

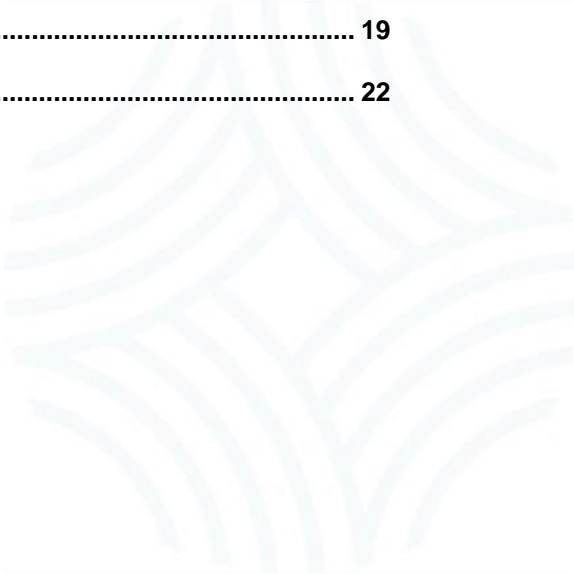


**Statement on the Principal
Adverse Impacts – PAI – of
decisions
on sustainability factors**



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1. Summary

Candriam (LEI 549300XGY5ASDHYKF231) examines, monitors and assesses the Principal Adverse Impacts (PAIs) of its investment decisions on sustainability factors.

This consolidated statement of the Principal Adverse Impacts of the Candriam Group covers the period from 1 January to 31 December 2023. It incorporates the scope as defined by regulation, but the coverage and applicability of data and processes across asset classes and indicators may vary¹. The statement contains:

- A description of the PAIs of investment decisions on sustainability factors. Figures pertaining to 2023, along with those from the previous reporting period, are provided, alongside a description of the actions taken to avoid or reduce the identified PAIs.
- A description of policies to identify and prioritize the PAIs, applicable from 30 June 2021. Candriam's Sustainability Risk Committee is responsible for validating these policies and monitoring their implementation.
- A description of the engagement policies aimed at reducing the PAIs.
- A description of the internationally recognized frames of reference taken into account by Candriam in addressing the PAIs.

Candriam considers PAIs in its investment process, through the following means: (1) our exclusion policies; (2) Candriam's proprietary ESG analysis and rating framework; (3) and engagement with issuers as well as the exercise of voting rights.

In terms of impacts pertaining to the **environment**, Candriam **excluded** the following issuers in 2023:

- For Candriam's Company-wide investments, 46² new companies were excluded from the eligible investment universe due to exceeding the 5% revenue threshold for exposure to thermal coal activities;
- For a range of Candriam products that apply more advance exclusions,
 - o 15² new companies exceeding the 5% threshold for exposure to conventional oil and gas activities lost their eligibility; and
 - o 2³ new companies exceeding the 5% threshold for exposure to unconventional oil and gas lost their eligibility.

To further reduce exposure to carbon-intensive emissions, the **exclusion threshold for thermal coal** in Candriam's global exclusion policy has been lowered from 10% to 5% in 2023. This measure underscores Candriam's commitment to sustainable development and environmental responsibility, aligning our internal policies with international frameworks such as the IEA and IPCC.

Additionally, in Q2 2024 Candriam lowered the exclusion threshold for:

- **Carbon intensity of power generation** across all financial products applying Candriam's "Level 2A and 3" exclusion policy from 354 gCO₂/kWh to 312 gCO₂/kWh to align with the SBTi 1.5-degree scenario for the power sector.
- **(Un)conventional oil and gas** within its SRI exclusion policy ("Level 3 exclusions") excluding from all its investments companies deriving more than 5% of their revenues from the exploration, production, refining, and transport of conventional and unconventional oil and gas. Additionally, Candriam excludes companies generating over 25% of their revenues from the provision of dedicated equipment and services to the oil and gas industry. For Candriam's "Level 2A" exclusion policy, Candriam also lowered the thresholds for conventional and unconventional oil and gas. For more details, refer to Candriam's Exclusion policy.

