the **UN PRI**. It emphasizes that investors should foster a virtuous circle by sharing best practices with companies and systematically integrating ESG factors into fundamental analysis.

Engagement is a core element of Candriam's **Sustainable Investing strategy**, deeply embedded in our philosophy. Engagement enables better assessment of specific risks or opportunities at issuer level, strengthening our forward-looking vision. It is integral to our sustainable investment approach. In addition to engagement, our sustainable investment approach incorporates exclusion of controversial activities,[12] positive screening of issuers through a sustainable development lens, and impact-driven investments. Indeed, engagement outcomes also help us to verify that the investee company falls within the exclusion thresholds we have in place. Active ownership, including voting, is also central to our engagement approach (more details on our specific approach to voting in our dedicated Voting Policy).[13]

12 - Please refer to Candriam exclusions policy for details on thresholds and AUM subject to policy: Candriam Exclusion Policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf
13 - Candriam's voting policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf

Figure 3:
Candriam Sustainable Investing approach



Candriam's engagement value proposition encompasses both active ownership of individual issuers and broader, macro-level actions to address systemic issues such as climate change, diversity, and human rights.

Alongside our dialogue and voting activities, Candriam also further commits to **promote sustainable development** and **support the development of sustainable finance**: Our company advocates sustainable development of financial markets by sharing our ESG expertise with our clients, the media and the investment community at large. More specifically:

- Roadshows are regularly organized for clients on sustainable investment and development topics
- ESG mainstreaming and research is promoted through the (free-to-all) Candriam Academy and the Candriam Institute for Sustainable Development
- Candriam presents at various conferences and external events, in Europe and further afield
- Candriam is an active member of responsible investment

3.2. Three Key Pillars of Engagement

Our engagement approach clearly defines the three main objectives that drive our engagement process.

The three objectives of our engagement process are:

Encourage improved ESG disclosure

Support investment decision-making

Influence corporate practices on ESG issues

I. Encourage improved ESG disclosure

This is the foundation of our engagement strategy, designed to enhance internal ESG research and analysis. It is typically initiated at the outset of the sustainability analysis process or research project, often in response to a lack of public disclosure on ESG-relevant topics or a specific event requiring clarification from the issuer. This engagement is crucial for integrating ESG factors into investment decisions, as it ensures the availability of comparable and reliable data needed to produce objective and well-informed assessments. Such engagement helps our teams to refine their analysis of and opinion on the issuer.

II. Support investment decision-making

We often engage issuers to gain insight into their ESG performance, allowing for a more precise ESG analysis. By having a dialogue with the relevant officers in the company, we refine our knowledge and can better judge the sustainability of the issuer. This engagement is integrated into our ESG analysis framework and occurs when:

- The ESG profile of the investee is revised during the review of the company specific ESG analysis
- We identify a need to communicate to issuers the final ESG opinion we've formed, along with the key factors that influenced our decision
- Systematically, following a significant or controversial event (e.g., a breach of UN Global Compact principles), which results in the issuer being added to our Watch List

- For recently-listed issuers, private issuers or smaller-sized issuers who may suffer from some transparency bias in the opinion of our data providers, Candriam may engage to improve our understanding of the operations or fundamentals of the issuer as well as its ESG risks and challenges. The outcome may enhance our ESG rating of the issuer, potentially allowing their inclusion in our investable universe

Companies deemed ineligible due to normative analysis are contacted promptly. These dialogues often lead to more constructive exchanges, transitioning into our third engagement category: Influencing practices. Engagement is key for our ESG analysis to define standards and best practices.

III. Influence corporate practices on ESG issues

We encourage issuers to adopt recognized standards and best practices in managing ESG risks and opportunities. We undertake this approach actively when issuers are at risk of losing their competitive edge or jeopardizing long-term valuation by not adequately addressing ESG concerns. Our thematic engagements also fall into this category. Candriam may engage on emerging ESG issues by targeting entire sectors or value chains to encourage widespread improvement. Engagement activities often take place around or in the run-up to Annual General Meetings (AGMs), where we present our voting policies, explain controversial voting recommendations, and advocate for improvements in corporate practices to align with evolving market conditions.

These three pillars, which provide an efficient framework for discussions with issuers, remain mutually non-exclusive, as we may pursue multi-objective dialogues.

3.3. Scope of Engagement

Candriam engages diverse stakeholders -- Candriam's engagement activities involve individual interactions with current or potential investees, such as corporates, governments,[14] and affiliated bodies, on Environmental, Social, and Governance (ESG) issues.

14 - For more details on our Sovereign Model analysis, please consult our website. The New Sovereign Sustainability Mode. Candriam, https://www.candriam.com/en/professional/insight-overview/publications/research-papers/the-new-sovereign-sustainability-model/

Importantly, these engagements are in addition to interactions for data collection or research for the sole purpose of feeding buy/hold/sell/weight-related or other portfolio decisions.

Candriam engages primarily with issuer representatives, but may also involve other stakeholders such as civil society representatives, nonprofits, unions, and industry federations to enhance our knowledge of the context and discuss material issues.

Candriam engages across diverse asset classes -- Our engagement scope is global, and encompasses all types of issuers across listed equity and fixed income asset classes, with a focus on those covered by Candriam's ESG analysis. In particular, our scope covers our full SFDR universe (Sustainable Finance Disclosure Regulation Articles 6, 8 and 9).

Our policy prioritises (but is not limited to) positions retained in Candriam-managed funds[15] classified SFDR Articles 8 and 9, and in other (dedicated) funds and mandates with sustainably-oriented strategies. As those issuers targeted are often held across a much larger range of equity and bond portfolios we manage, the benefits of our engagement focus apply to a large proportion of our assets under management.

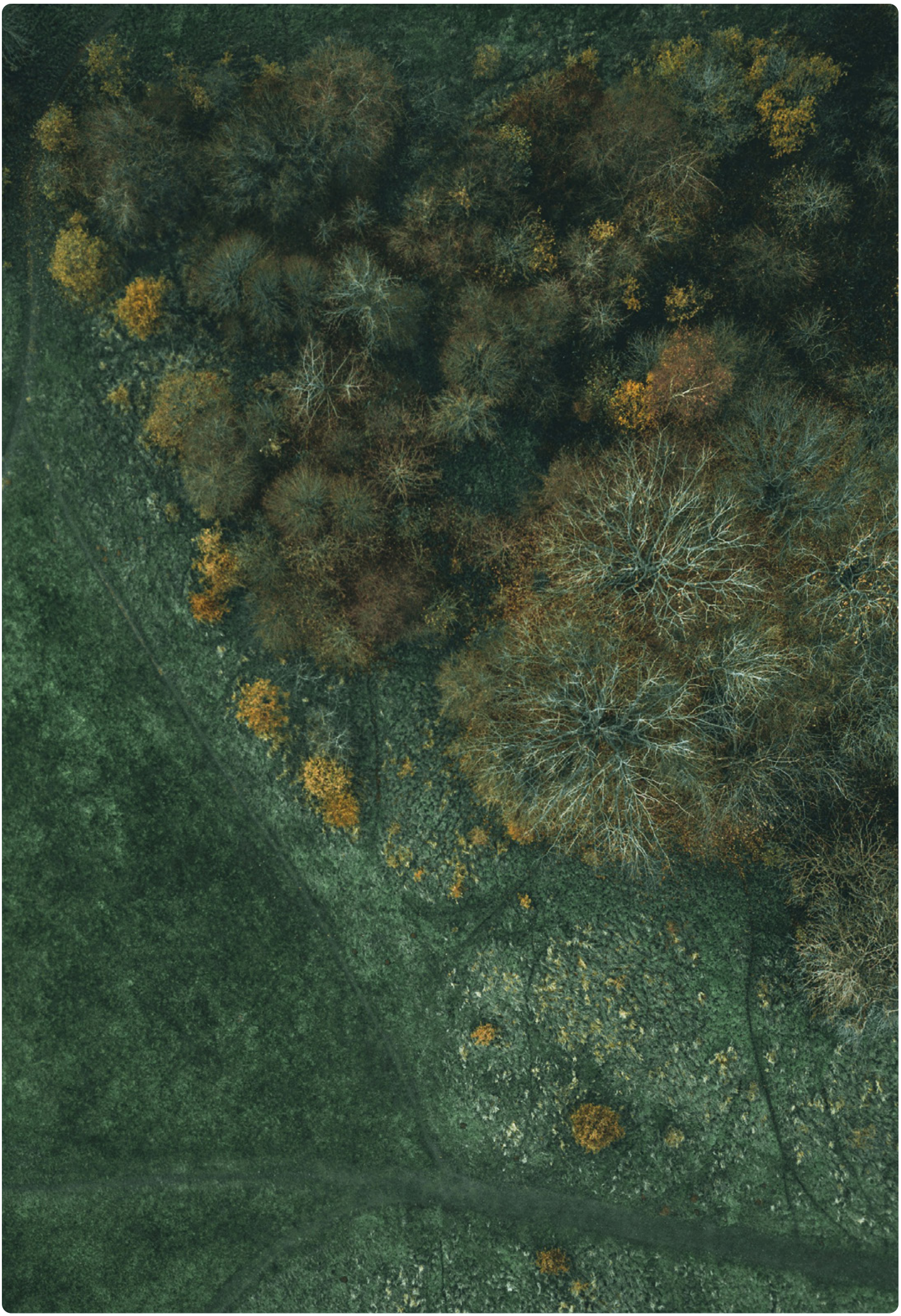
The Candriam engagement policy applies only to positions invested in direct lines in issuers (both equity and fixed income instruments), mandates or (dedicated) funds where Candriam is the management company, and funds managed by Candriam with an external management company.

Unless otherwise specified, this policy does *not* cover :

- Funds for which the portfolio management has been delegated outside Candriam
- External funds in which Candriam invests

For these cases, Candriam systematically conducts a thorough ESG due diligence, which includes dialogue and voting aspects.

15 - For more details, please refer to our Voting policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf



4 – Approaches to Engagement.

4.1. Proactive, Reactive, and Opportunistic

How we engage depends on the nature of the trigger. While ESG sector or thematic specialists, investment teams or clients can originate a request for engagement, its relevance will be measured by the standards of Candriam's internal ESG analysis. Consistency is central to our approach.

The triggers of engagement may be:

1. **Proactive:** Engagement regarding ESG issues related to the corporate business strategy and/or sustainability risks and opportunities of the considered issuer(s). Topics are chosen for engagement if they could potentially have a potential material impact on the fundamentals of the issuer in question. Triggers for proactive engagement include:
    - **Thematic:** Engagement driven by specific ESG themes or trends identified as material to our investment strategy, for which further insight is needed for better valuation or on which we expect issuers to act and improve.
    - **Strategic Decision:** Engagement resulting from a broader strategic decision to focus on certain sectors or material issues or KPIs (key performance indicators), chosen to strengthen resulting investment choices.

II **Reactive:** Typically following an unforeseen event. This type of engagement is often necessary to address controversies that could impact the value or reputation of our investments. Triggers for reactive engagement include:

- **Exceptional Event/Controversy:** Engagement is essential to our normative analysis and notably in response to significant events such as accidents, investigations, corporate or stakeholder actions that may have material impacts on the issuer. These could include loss of assets or business, management changes, fines, or charges from stakeholders. In these cases, the analysis, combined with effective engagement, is undertaken both to a) identify the impact (severity, magnitude) and the materiality of the event on the value of the issuer, and b) how the issuer, and eventually the industry or other cohort, adapt and/or respond to the event to mitigate related impacts and prevent a repeat.
- **Identified by our Sustainability Risks Committee:** In particular, this committee monitors PAIs under our SFDR scope and pays specific attention to the evolution of related indicators. In this function, the Committee may mandate the ESG Team to perform specific engagement(s) regarding rising and specific ESG concern(s).