Beyond exclusions, Candriam **assesses the impact** of companies on climate change, notably through the analysis of greenhouse gas (GHG) emissions linked to the use of their products or services and their own operations. Companies whose products or services are associated with high GHG emissions, such as those operating in the fossil fuel or airline industries, typically score poorly, lowering their ESG rating.

¹ Please refer to Candriam's policies for details on the scope of applicability.

² Perimeter for all financial products applying the "Level 1, 2A, 2B or 3" exclusion policy, a Candriam-wide exclusion level.

³ Scope across all financial products applying Candriam's "Level 2A or 3" exclusion policy.



As for our **corporate engagement** activities over the year 2023, Candriam targeted a range of sustainability topics, with a specific focus on the following campaigns:

- **Net Zero campaign:** This campaign aims to encourage investee companies to align with a 1.5°C pathway to limit global warming. This initiative stems from Candriam's commitment to Net Zero emissions by 2050 or sooner, as part of the Net Zero Asset Managers Initiative. Our strategy involves supporting companies in their decarbonization journey through measures such as filing shareholder resolutions and active proxy voting. Targets were selected based on their contribution to Candriam's portfolio Weighted Average Carbon Intensity, client priorities, ESG analysis, and sector representation, covering both equity and bond investments.
- **Palm-oil campaign:** Dedicated to biodiversity, this campaign targets palm oil, the most widely used vegetable oil. Although its sourcing is highly scrutinized, traceability remains challenging in the value chain. The EU's new Deforestation Regulation mandates due diligence to prevent products linked to recent deforestation, affecting our investee companies. Using our Biodiversity Impact model, we targeted eight companies, requested data updates, shared best practices, and will analyze responses to refine our model.

In terms of **collaborative dialogue**, Nature Action 100 is one of the engagements Candriam joined in 2023. This initiative, with 100 targets, drives greater corporate ambition and action in reversing nature and biodiversity loss. Through this engagement, Candriam engages with companies in sectors considered systemically important for reversing nature and biodiversity loss by 2030. Furthermore, CA100+ (including the Paris Accounting initiative) remains among the collaborative initiatives through which we achieve the greatest leverage, alongside with the CDP surveys (on climate, Water and Forests), which promote transparency on emissions and targets and feed our analysis.

Candriam has also become an inaugural Taskforce on Nature-related Financial Disclosure (TNFD) Early Adopter and will start aligning disclosures with TNFD recommendations by FY2024. Candriam views nature-related issues as strategic risks and believes TNFD guidance will help identify and assess nature-related dependencies, impacts, risks, and opportunities.

On the **social** front, Candriam **excluded** the following issuers in 2023:

- 35⁴ new companies lost their eligibility from a range of strategies for significant and repeated breaches of international social, human, environmental and anti-corruption standards, as defined by the UN Global Compact and the OECD Guidelines for Multinational Enterprises;
- 1⁵ new company because of its involvement in the manufacture or sale of controversial weapons.

To further reduce exposure to controversial weapons, in Q2 2024 the exclusion threshold for white phosphorus in Candriam's Company-wide exclusion policy ("Level 1") has been lowered from 5% to any involvement in white phosphorus. This measure aims to reinforce Candriam's commitment to sustainable development and social responsibility by implementing leading sustainability standards.

Aligned with Candriam's Human Rights policy⁶ released in June 2023, failure to publish a human rights policy results in an impact on their ESG rating and score within Candriam's proprietary ESG rating and scoring framework. When the ESG rating is severely negatively impacted, the companies in question may no longer be eligible for Candriam's Article 9 classified financial products, which corresponds to Candriam's SRI exclusion policy ("Level 3 exclusions"). When it comes to anti-corruption, Candriam assesses top management responsibility, monitoring mechanism, and reporting, complementing its preliminary examination of a company's exposure to corruption-related scandals or controversies.