III **Opportunistic:** Occurs in response to specific events that present unique opportunities to influence or gain insights into ESG practices of an issuer. Triggers for opportunistic engagement include:

- **Pre-/Post-AGM:** Engagement before or after Annual General Meetings (AGMs). This period is naturally conducive to discussions with corporate managements, who are more open to potential changes (eg corporate governance structure) at this point, in order to gather the necessary quorum for the upcoming general assembly. Candriam exercises voting rights on behalf of our clients in line with our voting policy unless the client has declared otherwise.[16] Our transparent disclosure of our votes sends a signal to both issuers and to third parties, in part by highlighting any potential divergences in views between Candriam and investee companies.
- **Collaborative engagement opportunities:** In some cases while we would have engaged with an issuer on a specific thematic or after a specific event, our lack of leverage or resources to dedicate to such engagement prevent us from prioritising the engagement. In such circumstances, any opportunity to take part in a collaborative initiative with a similar object will be considered.

16 - For more details, please refer to our Voting policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf

These triggers are not mutually exclusive and may overlap.

It is important to note that for those funds in Candriam's sustainable range which target specific themes, engagement campaigns may be strategy-specific. This can occur when a particular investment approach, such as for thematic funds[17], has incorporated engagement as a core part of its strategy from the start. In these cases, a specific engagement campaign can be triggered, even if the fund's position in relation to Candriam's overall AUM is not particularly large. Candriam may also trigger an engagement on specific topics for a dedicated mandate it effectively manages, at the demand of the client.

4.2. Individual vs Collaborative Engagement

Candriam engages with issuers and other stakeholders via both individual and collaborative discussions. Collaboration in the context of stewardship refers to investors working together, and/or with other stakeholders (eg civic organizations, community groups, non-governmental organisations/NGOs), to pool resources and enhance their effectiveness in pursuing their stewardship objectives.[18]

The decision between **individual** versus **collaborative dialogue** at Candriam depends on a number of factors. While individual dialogue is typically prioritised, a collaborative approach is preferred when (non-exhaustive list):

- The interlocutor is a nation, a group of countries, an international organization, or any authority in which we are not a shareholder
- The history of individual dialogue with the issuer has been sub-optimal
- There is an opportunity to engage with others on a shared understanding of the issue, while avoiding fatigue for issuers from answering similar questions
- A collaborative approach enhances the consistency and quality of dialogues with companies.
- Economies of scale are needed (eg, contacting a large number of companies on the same topic)
- Increased media coverage is expected to raise public attention on the issue

For collaborative initiatives, when possible, we strategically select issuers for active engagement based on our ESG and financial analyses. Tasks allocated to the different roles that investors can take in a given initiative are usually defined in a reference document. However, we could categorize investor roles in these groups in three types:

- Lead investor: Acts as the primary liaison for the considered target issuer and is the main point of contact. Usually the lead investor has the sole authority to publicly comment on the ongoing engagement, its content, and outcomes

17 - Strategies and themes related to these funds include, among others, water, circular economy, climate action, biodiversity, etc.
18 - UN PRI (2024). Reporting Framework glossary. PRI, https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article#:~:text=The%20Glossary%20contains%20the%20main%20and%20most

- Active investor: Supports the lead investor, taking part in the definition of the initiative's objectives and approach, and participating in meetings with targeted issuers
- Passive investor: Provides formal support to the initiative. Some initiatives may target a very large number of issuers. For issuers of lesser material engagement interest, participating investors may thus adopt a less demanding approach, being signatories of letters and named as supporting investors without actively participating in calls or meetings, nor preparing for them

With few exceptions, Candriam commits the entirety of our assets under management which fall under the scope of this policy (Section 3.3) through our commitment to or signature for the collaborative initiatives we join.

4.3. Integration With Voting

As established at the outset, at Candriam, engagement includes voting activities. We believe the two are inseparable.

It is our Conviction that voting is an important duty of investors. It is a direct way for owners to express our level of satisfaction with the managers of an investee company.

More specifically, voting to either support or to vote against management or shareholder resolutions regarding sustainable practices is a way to communicate to our investee companies and encourage the adoption of better/best practices. Voting is regularly preceded by in-depth dialogue with the representatives of investee companies. Consistency is crucial, as both voting and dialogue processes should pursue the same goals and complement one another. Voting can therefore be integrated into all types of engagement dialogue -– proactive, reactive, or opportunistic.

For further details on our voting process, please refer to our Voting Policy.

Engagement can be triggered by any of a variety of catalysts, reflecting the evolving nature of ESG risks and opportunities (Section 4.1). Whether driven by strategic foresight, unexpected events, or timely opportunities, each engagement is assessed using Candriam's rigorous ESG framework to ensure its relevance and impact

Where the documentation of any investment vehicle (including, without limitation, UCITS and other funds, as well as discretionary mandates) refers to the application of this Engagement Policy, such reference shall be deemed to include, and thereby incorporate by reference, Candriam's Proxy Voting Policy in respect of all eligible securities, unless (i) the relevant investment vehicle documentation expressly provides otherwise, (ii) the Proxy Voting Policy itself specifies a different treatment or exclusion, or (iii) such application is restricted or prohibited by applicable law or regulation.

For further details on our voting process and scope, please refer to our Voting Policy.[19a]

19 - Candriam Voting Policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf

19a - Any reference in the documentation of an investment vehicle (including without limitation UCITS, other funds, and discretionary mandates) to the application of this Engagement Policy includes -- and incorporates by reference -- Candriam's Proxy Voting Policy (as amended from time to time and reviewed annually) for all eligible securities, unless (i) the relevant investment vehicle documentation expressly provides otherwise,, (ii) the Proxy Voting Policy itself specifies a different treatment or exclusion, or (iii) such application is restricted or prohibited by applicable law or regulation.

5 – Engagement Process.

5.1. Prioritisation

A solid knowledge of the ESG challenges faced by industries and issuers, and of their respective materiality, is a necessary prerequisite for any engagement initiative, individual or collective. The main objective of our ESG sector analysis is to first identify the most material topics from an operational, strategic and reputation perspective. Our sovereign analysis adopts a comparable framework, focusing on a the long-term sustainable development potential of each country.

Building upon the identification of the material ESG topics, the priorities and timeline of engagement can be defined and/or updated. Other considerations include:

I. Alignment with ESG Research and Materiality: We engage on topics that align with the ESG priorities of Candriam, particularly those of interest to our portfolio managers, analysts, and clients. Consideration is given to the issuer's current internal ESG rating and its subcomponents. In particular, on an annual basis, ESG Engagement watchlists are defined (a) mainly based on flags raised by our Sustainability Risk Committee, our clients or by our ESG or Investment Teams, and (b) further fed by our internal ESG rating, controversy/ event monitoring, and engagement and voting history.

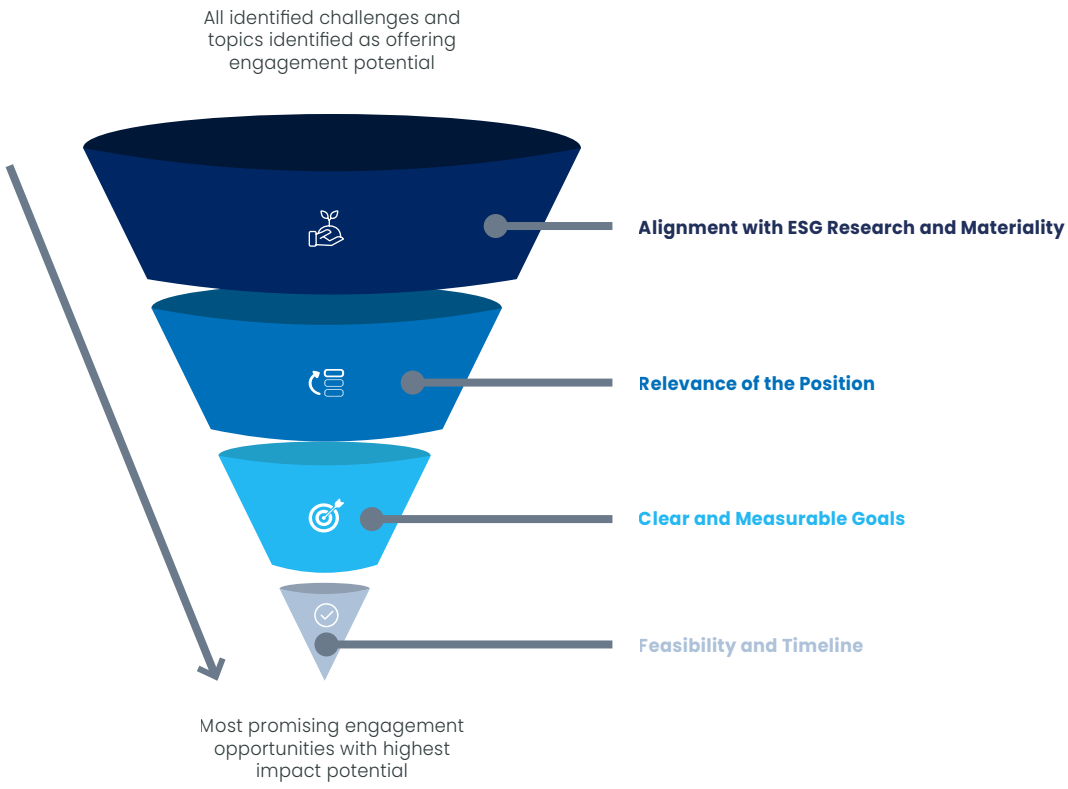
II. Relevance of the Position: Candriam engages actively with issuers where we have significant exposure, whether through substantial holdings, strong Conviction, or an overweight position. We may also engage if we plan to make a significant investment soon or if our existing level of investment offers us important leverage. Exceptions are made for issuers who are industry game-changers, or when the SFDR "do no significant harm" principle[20] is at risk, including potential reputational impacts.

III. Identification of Clear and Measurable Goals: Before initiating engagement, we ensure that the goals of our initiative are clear, observable, and measurable, with milestones set for tracking progress. The achievement level of these objectives is always recorded before closing any engagement.

20 - The SFDR DNSH principle refers to the consideration of Principal Adverse Impacts (PAI).

IV. Feasibility and Timeline: We consider the resources available and the likelihood of success, taking into account the previous engagement history with the issuer, its attitude towards sustainability issues, etc. Particular attention is paid to engagement involving issuers with potential to set new business trends or influence broader market practices by their own changes (ie, 'game-changers'). Engagements are often timed for maximum impact. The potential timeline must fit with needs of our investment teams.

Figure 4:
Priority filters for our engagement opportunities



We also consider the policies and expectations our clients when we define priorities and themes, continuing to develop customer-centric propositions for our partners and clients across our sustainable investments. A thematic campaign can be triggered based on emerging ESG trends or specific client needs, at the discretion of the ESG Team.

5.2. Objectives and Categorisation

Once an engagement is triggered, Candriam carefully analyses its key characteristics to develop a tailored engagement plan. Our process includes the establishment of clear objectives and milestones.

The topic of engagement is attached to its trigger but it is important for us to link this topic to our ESG analysis framework and, when relevant, linked to recognized standards or frameworks. Objective definition is also key to determining the milestones that will mark our engagement path with the target issuer.

As a consequence, for every engagement launched:

- **Key engagement objectives** are identified: *Encouraging improved ESG disclosure, supporting investment decision-making, and/or influencing corporate practices on ESG issues* (Section 3.2). More than one objective may be relevant. In such instances, the most material objective is defined as the Primary Objective, while the other(s) serve(s) as the Secondary Objective(s). Objective choice enables us to define engagement milestones and the related timeline.
- **We match** each dialogue with one or more of the **E**nvironmental, **S**ocial, and/or **G**overnance categories. When feasible, links between the considered engagement and PAIs and/or UN SDGs are identified and used as metrics to classify, monitor, and eventually assess the progress of the engagement.
    - The **Principal Adverse Impacts** refer to the negative effects that investment decisions can have on sustainability factors, that is, ESG issues.[21] Introduced under the EU's SFDR, financial institutions are required to assess and disclose how their investments might harm areas like carbon emissions, biodiversity, and human rights.
    - The **Sustainable Development Goals** are a set of 17 interconnected global objectives established by the United Nations in 2015 to define priorities and goals for 2030. Their intent is to mobilize efforts across governments, businesses, and civil society to end poverty, ensure dignity and opportunity for all, and achieve sustainable development within planetary boundaries.[22] Ensuring that investments and related engagement efforts align with key sustainability goals is key to a double materiality perspective.

21 - http://data.europa.eu/eli/reg/2019/2088/oj
22 - https://www.undp.org/?gad_source=1

By aligning both the PAIs and SDGs with our engagement goals, Candriam ensures that our engagement efforts address the most significant risks while also contributing to specific global objectives. This alignment also provides a comprehensive approach to managing adverse impacts and promoting sustainable development. For more details on PAIs and sustainability factors, refer to Candriam's statement on Principal Adverse Impacts.[23]

5.3. Design of Engagement Plan

Each engagement is tailored to the specific topic(s) and issuer, or issuers in a theme. The ESG team is responsible for determining which engagement approach will drive most positive impact. Candriam determines whether an individual or collaborative engagement is most appropriate based on the target issuer, the objectives set, the available resources and the timeline, the history of engagement, and other elements. The engagement approach may also vary across regions or asset types.

For our engagement initiatives with our bond issuers, if Candriam holds both equity and debt in the company, we may use our equity leverage such as voting rights to advocate for both equity and bondholders.

Our engagement tools include a variety of approaches and while the norm is e-mail exchanges, letters, and virtual meetings, face-to-face meetings and prepopulated questionnaires campaign are also used.

Collaborative engagements tend to address broader, more systemic challenges such as climate change. These discussions leverage the collective influence of the investors with the aim of achieving widespread impact. Individual engagements provide more flexibility and are preferred when the goal is to gather additional information from the investee on a specific topic over a short period of time; particularly if the information needed can be easily provided by the issuer.

23 - Statement on principal adverse impacts of investment decisions on sustainability factors. Candriam, https://www.candriam.com/en-be/professional/SysSiteAssets/medias/insights/sfdr-publications/pai-report_en.pdf

5.4. Definition of Milestones

SMART (Specific, Measurable, Achievable, Realistic, Time-bound) objectives are defined. Engagement plans also include timelines for reviewing engagement progress and deadlines for taking escalation steps in the event that engagement milestones are still not met. For each general objective, more detailed and specific **milestones**, and associated due dates, are defined.

5.5. First Contact and Monitoring

Whether we opt for individual or collective dialogue, our **contact point** is **chosen based on our history of contacts** with the issuer in question, and based on how that person's position matches with the engagement topic. Whatever the topic is, the initial contact is almost systematically through the **investor relations** department of the issuers, and sometimes individually with its corporate and social responsibility department. In parallel, we may contact other stakeholders (eg NGOs, unions, clients, suppliers, or industry federations) to balance our opinion and gain additional insight.

As a general rule, we expect issuers to respond within 30 days after our initial contact. At that stage, we record the dialogue as in an 'initiated status'.

If no reply is received, and the engagement remains a priority, reminders are sent. As soon as issuer has responded, the dialogue status is updated to 'ongoing'.

The ESG Research and Investment Team monitors engagement activities on a daily basis, collaborating with representatives of our investment teams.

To ensure precise follow-up of our engagement activities, we monitor, amongst others, the following indicators :

- **Engagement status:** Prepared/initiated/ongoing/closed – monitored for both individual and collaborative dialogues, including recording of the activities and date of contacts
- **Level of achievement of the milestones**

5.6. Impact Measurement and Closure

Once the anticipated due date is reached, and depending on the quality of the exchanges, the level of achievement of the pre-determined milestones, and the interest of internal parties, we must take a decision over the effective closure. A follow-up approach and potential escalation measures may also be defined at this stage.

The engagement **timeline** is determined on a **case-by-case basis**, with a typical duration of six months. This varies depending on the nature and the objective(s) of the engagement. While a request for information can take few days or weeks, a change in business practices can take years. Another variable can be if the cost associated with the exercise of dialogue activities in a given country or for a given issuer is too high relative to its potential benefits to the long term value of the portfolio investment, we may consider closing the engagement.

In a standard scenario, once the due date is reached, the ESG analysts in charge will review and assess the level of achievement of the objective and report their conclusions. The **ESG profile of the issuer and/or analysis model are updated** with the engagement information and outcomes. The ESG opinion and the eligibility status of the issuer are updated when relevant.

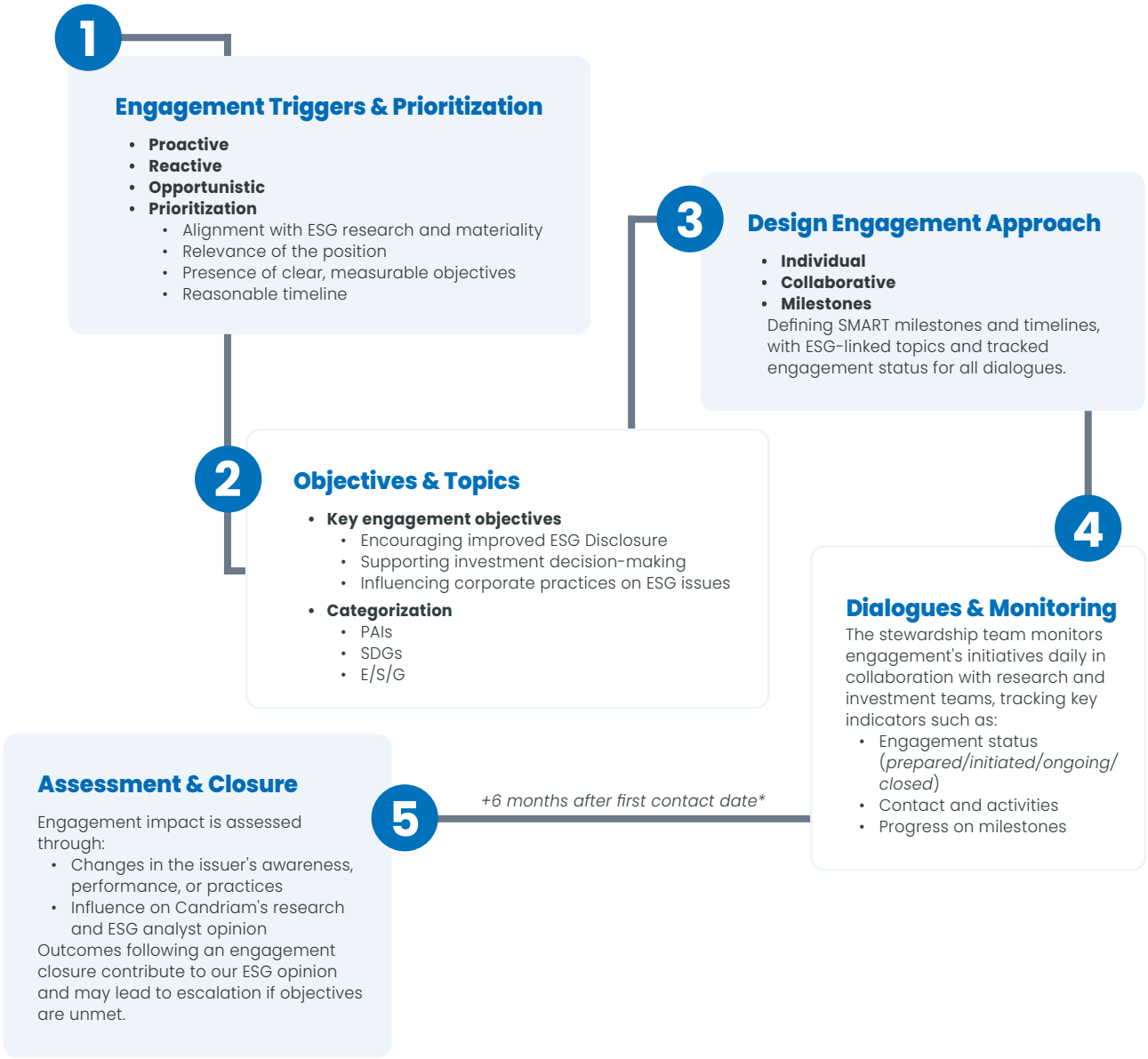
There are several ways to assess the **impact of our engagemen**t activities and their outcomes:

- **The impact on the issuer's level of awareness and performance**, its strategy and/or its practices, depending on the initial objective of our engagement (Section 3.2), is assessed. As this impact can often be known but delayed (eg, improved disclosure, in the next publication of annual documents), it is the most difficult to immediately ascertain/estimate.
- **The impact on Candriam's research and opinion**, as engagement content feeds analysts' work and influences decisions, is assessed. The outcome and insights of the engagement contribute to the work of our ESG analysts and shape investment decision-making. Whether and how the company chooses to answer our demands in detail, and eventually change its practices, influences the opinion of our ESG analysts. Enhanced disclosures or proactive measures can lead to improved ESG scores, reflecting a more favourable investment potential. Conversely, a lack of responsiveness or negative actions may result in a downgraded ESG assessment, as company transparency is a source of input for all our ESG analysis.

We adopt a simplified indicator, specifying whether continued or closed dialogues contributed to a change in the ESG opinion of the target issuer or, conversely, confirmed and solidified the opinion of our ESG analyst.

Ultimately, the impact of our engagement activities should be reflected in the **Impact Indicators** we use to measure the performance of our strategies and funds. However, as these often include third-party data, which are in turn based on previous year performance, the effective Impact on KPIs is delayed making measurement more difficult. If the engagement outcome is **considered 'not achieved' and still a priority**, Candriam may escalate the issue (Section 6).

Figure 5:
Summary of engagement process and timeline



For informational purpose only: average engagement duration, this may vary on a case-by-case basis.

5.7. Traceability and Records

All engagements (dialogues and voting related) carried out by the ESG Research and Investment team through individual or collaborative dialogue with issuers are **systematically recorded in an ESG Engagement proprietary database** built for this purpose, where all the information on dialogue activity is stored: contact (including notes and documents), trigger, objectives, period of contact, topic (as well as links to ESG categories, SDGs or PAIs), associated milestones and their level of achievement, current status of engagement, impact on Candriam process / analysis and issuer eligibility.

Our tool further enables us to monitor the way the investees' ESG score and sub-scores are impacted throughout the duration of an engagement. In the same way, we are also tracking Candriam's holding in the issuer based on the engagement timeline (for more detail, please refer to Appendix IX).

In line with existing operational procedures, validation steps (dialogue continuation/closure, escalation measures, …) are also recorded.