Finally, our **engagement** activities on potential violations of UN Global Compact principles have centered around human rights due diligence. Here, we continue to focus on tech companies with significant societal impact, as managing human rights risks is essential for maintaining their social license amidst increasing scrutiny. Additionally, we support the global fight against forced and child labor. Our efforts also include addressing human rights issues for companies with a significant presence in oppressive regimes and/or conflict areas.

⁴ Scope across all financial products applying Candriam's "Level 2A or 3" exclusion policy.

⁵ Scope across all financial products applying the "Level 1, 2A, 2B or 3" exclusion policy, a Candriam-wide exclusion level.

⁶ Please refer to [human_rights_policy_def_qb.pdf \(candriam.com\)](#)



2. Description of the PAIs of investment decisions on sustainability factors

Table 1: Climate and other environment-related indicators

Adverse sustainability indicator						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions (*)	Scope 1 GHG emissions	2,473,258	3,316,240	Expressed in absolute terms Sources: Candriam, Trucost Unit of measurement: tCO2-eq Coverage (**): 97%.	<p>Exclusions</p> <p>In addition to companies involved, above a certain threshold, in thermal coal, oil and gas activities (PAI 4), power-producing companies with a carbon intensity (PAI 3) greater than 354 gCO2/kWh, are considered risky for inclusion in sustainable investments, even if they are not universally controversial.</p> <p>Given that emissions vary according to electricity generation sources, it is important to assess the carbon footprint per kilowatt-hour (kWh) to determine how closely companies are aligned with the 2 degrees Celsius trajectory. This is why Candriam includes the carbon intensity of energy producers in our sustainability assessment.</p> <p>Where carbon intensity data is not available, Candriam's ESG analysts use other indicators to assess alignment with the Paris Agreement, such as progress in the energy transition in line with Paris Agreement targets and integration of a 1.5°C limit scenario, taking into account investment plans and the credibility of carbon neutrality targets. These indicators are forward-looking and evolve over time to reflect the progress made by companies in their transition.</p> <p>The carbon intensity (PAI 3) threshold for power-producing companies in 2023 was established at 354 gCO2/kWh. Over the reference period, in addition to the companies already excluded, 14 companies lost their eligibility by exceeding this threshold.</p> <p>To better align with the SBTi 1.5-degree scenario, in Q2 2024, Candriam lowered the exclusion threshold for carbon intensity of power generation from 354 gCO2/kWh to 312 gCO2/kWh across all financial products applying Candriam's "Level 2A and 3" exclusion policy. Candriam excludes from all its investments power-producing companies with a carbon intensity over 312 gCO2/kWh or those increasing coal and nuclear capacity. This measure aims to reinforce Candriam's commitment to sustainable development and environmental responsibility by implementing stricter sustainability standards.