Our ESG Engagement proprietary database is built to enable immediate access to the engagement history (individual and collaborative dialogue, voting) for every issuer covered. Collecting ESG Research information, existing engagement initiatives but also investment information (positions in portfolios, evolution of holdings during the engagement period) this tool also helps us when defining priorities of engagement.

Gathering all this information in one place supports more complete ESG analysis models and works towards improving ESG integration. This database feeds synthetic information per issuer, over past and current engagement initiatives which are available to all investment teams via Candriam systems. This system allows us to produce statistics on the impact of engagement with companies (stating whether an objective is "achieved", "partially achieved", or "not achieved") which are included in our yearly engagement report available on our webpage. For more details on our reporting, please refer to Section 11 of the present policy.

For engagements initiated by portfolio managers and investment teams without the initial support of the ESG team, information may be more difficult to track. However, our asset- or strategy-based Integration Committees play a key role in enhancing and structuring the information flow between the investment teams and the ESG team within the context of engagement. Relevant information is then integrated into our ESG proprietary database whenever possible.

6 - Escalation.

6.1. Escalation Procedure

As defined by the UN PRI, *escalation* refers to a structured, progressive set of actions an investor takes with issuers if initial engagement approaches on specific ESG concerns are unsuccessful in achieving their initial objectives over a given time period. Escalation differs by asset class and investor type, but generally involves the use of increasingly assertive stewardship tools and activities.[24]

At Candriam, we may consider several actions, which are not mutually exclusive:

- **Engagement is continued**: The engagement's objective appears achievable within an extended deadline
- **An escalation process is triggered**: While our investment teams confirm their interest, the engagement objective has not been met, but is still considered as valid, achievable and sufficiently material to justify enhancing continuing our efforts and conducting engagement in a different form

The decision to escalate an engagement is taken on a case-by-case basis. When triggered, the escalation process may differ, depending on the history (type of engagement, length, quality of the relationships), the context of the engagement (time of the year, relevance to a specific investment strategy, market/media/NGO/client pressure), or the momentum of the dialogue. Candriam is prepared to consider several possible forms of escalation, which are not mutually exclusive (Figure 6).

Any escalation action is decided independently by Candriam, on a case-by-case basis, solely in the interests of our clients. These tools are stewardship mechanisms and are not used to enter into, or give effect to, any agreement or understanding with other investors concerning the acquisition, holding, voting, or disposal of securities.

24 - Reporting Framework glossary. PRI, https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article

Figure 6:
Escalation Tools

Enhanced Dialogue

- **Joining or launching a collaborative initiative**, or market initiatives, with similar objectives to the dialogue and potentially extended to industry or regional level (see section 10.8)
- **Opposing management/ board resolutions** by exercising our voting rights to show Candriam's disagreement on practices or strategic choices
- **Sending letters** and extending engagement via contact with important counterparts such as shareholders, clients, and/or suppliers

Public Actions

- **Pre-declaring our voting intentions** on one or more resolution(s) at a general meeting
- **AGM statements or questions** to raise both management and shareholder awareness; systematically detailed in our annual voting reports
- **Supporting or filing a shareholder resolution** and sharing it and/or inviting other shareholders to comment -- typically when the possibilities for dialogue are exhausted, proven ineffective, or when the situation requires an urgent change

New investment choices

- **Freezing new investment and/ or reducing exposure**, potentially including taking a short position[25]
- **Downgrading the ESG internal rating of the issuer**, changing the ESG eligibility status of the company, with **potential divestment** consequences, the issuer being systematically informed when becoming ineligible for our sustainable investment strategies.
- **Refusing to invest in newly-issued debt**, or financing certain projects through debt only if they contain extra ESG guaranties.
- **Changing capital allocation**: e.g. excluding equity positions for a given issuer, while still allowing positions in debt instruments.

6.2. Divestment Procedure

At Candriam, we see divestment as a last resort, as we prefer to accompany an issuer through its sustainable journey. Divestment is to be undertaken only when dialogue with investee companies or cooperation with other stakeholders fails to bring about the desired changes in ESG performance, ESG risk management, governance structure, or ESG practices.

We are keenly aware that strict divestment deprives investors of the leverage offered by their shareholder or debtholder status.

An escalation measure resulting in a severe downgrade of an issuer's ESG rating, and reducing or eliminating its eligibility level for one of more investment strategy(ies), will lead to progressive divestment. As a matter of illustration, when an issuer loses its Article 9 eligibility status following an ESG rating downgrade, Candriam will divest this specific issuer from our Article 9 strategies while retaining some leverage if it continues to be held in other investment strategies (eg Article 6 or 8 strategies). Such a downgrade will be formalized either through weekly sectoral reviews or via an SRI alert, depending on the urgency of the case.

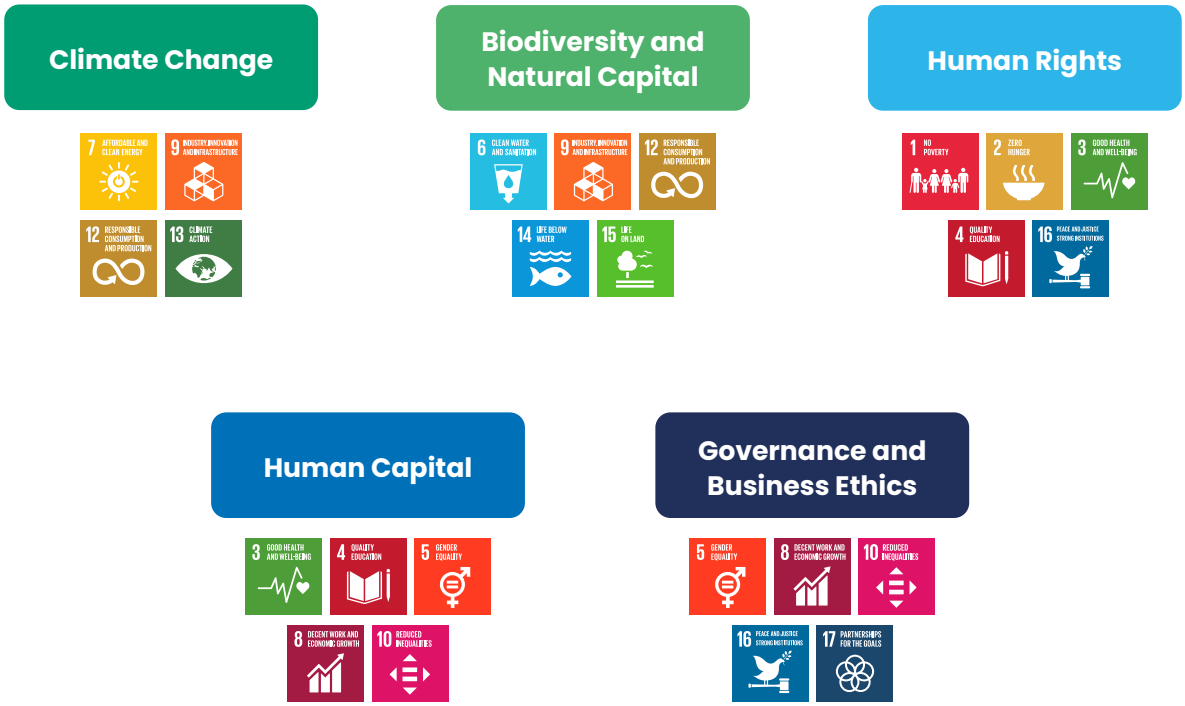
In specific cases, if the company repeatedly violates international codes or standards, or if significant revenue exposure to controversial activities is discovered, gradual divestment may be pursued across Candriam's entire range of investment products, based on our published exclusion policy. In such situations, any doubt regarding an issuer's exposure to aforementioned risks or controversial activities is addressed through engagement efforts, and we inform the issuer of the process at stake.

25 - While this option has not yet been exercised, it remains a potential tool for reinforcing our commitment to sustainable investment practices. This approach would be considered on a case-by-case basis and implemented with careful regard to both our investment objectives and the long-term sustainability of the company in question.
26 - Candriam Exclusion Policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf

7 - Engagement Themes.

Our main themes of engagement have evolved over time, from three in 2014 to five in 2024. These topics are put forward, when relevant, by both ESG and financial analysts when dialoguing with companies. Aligned with the UN SDGs, we see these as indispensable to the global community, and the current or future materiality of these themes applies throughout the value chain. Our main engagement themes have expanded to cover a larger spectrum, as reflected in Figure 7.

Figure 7:
Engagement Themes and the related SDGs



7.1. Climate Change

For over 15 years, climate change mitigation and adaptation have been integral components of Candriam's ESG analysis. We have been recognized as an industry leader in climate reporting by the **United Nations Principles for Responsible Investment** (PRI).[27]

In 2021, we set the objective of becoming net-zero across all our activities by 2050, in alignment with the Paris Agreement. As specified in our commitment to the **Net Zero Asset Manager Initiative** (NZAMI),[28] within our 'NZ scope' of investments, we aim to engage with issuers responsible for at least 70% of our financed emissions by 2030. Additional targets include at least 50% of financed emissions are attributable to net zero-aligned companies by 2030, and to reduce the carbon intensity of our portfolios by 50% by 2030. We have developed a framework to measure progress and outcomes and our methods mirror the Net Zero Investment Framework (NXIF).[29] Our engagements rely on this framework; details are in our Climate Policy[30] and our Climate Strategy framework[31] and are summarized in Figure 8.

In addition to our individual engagements, Candriam is also a long-time supporter of collaborative initiatives such as the **CDP Disclosure campaign** (since 2004) and the **Climate Action 100+** initiative (since its inception in 2017), which aim to enhance transparency and accelerate emissions reductions at the largest global GHG (greenhouse gas) emitters.

In alignment with the 2015 Paris Agreement, Candriam excluded thermal coal from its investments in 2018, targeting companies deriving over 5% of revenue from coal-fired power or mining. Our voting strategy supports our coal and climate engagements, aligning with Candriam's coal strategy. Where immediate coal divestment for the issuer is difficult, or for issuers exposed to coal below our threshold, we engage to promote credible exit strategies, emphasizing responsible shutdowns over asset disposals. Additionally, our sustainable strategies impose exclusions[32] on the oil and gas sector, and we expect all companies to present a Paris-aligned decarbonization strategy based on our net zero analysis.

Sovereign issuer policies are also fundamental to achieve an effective transition to low-carbon economies. Our engagement with states is primarily through investor statements such as the **Global Investor Statement to Governments on the Climate Crisis** (now part of Investor Agenda), but also through active dialogues such as the **Collaborative Sovereign Engagement on Climate Change** coordinated by the UN PRI. More specifically, we push for establishment and enforcement of detailed, credible, just and economy-wide net zero transition plans with supporting policy mechanisms, budget support and investment structures.

27 - United Nations Principles for Responsible Investment (PRI), https://www.unpri.org/showcas-ing-leadership/leaders-group-2020/6524.article
28 - Net Zero Asset Managers - Signatories - Candriam, https://www.netzeroassetmanagers.org/signatories/candriam/
29 - IIGCC - Net Zero Investment Framework, https://www.iigcc.org/hubfs/2024_resources uploads/IIGCC_NZIF 2.0_consultation_2024.pdf
30 - Candriam's Climate Policy – 2023, https://www.candriam.com/siteassets/medias/publications/sri-publications---candriam-policies/candriams-climate-policy.pdf
31 - Candriam Climate Strategy - On the Green Brick Road to Net Zero, https://www.candriam.com/en/professional/insight-overview/topics/esg/on-the-green-brick-road-to-net-zero-candriams-climate-strategy/
32 - Please refer to Candriam exclusions policy for details on thresholds and AUM subject to policy: Candriam Exclusion Policy, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf
33 - Last and previous statements available under Global and Regional Policy Advocacy. The Investor Agenda, https://theinvestoragenda.org/global-and-regional-policy-advocacy/
34 - Collaborative Sovereign Engagement on Climate Change. PRI, https://www.unpri.org/collaborative-engagements/collaborative-sovereign-engagement-on-climate-change/10525.article

Figure 8:
Proprietary net-zero alignment framework

Ambition	Long-term 2050 goal consistent with achieving net zero	*Has the company set a relevant net zero objective?*
Targets	Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)	*Has the company set 2030 emission reduction objectives in both relative and absolute terms on its full relevant scope of emissions?*
Emissions performance	Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets	*What are the company's current emission levels and how do they compare with the decarbonization pathway of its relevant sector, and with peers?*
Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions	*Does the company disclose its full scope of emissions? What is the quality and comprehensiveness of the scope 3 emission disclosure?*
Decarbonization strategy	Quantified plan setting out the measures that will be deployed to deliver GHG targets	*What are the quality and credibility of the company's decarbonization plan? Is the plan sufficiently transparent on the nature and contribution of its decarbonization levers?*
Capital allocation alignment	Clear demonstration that the company's capital expenditures are consistent with achieving net zero emissions by 2050	*Does the company provide sufficient disclosure on its capital allocation plans? Are investment plans aligned with the decarbonization strategy and a 1.5 °C degree trajectory?*
Climate policy engagement	Assessing the climate lobbying position and the alignment of direct and indirect lobbying activities	*Does the company provide sufficient disclosure on its climate lobbying efforts? Are these efforts aligned with the objectives of the Paris Agreement?*
Climate governance	Oversight of net zero transition planning, and executive remuneration linked to delivering targets and transition	*Has the company set relevant governance of its climate strategy with top-level ownership? Are remuneration plans and other performance incentives aligned with climate objectives?*
Just transition	Consideration given to the impacts from transitioning to a lower carbon business model on workers and communities	*Does the company consider the impacts of the transition to low carbon activities on its stakeholders? What measures did the company take to minimize negative impacts on workers and local communities?*
Climate risk and accounts	Disclosures on risks associated with the transition through TCFD reporting and integration of climate risks into financial accounts	*Has the company integrated climate in its risk management systems and accounting practices? Does the company provide sufficient information to assess the resilience of its business and strategy to various climate scenarios, including Paris-aligned? Have climate considerations been part of the verification conducted by the auditors on the various risks and accounting matters?*

Source: Candriam based on IIGCC framework

7.2. Biodiversity and Natural Capital

Defined as the variability among species and biological communities[35], biodiversity encompasses a wide range of scientific disciplines, emphasizing the interconnectedness of species and ecosystems. The loss of biodiversity, as science has demonstrated, poses significant risks to societal and economic stability, and therefore to the value of our investments. The **Task Force on Nature-related Financial Disclosures (TNFD)** is developing a standardized framework to help organizations report financial risks and opportunities associated with nature. Introduced in 2023, Candriam adopted this framework for our engagement activities, ensuring alignment with EU CSRD[36] requirements. In parallel to our individual engagements with investees, Candriam further increased its commitment to Biodiversity by joining collaborative initiatives targeting sovereigns or corporate issuers, such as the Investors **Policy Dialogue on Deforestation (IPDD) Initiative**[37] (in 2020), the **FAIRR – Biodiversity, Waste and Pollution**[38] (in 2022) or the **Nature Action 100+**[39] (in 2023).

We expect issuers to put in place an adequate management of biodiversity based on their specific exposure to biodiversity risks and impact.

For corporates, we base our engagement on Candriam Biodiversity framework, where issuers are assessed over 9 key biodiversity sub topics (see Figure 7). Companies with negative impacts on biodiversity or high dependencies must demonstrate robust strategies, risk management practices, and governance structures to mitigate adverse sustainability impacts. Candriam expects our investees to assess and report on their most significant impacts on nature and dependencies on biodiversity.

When initiating an engagement on Biodiversity and Natural Capital, Candriam pays particular attention to existing controversies, as well as strategic commitments to biodiversity, integration of biodiversity topics into governance principles, risk identification, monitoring and remediating measures, and support relevant disclosure and assessment (using scient-based targets (SBT) and associated science-based indicators). For more, refer to our Biodiversity Strategy.[40]

35 - Convention Text, https://www.cbd.int/convention/articles?a=cbd-02
36 - Corporate Sustainability Reporting Directive
37 - Investors Policy Dialogue on Deforestation (IPDD) Initiative, https://www.tropicalforestalliance.org/en/collective-action-agenda/finance/
38 - Waste & Pollution Engagement. FAIRR, https://www.fairr.org/engagements/waste-pollution
39 - Investor Expectations – Nature Action 100, https://www.natureaction100.org/investor-expectations-for-companies/
40 - Candriam Biodiversity Strategy, 2024, https://www.candriam.com/siteassets/_assets/02-publications/research-paper/2024/10/biodiversity/2024_10_wp_biodiversity_strategy_gb.pdf

Figure 9:
Candriam Key Biodiversity Sub Topics and Matrix

7.3. Human Rights

The need for stronger corporate action on human rights has been highlighted by recent global trends, including geopolitical volatility, supply chain sustainability, and the accelerating use of advanced technologies, such as generative AI. Candriam actively engages with issuers on essential aspects of responsible corporate behaviour regarding human rights. Our goals, amongst others, are to safeguard access to healthcare, establish safe working conditions, support community nutrition, and address supply chain management, child labour, forced labour, and digital rights. In accordance with the SFDR, Candriam integrates and track progress on PAIs linked to human rights issues in our sustainable investment processes. Our Candriam Human Rights Policy is based on international standards including the **United Nations Universal Declaration of Human Rights**, the International Bill of Rights, the core standards of the **ILO Convention**, the **UN Global Compact**, the **UN Guiding Principles on Business and Human Rights** and the **OECD Guidelines**. We refer to these standards when engaging with issuers.

Alongside our individual engagement campaign we actively support collaborative dialogues such as those coordinated by the **Investors Alliance for Human Rights**[41] and by the **Collective Impact Coalition for Ethical Artificial Intelligence**.[42]

Candriam expects corporate issuers to assess and address risks through strong human rights policies, including detailed commitments on forced labour, child labour, and exposure to conflict-affected and high-risk areas (CAHRAs).

A strong governance is required, including both board and management expertise and clear responsibilities. Candriam analyses evidence of regular and detailed human right impact assessment and human right risk mapping throughout the value chain of the investee company. Additionally, we expect issuers to implement risk remediation, whistleblowing programs accessible to all stakeholders, and to regularly report on their human rights performance. Further criteria include the evidence of a group-wide grievance mechanism to remedy situations of harm throughout the value chain, and detailed disclosure and reporting, including KPIs and use cases of relevant examples. Finally, for CAHRAs, heightened due diligence must be in place. These processes must include engagements with external experts, stakeholders, NGOs, and members of affected communities.

The Candriam ESG Team proactively evaluates issuers' ability to sustainably incorporate stakeholder interests into their long-term strategy, and continuously monitors issuers to identify any controversies with regards to international norms on human rights. At Candriam, we monitor issuers' exposure to regimes where human rights are compromised and systematically engage with companies when this exposure is significant. For more, refer to our Human Rights Policy.[43]

41 - Investor Alliance for Human Rights, https://investorsforhumanrights.org/
42 - WBA, investors and civil society call on tech companies for more ambitious ethical AI practices. World Benchmarking Alliance, https://www.worldbenchmarkingalliance.org/news/wba-investors-and-civil-society-call-on-tech-companies-for-more-ambitious-ethical-ai-practices/
43 - Human Right Policy. Candriam, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/candriam-human-rights-policy/human_rights_policy_def_gb.pdf

7.4. Human Capital

Human capital management (HCM) focuses primarily on optimizing workforce management and well-being, including employee development and retention, to drive long-term business value and sustainability. This includes talent management, succession planning, equity and inclusion policies and compliance with legal requirements. As the regulatory landscape evolves, such as the EU regulations to require the reporting of HCM metrics beginning in fiscal year 2024, the importance of transparency and accountability in this area is growing.[44]

As a supporter of the **Workforce Disclosure Initiative** (WDI),[45] Candriam is part of a collective effort to enhance workforce-related disclosure. Candriam also supports individual engagement via the **development of comprehensive HCM strategies and KPIs**, addressing workforce demographics, stability, recruitment, development, and engagement practices.

This topic has been a focus for the managers of some investment strategies, such as those investing in small- and mid-sized companies caps. As a result, these topics have been at the centre of our engagement attention. As our research shows these companies face unique challenges in attracting and retaining talent, especially due to limited resources and rapid growth.

Our HCM engagement also covers **diversity and inclusion practices**, assuring that companies are committed to creating diverse and innovative workforces that contribute to better business outcomes. We also support diversity and inclusion through collaborative initiatives such as the French **30% Club Investor Group**.[46]

We expect issuer practices to include the provision of equal opportunities for career development within their organization. In alignment with CSRD, issuers should have a strong workforce policy assessing and mitigating the human capital impacts of their business, starting with disclosure of how the company identifies, prevents and mitigates workforce safety risks in its operations and supply chains. They should also leverage the opportunities for workforce well-being and training. The policy should address employees retention, development and well-being. The board should ensure that the corporate culture supports positive stakeholder relations and engagement with the workforce, supported by relevant metrics to identify strengths and weaknesses. Processes should be in place for engaging with the company's workers, as well as channels for workers to raise concerns, and processes to remediate negative impacts.

Candriam expects companies to disclose key HCM policies which should clarify objectives, measurable goals and key performance indicators on an annual basis. Aligned with the CSRD disclosure requirements, organizations should report on their diversity metrics, the characteristics of employees in workforce, training and skills development metrics, health and safety metrics, and remuneration metrics (pay gap, total remuneration, and adequate wages).

44 - Corporate sustainability reporting directive, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464
45 - WDI Data. Workforce Disclosure Initiative, https://workforcedisclosureinitiative.org/
46 - France Investor Group. 30% Club, https://30percentclub.org/france-investor-group/

7.5. Governance and Business Ethics

Strong governance mechanisms help maintain a balance between financial performance and ethical business conduct. We consider strong governance essential to the development of a sustainable strategy and performance.

In full alignment with our voting policy, our approach to governance engagement relies on internationally-recognized standards, notably the **OECD Principles**[47] and those of the **International Corporate Governance Network** (ICGN).[48]

At Candriam, we seek to confirm that appropriate policies and resources are in place to prevent unethical practices, such as corruption, collusion, price-fixing or lobbying/tax scheme abuse, and to promote continuous improvement in corporate behaviour. In line with our commitment to ethical business practices, we support the **UN Global Compact's Call to Action on Anti-Corruption**.

Corporate governance principles we support via our individual or collaborative engagements are detailed in our voting policy,[49] which defines our expectations notably regarding:

- Board composition, level of independence, expertise and accountability
- Compensation policies providing incentives for management to generate long-term, sustainable growth
- Auditing practices, financial and non-financial reporting
- Share capital, protection of minority shareholders rights and interests

Business ethics engagement addresses prevention, detection and response:

- Prevention: Policies, code of conduct and compliance organization, risk assessment approach per country/function, training (internal/third parties audience, type), interoperability of accounting systems cross countries or divisions, participation in voluntary initiatives, absence/elimination of counter-productive incentivization measures
- Detection: Measures and tools implemented to detect and report internally on improper conduct or suspicious behaviour (eg audit and whistleblowing systems
- Response: Lessons learned and addressed from past compliance-related incidents and/or major corruption controversies (including adaptation of policies, managerial structure and processes), quality of the related public disclosure, quality of the relations with authorities and regulators

We also engage to supports provision of detailed information about involvement in sustainable initiatives and transparency over lobbying efforts/ political engagement, including donations to political causes or candidates, management of discrepancies between issuer's public commitments and positions defended by its trade associations.