</p> <p>Exposure to fossil fuels (PAI 4) is subject to stringent exclusions across all Candriam sustainable funds.</p> <p>Thermal coal, recognized for its detrimental impact and serious financial and sustainability implications, poses systemic and reputational risks that financial benefits cannot outweigh.</p> <p>For all of Candriam's funds, companies deriving more than 5% of their sales from coal mining, coal-fired power generation, and coal-related operations such as exploration, processing, transport, and distribution are automatically excluded. Additionally, for all financial products applying Candriam's "Level 3" exclusion policy companies exceeding a 5% threshold of revenue from conventional oil and gas activities, including exploration, extraction, refining, and transportation, are ineligible for investment. Similarly, for all financial products applying Candriam's "Level 2A and 3" exclusion policy, entities with over 5% exposure to unconventional oil and gas activities are also excluded. In addition to the companies that remained ineligible, 63 companies lost their eligibility by exceeding this threshold in 2023.</p> <p>Over the reference period, in addition to those previously excluded, 46 companies lost their eligibility by exceeding the 5% threshold of exposure to thermal coal activities, 15 companies lost their eligibility by exceeding the 5% threshold of exposure to conventional oil and gas activities, and 2 companies lost their eligibility by exceeding the 5% threshold of exposure to unconventional oil and gas activities.</p> <p>To further reduce oil and gas exposure, in Q2 2024, Candriam lowered the exclusion threshold in Candriam's SRI exclusion policy ("Level 3 exclusions") for (un)conventional oil and gas excluding from all its investments companies deriving more than 5% of their revenues from the exploration, production, refining, and transport of conventional and unconventional oil and gas. Additionally, Candriam excludes companies generating over 25% of their revenues from the provision of dedicated equipment and services to the oil and gas industry. For Candriam's "Level 2A" exclusion policy, Candriam also lowered the thresholds for conventional and unconventional oil and gas. For more details, refer to our Exclusion policy: Candriam Exclusion Policy</p> <p>Monitoring</p>
		Scope 2 GHG emissions	1,049,464	1,014,823	Expressed in absolute terms Sources: Candriam, Trucost Unit of measurement: tCO2-eq Coverage (**): 97%.	
		Scope 3 GHG emissions	41,148,458	N/A	Expressed in absolute terms Sources: Candriam, Trucost Unit of measurement: tCO2-eq Coverage (**): 97%.	
		Total GHG emissions	3,522,721	4,331,064	Expressed in absolute terms Sources: Candriam, Trucost Unit of measurement: tCO2-eq Coverage (**): 97%.	
		Scope 1 + 2 GHG emissions	44,671,180	N/A	Expressed in absolute terms Sources: Candriam, Trucost Unit of measurement: tCO2-eq Coverage (**): 97%.	
	Scope 1+2+3 GHG emissions					
	2. Carbon footprint (*)	Carbon footprint			Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, Trucost Unit of measurement: tCO2-eq / million euros invested Coverage (**): 97%.	
		Scope 1 + 2 GHG emissions	42.82	52.61		
Carbon footprint						
	Total GHG emissions (Scope 1+2+3)	542.74	N/A			