Our engagement activities also support proper overseeing of tax policies and practices, ensuring they are legally compliant and socially responsible, capable of withstanding external scrutiny. As a consequence, our engagement initiatives may push for country by country reporting, especially for companies or sectors we consider particularly at risk.

47 - Revised OECD Principles on Corporate governance and their relevance of non- OECD countries (2004), Corporate governance. OECD, https://www.oecd.org/en/topics/corporate-governance.html
48 - 3 ICGN Global Governance Principles, ICGN Global Governance Principles 2021, https://www.icgn.org/sites/default/files/2021-11/ICGN Global Governance Principles 2021.pdf
49 - Proxy Voting Policy. Candriam, https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf

8 – Sovereign Specific Engagement.

Sovereign engagement at Candriam is also based on a thorough assessment of each country's alignment with the United Nations Sustainable Development Goals (SDGs) and utilizes a combination of individual and collaborative engagements to drive meaningful change and/or better inform our investment decision.

Candriam's Proprietary Country Assessment Model evaluates sovereign sustainability risks and opportunities on a periodic basis, incorporating country data sourced from various nongovernmental and supranational entities. The analysis uses the four key pillars: Natural Capital, Human Capital, Social Capital, and Economic Capital, which align with the 17 UN Sustainable Development Goals. Each pillar is assessed with specific key performance indicators (KPIs), with most material issues for each country weighted more heavily for that particular country score. The model incorporates historical data, real-time assessments, and forward-looking momentum adjustments to provide a comprehensive and forward-looking ESG score for each country. More on our sovereign model is available on our website.[50]

Individual versus Collaborative Sovereign Engagements

Our engagement approach has evolved over time, becoming increasingly proactive. Historically, we prioritised a collaborative approach, starting with public statements to express our concerns, followed by collaborative dialogues with other investors on systemic issues such as climate change or deforestation. More recently, we have added individual engagements to our approach, directly addressing specific, material issues within our portfolios.

Candriam now chooses between collaborative and individual engagement with sovereigns based on the issue's scope and impact. Collaborative engagement addresses broad, systemic challenges such as climate change, leveraging collective investor influence for widespread impact. Individual engagement focuses on specific, targeted issues affecting Candriam portfolios,

50 - The New Sovereign Sustainability Model. Candriam, https://www.candriam.com/en/professional/insight-overview/publications/research-papers/the-new-sovereign-sustainability-model/

involving more immediate, tailored interactions. The key difference is scale and level of emergency -- collaborative engagement aims at broader sustainable development change, while individual engagement targets more specific issues for which we need to gain better insight or access to information.

Candriam actively participates in several collaborative sovereign engagement initiatives, leveraging collective investor influence to drive systemic change. These include the **Collaborative Sovereign Engagement on Climate Change**, coordinated by the UN PRI, a platform where Candriam works with other investors to encourage governments to implement policies aligned with the Paris Agreement.

Candriam is also a prominent member of the **Investor Policy Dialogue on Deforestation** (IPDD), engaging with Brazil and Indonesia to curb illegal deforestation and promote sustainable development. Candriam's engagement themes are also applicable in our discussions with sovereigns. Specifically, we engage with sovereigns on **Climate Change**; recognizing the critical role of climate change in 1) sovereign bond assessments, 2) adaptability of the economy to climate change, and 3) the sovereign's role in supporting our investee corporates' own transition to a lower-carbon economy. Our engagements also include **Human Rights** and **Ethics** topics, engaging governments on issues like tax transparency.

Similarly, our engagement process with sovereigns follows the same framework as detailed in Section 5, tailored to the sovereign context. Using Candriam's proprietary sovereign model, we conduct an in-depth analysis of each country's context, existing policies, and enforcement mechanisms, assessing the commitment and action plans of the government toward achieving its sustainability goals. As with our broader engagement process, once SMART goals are defined, Candriam determines whether an individual or collaborative approach is most effective. We typically initiate contact with the sovereign investee through a formal letter, followed by meetings to discuss the objectives.

As for all our engagements, the outcomes and impact on the issuer are recorded, and a summary report is produced. This may include a public statement outlining the context and objectives of the engagement, with a final report summarizing achievements, challenges, and future expectations. This ensures that outcomes align with both the country's sustainable development goals and the interests of investors.

9 –Industry Associations.

Candriam is actively involved in many **associations and bodies** that promote the integration of sustainable development within the **investment industry**:

- National and international asset management industry associations, through working groups dedicated to responsible investing (RI)
- National and international sustainable investment forums
- Sustainable development information and education centres
- Industry think tanks and similar organizations

Candriam makes our own position public if the advocacy positions taken by industry associations of which we are members are not aligned with our own views. We may also make our position public in other instances we believe are appropriate.

Candriam routinely responds to consultations from regulatory or industry bodies, not only through associations and often simultaneously in our own name, to gain leverage and/or highlight specificities.

In addition to these statements and press interviews, Candriam shares our ESG expertise as a regular speaker at key ESG conferences in Europe and abroad, organized by public and private bodies.

More information is available in our Guiding Principles on ESG Promotion and Influence,[51] and our CSR Report.[52]

51 - Candriam's Guiding principles on ESG Promotion And Influence, https://www.candriam.com/siteassets/medias/insights/publications/guiding-principles-on-esg-promotion--influence-2021.pdf
52 - Candriam 2024 CSR Report, https://csr.candriam.com/pdf/Candriam_2024_CSR Report.pdf

10 – Compliance Elements.

10.1. Identification and Management of Conflicts of Interest (CoI)

Candriam, or a company with whom we have an association, may from time to time have interests which conflict with the interests of, or duties owed to, clients. These include conflicts arising between the interests of Candriam, our employees, the interests of our clients, and conflicts among clients.

We have designed and established procedures to identify, prevent and/or manage such conflicts. These include organizational and administrative arrangements to safeguard the interests of our clients. This includes rules which define our engagement approach.

To prevent conflicts of interest, Candriam consistently applies our standards to engagement activities regardless of the expected or existing commercial relationships with the engaged company or entity.

Should a conflict of interest arise, the Compliance Department is to be immediately notified. The best approach will be determined in full cooperation with the Compliance Department.

To manage and prevent such a risk, and in addition to the regular monitoring by our Compliance Department, several measures have been undertaken:

- Candriam manages conflicts of interest by putting the best interests of clients and beneficiaries first, and thus enhance the long-term value of their shareholdings
- The Engagement Policy, which determines the decision-making process for engagement, is approved by several relevant committees, ensuring a diversity of internal and external reviews
- Exceptions to any principles disclosed in the Engagement Policy first be reviewed by the Compliance Department, followed by validation from the multi-stakeholder Stewardship Workstream

- Employees must comply with Candriam's Conflicts of Interest Policy and declare any outside business activities
- 'Information barriers' between Candriam's business units safeguard that Candriam employees remain independent and neutral in exercising their responsibilities
- Controls are in place to verify that internal policies are implemented

As for all other Candriam activities, engagement activities fall under the scope of the Candriam Conflict of Interest Policy, publicly available, and incorporated in full.

Records of all potential conflicts of interest related to both Voting and Engagement and their resolution are kept as part of either the Proxy Voting Committee, or the Stewardship Workstream minutes. Material conflicts of interest that are identified trigger an escalation process involving the Head of Compliance and the relevant manager on a case-by case basis.

When a conflict of interest is identified, it is disclosed to the concerned clients where required by applicable law.

10.2. Voting-Specific

Please refer to the dedicated chapter of our Voting Policy.[53]

10.3. Insider Information

The main risk here would be of gaining access to inside information during an engagement process ***and*** using it; either by disclosing it to others or by acting upon it. Insider information includes intimate knowledge or material non-public (privileged) information on the affairs, operations or financial position of a corporation that would affect the market price of the securities in question.

To manage the risk and prevent such an event, and based on the Candriam Material Non-public Information Policy, any persons involved in engagement and discussions with companies are trained to identify insider information, with periodic refreshers. When a staff member has any reason to believe that the information is material and non-public, or if they have questions as to whether the information may be material and non-public, they must report

53 - Available under https://www.candriam.com/en/professional/legal-and-disclaimer-candriam/regulatory-information/

the case to the Chief Compliance Officer, who will review the issue and determine any further measures. Meanwhile, the staff member will refrain from discussing the information internally or externally.

A specific disclaimer is added to documents sent to issuers at the dialogue-initiation stage, and if necessary, again later in the process.[54] The same holds for conference calls or meetings

10.4. Communication of Engagement Impact with a Given Issuer

ESG Research and Investment Team members may send feedback to companies they have engaged with, highlighting our identified strengths and weaknesses, as well as our expectations in the short, medium, and long term. Best practices can also be shared when publicly disclosed by interested parties.

Such feedback is, however, not systematized, and may occur at the demand of the issuer itself. The ESG eligibility status of the issuer can also be provided to that issuer upon request, as well as more details on the methods we use to assess their strategy and performance, including their positioning relative to sector peers. When we do this, we do not charge a fee.

10.5. Disclosure Conditions for Information Gathered Through Engagement

Collaborative Initiatives

For the vast majority of the collaborative initiatives we sign, the related terms of reference specify the rules of confidentiality. Most commonly, we are allowed to disclose the names of issuers for which we are lead investor contact within the group.

54 - Disclaimer: As an investor, Candriam does not wish to become an insider. While we consider the issues we are discussing to be material to the long-term performance of the company, unless otherwise specified, we assume that no "material non-public information" will be disclosed to us.

Any participating investor is free to provide information to the other participating investors on the engagement activities undertaken within the collaboration. Any information disseminated must be in the investor's own words.

Targeted issuers are informed that the outcome of discussions will be shared amongst participating investors.

In cases where the initiative communicates outcomes of engagement, these remain general, outlining positive case studies, tools or lessons learned for signatories seeking to engage on the topic in the future. Detailed content of exchanges are not publicly disclosed (outside the participating investors) without the prior consent of the issuer in question.

Direct Dialogue

At the time a dialogue is initiated, the issuer is informed that their answers will feed Candriam's internal analysis and that Candriam will communicate on engagement outcomes with its institutional clients, unless the issuer asks us not to. In any event, their answers are not publicly released without their prior consent. The issuer's name, but not details, *will* appear in Candriam's annual engagement report as one of the corporates contacted during the year, unless the issuer specifically requests to remain anonymous. Details of engagement are not made public.

Where recordings of group discussions are made, Candriam representatives will state at the start of the call that the call is being recorded for note-taking purposes.

10.6. Exchanging Information With Other Investors and/or Asset Managers

In the framework of a collaborative engagement, or within specific working groups that are part of industry bodies, we may exchange with other investors and asset managers.

Exchanges should be limited to furthering the goals and objectives of our collaboration, and information gathered should not be used for any other purposes beyond the objectives of the initiative or working group.

Further, we will not share the opinion and forecasts of our ESG and fundamental analysts/investment managers on the investee company.

We do not disclose the size of our equity or credit position in a specific issuer to other investors. One exception, however, is that when we co-file a shareholder resolution with other investors, we may share the level of our holdings with the members of the investor group to ascertain whether collectively, the necessary threshold for the filing has been reached.

10.7. Acting in Concert

Directive 2004/25/EC on Takeover Bids has implications for our engagement activities. We follow ESMA established procedures to prevent Candriam being considered as 'acting in concert' with other investors because of our dialogues.

The Directive defines "persons acting in concert" as follows:

> *Natural or legal persons who cooperate with the offeror or the offeree company on the basis of an agreement, either express or tacit, either oral or written, aimed either at acquiring control of the offeree company or of frustrating the successful outcome of a bid.*

In a dedicated 2012 report[55] the European Commission suggested a clarification of this concept of "acting in concert" at EU level to enable investors to cooperate for the purpose of exercising good corporate governance but without seeking to acquire or exercise control over the companies in which they have invested.

As defined by the European Securities and Markets Authority (ESMA) in its 2014 Public Statement,[56] cooperation might consist of discussing together issues that could be raised with the board, making representations to the board on those issues, or tabling or voting together on a particular resolution. The issues on which shareholders might cooperate could include: Commercial matters (such as particular acquisitions or disposals, dividend policy, or financial structuring), matters relating to management of the company (such as board composition or directors' remuneration), or matters relating to corporate social responsibility (such as environmental policy or compliance with recognized standards or codes of conduct).

A "White List" of certain activities in which shareholders might wish to engage for the purposes of exercising good corporate governance (but without seeking to acquire or exercise control over the company) has been defined by ESMA.

We systematically refer to this White List of activities for our engagement activities, to ensure involved cooperation will not, in and of itself, lead to a conclusion that we are acting in concert.

55 - European Commission Report on Takeover Bids
56 - ESMA Public Statement – Shareholder Cooperation and Acting in Concert

10.8 Application of the Policy and Independence from Group Actions

With limited exceptions, Candriam applies this policy (as outlined in Section 3.3) across all relevant assets under management by actively supporting the collaborative initiatives we choose to engage in. This support reflects our independent commitment to responsible investment practices and does not imply any operational coordination or shared decision-making with other participants in these initiatives. For the avoidance of doubt, Candriam does not accept, enter into, or participate in any agreement, arrangement, or understanding—whether formal or informal, written or oral—with any other person or entity for the purpose of acquiring, holding, voting, or disposing of equity securities of any issuer, in a manner that would result in the formation of a "group" as defined under Rule 13d-5(b)(1) of the Securities Exchange Act of 1934. Candriam expressly disclaims any intention to act jointly or in concert with any other person with respect to such securities and does not acknowledge the existence of any such group or coordinated action. Furthermore, Candriam shall act solely pursuant to the principles and guidelines set forth in its applicable internal procedures, policies, and regulatory frameworks, and any action it undertakes in respect of equity securities shall be interpreted in light of those internal rules alone.

11 – Reporting.

In compliance with the sixth UN PRI principle,[57] the EU Shareholder Rights directive,[58] and the UK Stewardship Code 2020[59] (of which Candriam has been a signatory since 2023), we undertake to regularly report on our engagement activities and progress, both internally and externally. Moreover, as a member of EFAMA,[60] Candriam aligned the reporting of our engagement activities with the sixth principle of the EFAMA Stewardship Code.[61]

Furthermore, Candriam voluntarily takes into account, to the extent relevant, reporting guidance contained in other regional stewardship codes.

11.1. Internal Disclosure and Leverage

Candriam's Global Strategic Committee as well as our Executive Committee are regularly informed of engagement activities and their related outcomes. Summary information with the relevant engagement indicators over past and current engagement initiatives are available to all investment teams via Candriam internal-only systems. When relevant, and systematically when an engagement initiative is attached to a specific investment strategy, cross-team meetings are organized.

The ESG Research and Investment team ensures that communication channels exist internally to provide updates on new collaborative engagement initiatives and on engagement outcomes, when relevant to the investment teams.

Depending on the case, various channels may be used (not mutually exclusive):

- Sector-based committee reports or presentations, which mention the dialogues and sensitive votes that occurred over the past three years (internal only)
- ESG Alerts (internal only)
- ESG integration or Asset-specific committees made up of ESG and investment specialists (internal only)

57 - What are the Principles for Responsible Investment? PRI, https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment
58 - Shareholder Rights Directive. EUR-Lex, https://eur-lex.europa.eu/EN/legal-content/summary/shareholder-rights-directive.html
59 - The UK Stewardship Code 2020, https://media.frc.org.uk/documents/The_UK_Stewardship_Code_2020.pdf
60 - https://www.efama.org/
61 - European Fund and Asset Management Association, EFAMA Stewardship Code, https://www.efama.org/sites/default/files/files/EFAMA Stewardship Code_FINAL.pdf

- Informal dialogue between the ESG Research and Investment team and the portfolio managers (internal only)
- Access for all investment teams to summary profiles of recent and ongoing engagement initiatives, including our votes at general and extraordinary meetings (engagement details internal only, lists of companies engaged, and votes, published annually)
- Engagement and Proxy annual / mid-year reviews *published* on the Candriam intranet, regular release of *published* case studies

The goal of real-time internal reporting on existing engagements is to prompt parties in relationships with companies to improve the quality of exchange on ESG topics. Consistency is key to our approach: Candriam speaks with one voice.

11.2. Reporting to Clients

In accordance with the EU shareholder rights directive, and with contractual agreements, all Candriam institutional clients, and specific clients in individual and/or custom agreements with Candriam, benefit from regular updates on their portfolios and related engagement analysis. Thus, they may benefit from more regular or thematic-specific updates on their portfolio and related analysis viewed through the prism of engagement.

In particular, they receive dedicated reports with:

- Details of any new collaborative engagement initiatives Candriam has signed, with an invitation to join
- Updates and outcomes of signed collaborative initiatives
- The set of engagement priorities identified for their portfolio (if customized to their own specific interests), with related goals of engagement
- List of individual engagement over the considered period of review, with their status (prepared/initiated/ongoing/closed), related outcomes at both issuer and ESG analysis level if any

When relevant, they also receive:

- The detail of the votes (proxy voting) for their portfolio with the associated rationale for decisions on management and shareholder resolutions
- Our annual Proxy and Engagement reviews

Presentations made outside of any contractual relationships with clients are also opportunities to share our experience and the outcomes of our engagements. Meetings also represent an opportunity to receive feedback from clients on our engagement and voting strategies and reporting, allowing us to continuously improve our approach to better fit with their expectations.

11.3. Disclosure to Investees

When engagement activities related to the investment decision process occur, Candriam makes every effort to maintain transparency with our investees about our rationale and may report to the issuer on that specific topic, in particular:

- Within our ESG analysis framework, when Candriam wants to inform issuers of the final opinion it has opted for, and the main elements underpinning its decision
- Following an event deemed controversial and/or material (eg, breach of UN Global Compact Principles), leading to the inclusion of the issuer's name on our Sustainability Risk Management Policy Watch List. Companies turning "Candriam wide ineligible", on normative-analysis grounds, fall under this scenario

Engagement is intended to encourage issuers to adopt/adhere to recognized standards/norms or more common practices, so that they can better anticipate and manage specific ESG risks and opportunities. Such engagement activities occur when our internal analysis suggest that the issuers in question may lose their competitive edge and/or jeopardize their mid-term or long-term valuation through being unprepared for changing market conditions because they have not properly managed an ESG topic. We may offer educational calls to present what we consider as best practices at peer or global level.

More specifically, engagement activities leading up to or following the annual general meetings (AGMs), as well as voting itself, belong to this pillar. When contacting issuers, Candriam presents our voting policy and the rationale behind specific controversial voting recommendations, advocating change in favour of best practices in the field.

11.4. Public Disclosure

Our main external communication occurs through our corporate website and press releases for our annual/semi-annual voting and/or engagement reviews. Social media may also relay our initiatives and engagement Convictions over the course of the year. Engagement case studies and research papers are also regularly published on our website.

Our annual review covers the most important topics of engagement over the year, details the engagement initiatives carried out (thanks to data extracted from our proprietary database) to paint a true picture of Candriam Conviction, efforts and achievements in that field.

For Candriam's open-ended funds, the list of AGMs where we cast our votes is published in the annual/semi-annual reports. Details of all votes cast based on the Candriam policy can be found on the website.[62] A dedicated webpage is also available where we predeclare voting intentions for resolutions deemed important or sensitive to us. When these are shareholder resolutions, we simultaneously predeclare on the UN PRI Resolution Database.[63] Moreover, at the financial product level, our Periodic Report Disclosure (PRD) details the main adverse impacts (PAIs) on sustainability factors which are taken into account through our engagement initiatives, on an annual basis.

For funds with Belgian *Towards Sustainability*[64] or French *Label ISR* labels,[65] specific engagement reports are also made public.

62 - Our voting scope and other information on our voting approach, including why Candriam may choose not to vote, are detailed in our voting policy and /or on our site and/or in the respective annual reports of our open funds.
63 - Resolution Database. PRI, https://collaborate.unpri.org/shareholder-resolution
64 - Towards Sustainability Initiative. Towards Sustainability, https://towardssustainability.be/ - Please, find our Belgian Towards Sustainability labelled funds and reports on the following webpage: https://www.candriam.com/en-at/professional/funds-lister/?filter=Labels.eq.Label_Toward_Sustanaibility&page=1&page_size=6&sort=RatingOverall&sort_type=asc&view=overview
65 - Label ISR - Pour des placements durables et responsables, https://www.lelabelisr.fr/ - Please, find our Funds with the SRI labels and their dedicated report on the following webpage: https://www.candriam.com/en-at/professional/funds-lister/?filter=Labels.eq.Label_ISR&page=1&page_size=6&sort=RatingOverall&sort_type=asc&view=overview

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Appendix I
Candriam Sustainability Risk Committee ecosystem

Candriam's sustainable governance structure -- and more specifically our Sustainability Risk Committee, our Proxy Voting Committee and our Stewardship Workstream – are designed to ensure Candriam's policies of engagement and voting are aligned with Candriam's duties and Convictions, are regularly updated, and are well-implemented. Because these governance bodies shape and monitor our approach, they confirm that our engagement priorities are well-considered, closely-followed, and that related information is shared and discussed to eventually validate important steps of engagement, such as escalations.

The ESG Team may deviate from the original Engagement Policy in the best interests of Candriam's investors after the approval of the appropriate committee. Specifically:

- **For voting-related decisions**, the deviation must be approved by the Proxy Voting Committee
- **For engagement via dialogue activities**, approval is required from both the Stewardship Workstream and the SRC or GSC

Both types of deviations will be disclosed publicly, as mandated by the European Shareholder Rights Directive II (SRD II).