3. GHG intensity of investee companies (*)	GHG intensity of investee companies Scope 1 + 2 GHG emissions	81.87	120.84	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, Trucost Unit of measurement: tCO2-eq / million euros of sales Coverage(**): 97%.	Candriam assesses the impact of companies on climate change, in particular through the analysis of GHG emissions linked to the use of their products or services, as well as their own operations (PAI 1 to 3 and PAI 4). Companies whose products or services are associated with high GHG emissions, such as those operating in the fossil fuel or airline industries, generally score negatively in this assessment. These companies make a major contribution to climate change, being responsible for a significant share of GHG emissions. Their environmental impact is considered detrimental and incompatible with sustainable development objectives. As such, they are not considered sustainable investments according to Candriam's criteria. Tracking companies' CO2 emissions is therefore crucial for protecting the environment and combating climate change. It serves as an important tool for Candriam, which seeks to invest in responsible, sustainable companies. Aligned with this, Candriam became a signatory to the Net Zero Asset Managers initiative. Within this initiative, Candriam committed to securing a 50% reduction in emissions across a significant share of its investment portfolios by 2030 and transitioning to net zero by 2050 or sooner. This monitoring involves not only assessing companies' current emissions but also scrutinizing their commitment and actions toward achieving Net Zero emissions in the future. At the end of 2023, the scope encompassed 52% of our Candriam-branded SFDR Article 8 & 9 open-ended funds, with the goal of extending this to 100% by 2050. The initial scope of our Net Zero commitment has been defined based on both company ownership and ESG strategy. In addition, Candriam's ESG analysis framework measures the share of fossil fuels (PAI 4) in various sectors, such as exploration and production, transportation, refineries, oil and gas industry services, utilities (electricity and gas), mining, as well as thermal coal. This framework provides a comprehensive view of the contribution of these industries to climate change, enabling us to make informed sustainable investment decisions and identify opportunities to transition to cleaner energy sources. In 2023, the exclusion threshold for thermal coal in Candriam's Company-wide exclusion policy was lowered from 10% to 5%, thus aligning with the exclusion threshold in the SRI exclusion policy. This measure aligns Candriam's internal policies with international frameworks like the IEA and IPCC, reinforcing our commitment to sustainable development and environmental responsibility.
	GHG intensity of investee companies Total GHG emissions (Scope 1+2+3)	983.35	N/A		
4. Exposure to companies active in the fossil fuel sector (*)	Share of investments in companies active in the fossil fuel sector	3.26	3.71	Expressed in terms of assets under management Sources: Candriam, MSCI Unit of measurement: percentage Coverage(**): 96%.	Engagement In 2023, over our SFDR scope of investee companies (effective positions in portfolios at end 2023), and out of our 342 direct and 764 (*) collaborative (active and passive) dialogues with corporates, respectively 32% and 23%(*) of them were in relation to PAI1 to PAI6. Please consider the statistics above do not consider collaborative statements made to companies and that did not lead to any proper dialogue. In addition to the individual dialogues initiated to support our investment decision-making, which almost systematically address the energy transition challenge as well as corporate commitments, strategies, and performance, most of our engagement efforts concentrate on our Net Zero campaign. This campaign is a natural pillar of our climate engagement history and is fully aligned with Candriam's NZAMI commitment. Both direct and collaborative dialogues serve this purpose.
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	67.84	72.16	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, MSCI Unit of measurement: percentage Coverage(**): 79%.	Our Net Zero campaign aims at supporting active and efficient energy transition at investee companies to align their activities with a pathway to limiting global warming to 1.5°C. We focus on our portfolios' Greenhouse Gas top contributors (based on Weighted Average Carbon Intensity, Scope 1-2-3) and started this multi-year dialogue in 2022. At end 2023, we engaged with 52 issuers, accounting for 53% of the WACI (Weighted Average Carbon Intensity – based on individual tCO2 / revenue) of our Net Zero perimeter. We are currently engaging 52% of our financed emissions (carbon footprint – based on tCO2 / EUR million invested) : our 60 top contributors are currently under Net Zero Assessment, and 20 have already been engaged. The WACI and the carbon footprint are two distinct metrics that we follow closely to decarbonize our portfolio. Next to CDP surveys on climate, which continue to effectively promote greater transparency on emissions, and which feed our ESG analysis, CA100+ (including Paris Accounting sub- initiatives) remains the collaborative initiative through which we achieve the greatest leverage. The Phase 2 (2023-2030) focuses on turning high-level commitments into robust and meaningful targets and concrete decarbonization strategies. As for voting activities, all climate-related proposals are analyzed internally to ensure consistency between our ESG opinion, our engagement history and the way we vote. In 2023, we voted: - 18 Management-sponsored Say-on-Climate proposals, supporting 8 of them, - 83 Climate-related shareholder proposals and supported 71 of them. We co-filed 1 climate resolution (at Engie SA) and introduced climate-specific questions or made climate-related statements at 3 AGMs. Our opinion on climate strategy also influences our votes on more 'standard' voting items.
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.32	0.54	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, MSCI Unit of measurement: GWh / million euros of sales Coverage(**): 84%.	More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications (* this is not taking into account the global surveys (e.g., CDP) we supported. Taking these surveys into account, collaborative dialogues linked to PAI 1 to PAI 6 would account for 45% of the total.
	NACE code A	0.00	0.00		
	NACE code B	0.01	0.02		
	NACE code C	0.18	0.33		
	NACE code D	0.08	0.12		
	NACE code E	0.02	0.01		
	NACE code F	0.00	0.00		
	NACE code G	0.01	0.01		
	NACE code H	0.03	0.03		
	NACE code L	0.02	0.02		



Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	5.22	2.98	Expressed in terms of assets under management Sources: Candriam, MSCI Unit of measurement: percentage Coverage(**): 96%.	<p>Monitoring</p> <p>PAI 7. Activities negatively affecting biodiversity-sensitive areas is affected by changes in terms of issuer and data coverage as well as biodiversity data quality.</p> <p>PAI 8. Emissions to water has been reduced from 19% to 4% due to issuer and data coverage as well as changes in water emissions data quality.</p> <p>Engagement</p> <p>In 2023, across our SFDR scope of investee companies (effective positions in portfolios at end 2023), and out of our 342 direct and 764 (*) collaborative (active and passive) dialogues with corporates, respectively 25% and 30%(*) of them were in relation to PAI7 and/or PAI 8.</p> <p>Please consider the statistics above do not consider collaborative statements made to companies that did not lead to any proper dialogue.</p> <p>The majority of our direct dialogues are in relation to PAI 7. Or PAI 8. Were triggered by reviewing of our issuer's ESG assessment, including collaborative and individual dialogues during which specific questions were asked to companies. The remainder of the dialogues were driven by controversies. In 2023, we initiated a palm oil dedicated campaign with 8 investees. We used a value chain approach to identify a limited but relevant set of targets, prioritizing through our proprietary Biodiversity Impact model and our holdings. We constructed a Palm Oil assessment framework based on TNFD and prepopulated it with the publicly available data, sending it to target companies. Based on their feedback, we shared best practices which were identified among the group, and suggested ways for companies to implement them. Future engagement with these companies will be based on this first assessment.</p> <p>Several of our collaborative initiatives address biodiversity and/or water related issues which are often sector specific (Mining, Food & Beverage). In 2023 we were part of the original signatories of Nature Action 100, a global investor engagement initiative to drive greater corporate ambition and action in reversing nature and biodiversity loss and targeting several sectors. We also decided to be part of the early adopter of TNFD.</p> <p>As for voting activities, 9 resolutions we voted (all shareholders proposed) were related to PAI 7 or PAI 8. More than 75% were related to demand of reducing plastic use or improving circular approach of packaging. We all supported them. Others were related to demand of organic sourcing, but we could not support all of them as they were too prescriptive in their wording.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications.</p> <p>(*) this is not taking into account the global surveys (e.g., CDP) we supported. Taking these surveys into account, collaborative dialogues linked to PAI 7 and/or to PAI 8 would account for 76% of the total.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.02	59.20	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, MSCI Unit of measurement: tCO2-eq / million euros invested Coverage(**): 4%.	<p>Engagement</p> <p>In 2023, across our SFDR scope of investee companies (effective positions in portfolios at end 2023), out of all our (active and passive) dialogues with corporates, some of them were in relation to PAI9.</p> <p>The topic was addressed directly with companies within a more global ESG dialogue on ESG issues, where our ESG analysts reviewed the various challenges faced by these companies, including the controversies to which they are exposed.</p> <p>As for voting activities with respect to PAI 9, Candriam only voted on nuclear-related shareholder resolutions in 2022 at Kansai Electric Corp AGM. We actually voted against it as shareholder's demands were falling under management and board competence.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.22	1.39	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, MSCI Unit of measurement: tCO2-eq / million euros invested Coverage(**): 37%.	<p>Engagement</p> <p>In 2023, across our SFDR scope of investee companies (effective positions in portfolios at end 2023), out of all our (active and passive) dialogues with corporates, some of them were in relation to PAI9.</p> <p>The topic was addressed directly with companies within a more global ESG dialogue on ESG issues, where our ESG analysts reviewed the various challenges faced by these companies, including the controversies to which they are exposed.</p> <p>As for voting activities with respect to PAI 9, Candriam only voted on nuclear-related shareholder resolutions in 2022 at Kansai Electric Corp AGM. We actually voted against it as shareholder's demands were falling under management and board competence.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications.</p>
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.25	0.65	Expressed in terms of assets under management Sources: Candriam, Sustainalytics & MSCI Unit of measurement: percentage Coverage(**): 100% The figure for the Candriam entity has been calculated on the basis of Candriam's most stringent level of exclusion, i.e. "Level 3". This explains why the figure for the Candriam entity, including funds	<p>Exclusion</p> <p>In accordance with PAI 10, Candriam's normative analysis determines whether a company complies with the 10 principles of the United Nations Global Compact for each of the main categories: Human Rights (HR), labour Rights (LR), Environment (ENV) and Anti-Corruption (AC). Our norms based analysis incorporates various international references, including the United Nations Declaration of Human Rights, ILO Fundamental Conventions, and OECD Guidelines for Multinational Enterprises, ensuring comprehensive coverage of human rights, labour standards, corruption, and discrimination. The United Nations Declaration of Human Rights, the ILO Fundamental Conventions and the OECD Guidelines for Multinational Enterprises are among the many international references incorporated into our framework. Consequently, human rights, labour standards, corruption and discrimination are all covered by this analysis.</p> <p>Candriam's financial products classified as Article 6 and 8 adhere to the "Level 1" Company-wide" exclusion" policy. Under this exclusion policy-level 1, companies that have committed the most serious violations of the UN Global Compact principles are excluded. Due to this analysis, 1 company lost its eligibility in 2023 for significant and repeated breaches of international social, human, environmental and anti-corruption standards, as defined by the UN Global Compact and the OECD Guidelines for Multinational Enterprises.</p> <p>In this particular case, a prominent world food processing company faced a series of governance and ethical challenges, violating UN Global Compact principles and OECD Guidelines for Multinational Enterprises. These challenges included bribery scandals, tax avoidance, and</p>