1. Report on major ESG controversies, risks, and engagement progress related to ESG risk identified, present engagement and voting policies for validation
2. Inform internal stakeholders of the ESG risks of the funds and mandates
3. Identify engagement needs related to ESG risks
4. Decision: Divestment, Monitoring, Watch list
5. ESG assessment and ESG universe, involvement in engagement choices and activities

Appendix II
Links between Candriam Funds Impact Indicators, Engagement Activities, SDGs and PAIs

Engagement Theme	Fund Impact Indicator	Related SDG	Related PAI	Related individual engagement (examples)	Related past or current collaborative engagements supported by Candriam (examples)
Climate Change	**Carbon emission** (or Footprint) in tons CO2e per million invested, Carbon intensity in tons of CO2e per million of revenue, WACI (Weighted Average Carbon Intensity) in tons of CO2e per million of revenue		PAI 1. GHG emissions PAI 2. Carbon footprint PAI 3. Issuer GHG Intensity PAI 4. Exposure to fossil fuel sector PAI 5. High non-renewable energy PAI 6. Energy intensity per impact sector PAI 15. GHG intensity for Sovereigns and Supranational	• Just Transition dialogue campaign • Direct company-specific dialogue • Support to relevant Climate shareholder resolutions • Sanction vote against management	• Climate Action 100+, CA100+ related - Paris-aligned accounting and audit, CDP Climate • IIGCC-led engagement on Financials • Global Investor Statement to Governments on Climate Change • AGM Resolution co-filing • PRI Australia
Biodiversity and Natural Capital	**Water consumption** (or Footprint) in m3 of water per million invested, **Water intensity** in m3 water per million of revenue		PAI 7. Activities endangering biodiversity PAI 8. Emissions to water	• Direct company-specific dialogue • Support to relevant water- or waste-related shareholder resolutions	• PRI-led Water Risks in Agriculture Supply • CDP Water • FAIRR Biodiversity, Waste and Pollution
Human Rights	**Employee fatality** rate score from 0 to 100		PAI 10 - Violations of UN GC principles and OECD PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN GC PAI 14 - Exposure to controversial weapons PAI 16 - Investee countries subject to social violations	• Direct company-specific dialogue • Dialogue campaign on working conditions at ICT supply chain level • Support to shareholder resolutions demanding improved disclosure on human rights due diligence in high risk or conflict affected areas	• Workforce Disclosure Initiative • Engagement over presence in High Risk and Conflict affected Areas • Investor Alliance for Human Rights • Ethical AI coalition
Human Capital Management	**Collective bargaining agreements** score from 0 to 100		PAI 10 - Violations of UN GC principles and OECD PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN GC	• Direct company-specific dialogue • Dialogue campaign on working conditions at ICT supply chain level • Support to shareholder resolutions demanding improved disclosure on social issues • Pre-/Post-AGM dialogues • Vote Against Directors and/or Chairman at AGMs	• Workforce Disclosure Initiative • Active Engagement – Human Capital in Small and Mid-sized firms • French 30% Club Investor Group • Investor Statement to support the UN Women's Empowerment Principles and achieve Gender Equality
Corporate Governance & Business Ethics	**Corporate Governance** Percentage of women on company board / Percentage of independent board members		PAI 13 - Board Gender Diversity PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN GC		
Corporate Governance & Business Ethics	**Business Ethics** Bribery and corruption policy score: 0 to 100 / Money laundering policy score: 0 to 100		PAI 10 - Violations of UN GC principles and OECD PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN GC	• Direct company-specific dialogue • Support to shareholder resolutions demanding improved disclosure on lobbying and/or donations and/or tax matters	• Investor Statement to EU Policymakers on the future of Corporate Reporting • PRI-working group on Corporate Tax Responsibility

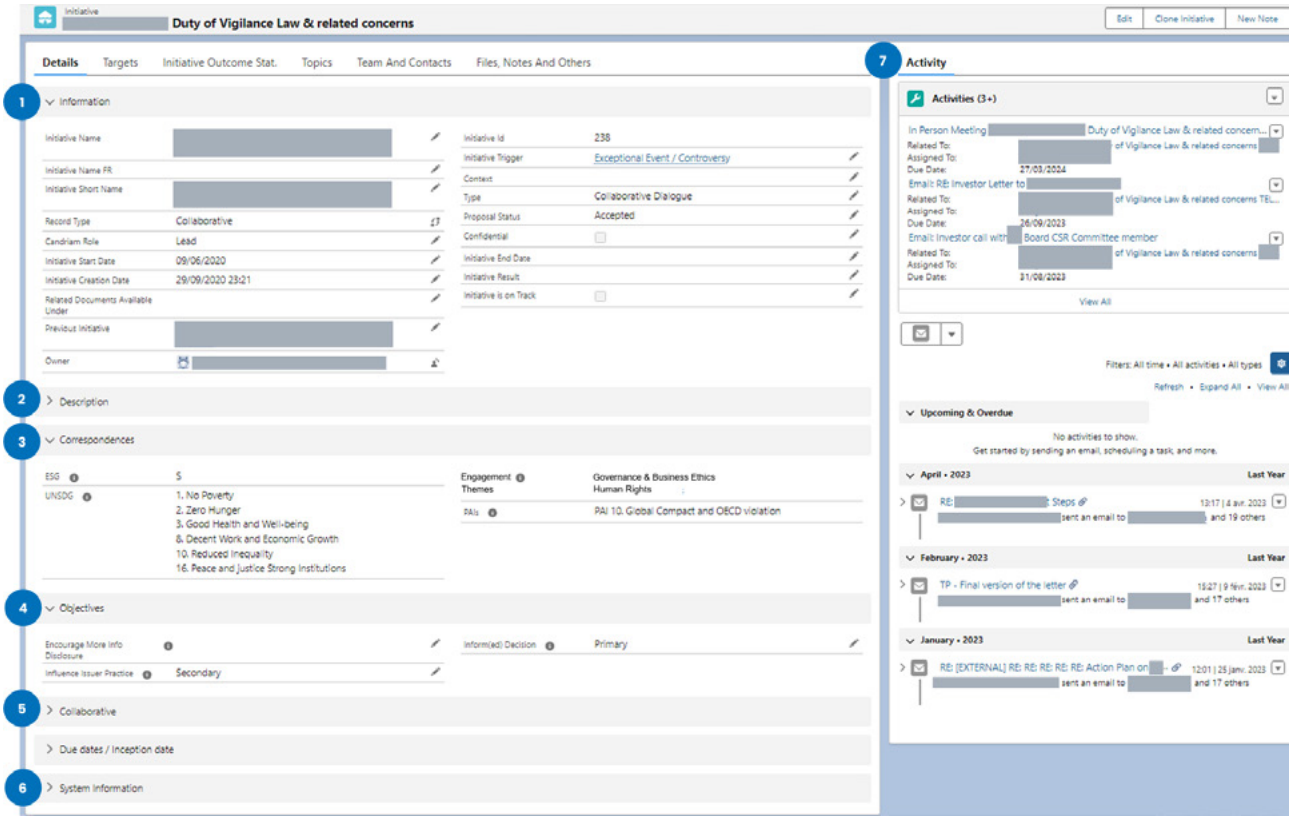
For more on the link between our engagement initiatives and the SFDR PAIs, please refer to Candriam's SFDR Statement, https://www.candriam.com/en-be/professional/SysSiteAssets/medias/insights/sfdr-publications/pai-report_en.pdf

Appendix III
Candriam's Commitments

Commitments and Statements Signed	Description	ESG Category	Signed in
Principles for Responsible Investment (PRI)	Candriam commits to the 6 PRI principles by integrating ESG factors into our investment strategies, promoting responsible stewardship, and fostering transparency and collaboration in the investment industry.	ESG	2006
UNGC Call to Action on Anti-corruption	Candriam supports the appeal to governments calling for commitment to strengthen anti-corruption measures and provide greater transparency, aiming to integrate anti-corruption and good governance into the post-2015 UN development agenda.	G	2014
G20 Energy Efficiency Investor Statement	Candriam commits to embed material energy efficiency into our companies' evaluations, as a focus in our engagements, shareholder voting, and selection of investment.	E	2015
Montreal Carbon Pledge	Candriam commits annually measure and publish the carbon footprint of our Sustainable Funds, to develop an engagement strategy and, identify and set carbon footprint reduction targets.	E	2015
Paris Pledge for Action	We affirm our strong commitment to maintaining a safe and stable climate by limiting the global temperature rise to below 2°C, and support the adoption of a new universal climate agreement at COP 21, a critical step forward in global climate action.	E	2015
Investor Statement on ESG Credit ratings	We commits to incorporate ESG factors into investment analysis and decision-making processes, seek appropriate disclosure on ESG issues by investee entities, report on activities and progress towards implementing responsible investment, and engage in dialogue with credit rating agencies to further support formal integration of ESG factors into ratings.	ESG	2017
Tobacco-free Finance Pledge	Candriam commits to integrate ESG considerations into decision-making, collaborating with partners and stakeholders to raise awareness and promote widespread action, managing risks, developing solutions, and ensuring transparency by publicly disclosing progress.	S	2018
The Investor Agenda	Candriam commits to engage companies toward a 1.5°C future, managing climate risks and shifting capital toward net-zero-aligned businesses, advocating for policies that support a just transition to a net-zero economy by 2050, and enhance disclosure on Net-Zero progress	E	2018
Commitment to support a Just Transition on Climate Change	Candriam commits to supporting the Just Transition by integrating workforce and social factors into climate practices. This includes recognizing the social dimension as key to the transition on climate change and promoting transparency through learning and sharing best practices.	ESG	2018
Task Force on Climate-Related Financial Disclosures (TCFD) supporter	Candriam supports the TCFD by integrating and encouraging the implementation of its recommendations to manage climate risks and enhance transparency in climate-related risks and opportunities. **Important note:** the TCFD is now embedded into ISSB.	E	2021
Net Zero Asset Managers Initiative (NZAMI)	Candriam commits to achieving over 50% of financed emissions as "Net Zero" or aligned by 2030, a 50% portfolio emissions reduction by 2030, engaging 70% of financed emissions, and reducing sub portfolio WACI by 50%, with key corporate engagement by 2025.	E	2021
UK Stewardship Code 2020	Candriam supports the 12 principles of the UK Stewardship Code 2020 to guide our stewardship activities, which include promoting transparency, accountability, and responsible corporate behaviour.	ESG	2022 application,
Task Force on Nature-related Financial Disclosures (TNFD)	As Early Adopters of the TNFD, Candriam commits to align our disclosures with the TNFD Recommendations in our corporate reporting, emphasizing nature-related risks and opportunities in our decision-making processes, and promoting transparency and accountability in reporting on biodiversity impacts and dependencies.	E	2023, public information 2024

Appendix IV 1/2
Candriam Tracking and Monitoring Tool

Candriam has developed a proprietary tool to track and monitor all our engagement initiatives. Each dialogue is recorded and classified per topic, pillar of engagement, SDGs, PAIs and ESG factors. The milestones specific to each engagement are defined and tracked with clear deadlines within the tool, allowing timely monitoring and oversight by the team. When closed, the final assessment of the ESG analyst is indicated on the platform. Our tool further enables us to monitor the way the investees' ESG score and sub-scores are impacted throughout the duration of an engagement. In the same way, we are also tracking Candriam's holding in the issuer based on the engagement timeline.



1. **Information**: Overview of the initiative, including name, trigger, type, context, status, and ownership.
2. **Description**: Description of the engagement initiative and its narrative.
3. **Correspondences**: Links to relevant ESG topics, UNSDG goals, and convictions that the initiative addresses.
4. **Objectives**: Defines the primary and secondary goals of the engagement, such as disclosure or influencing issuer practices.
5. **Collaborative**: Specifies if the engagement is collaborative or individual and provides details.
6. **System Information**: Technical or system-related information for tracking the initiative.
7. **Activity**: Log of past and upcoming actions, meetings, or correspondence related to the initiative which allow us to track the latest update.

Appendix IV 2/2
Candriam Reporting Tool

The data are stored and can be used at any time, over selected Candriam's fund range, to generate an engagement report for our Clients with all the engagements undertaken for specific strategies over diverse time range (upon request of the client). This report typically contains statistics about the dialogues; types, statues, breakdown by region, by objective, by ESG factor, and by sector. The report further indicates which SDGs and PAIs were targeted, as well as the details of the initiatives.

€156 B

of assets under management 30 June 2025

600 +

Experienced and committed professionals

+ 25 years

Leading the way in sustainable investing

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*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labeling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 30/06/2024.

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