				classified under Article 6, is not equal to 0% for 2023.	environmental concerns such as deforestation, exacerbated by labour safety issues during COVID-19. Despite changes in leadership, doubts persisted about the effectiveness of governance, leaving the company's commitment to address these issues uncertain.
					<p>Candriam's Article 9 classified financial products apply the most stringent level, which is the "Level 3 SRI" exclusion policy. Under this exclusion policy level 3, companies with severe to very severe violations of the UN Global Compact principles are excluded. This list focuses on a strict interpretation of violations of the UN Global Compact, as assessed by Candriam's ESG analysts and integrates a forward-looking view regarding how the company addresses the issue as concerns the governance, strategy, risk management and remediations efforts. 35 companies lost their eligibility in 2023 for significant and repeated breaches of international social, human, environmental and anti-corruption standards, as defined by the UN Global Compact and the OECD Guidelines for Multinational Enterprises.</p> <p>For example, a global steel producer in Europe faced an explosion in one of its mines, exposing critical deficiencies in its health and safety protocols, thereby breaching the principles of the UN Global Compact. Before this incident, a series of accidents and fatalities had already signaled shortcomings in the company's safety program, particularly in the country where the accident occurred. Despite prior efforts to address health and safety concerns, the lack of tangible progress highlighted significant inadequacies in the company's safety management systems. Consequently, Candriam decided to exclude the company to mitigate risks and ensure compliance with global UNGC principles and guidelines.</p> <p>Monitoring</p> <p>When companies fail to comply with the 10 principles of the United Nations Global Compact (PAI 10), Candriam's normative analysis makes them ineligible for certain financial products classified as Article 8 and for all financial products classified as Article 9.</p> <p>In addition, Candriam's proprietary ESG analysis framework tracks the evolution of controversies and companies' actual weaknesses in relation to these principles, in order to take them into account before they lead to a violation.</p> <p>When Candriam's proprietary ESG rating and scoring framework detects these controversies and weaknesses, the ESG rating and ESG score of issuers are impacted. When ESG rating is too severely impacted, the companies in question are no longer eligible for Candriam's Article 9 classified financial products.</p> <p>Engagement</p> <p>In 2023, over our SFDR scope of investee companies (effective positions in portfolios at end 2023), and out of our 342 direct and 764 (*) collaborative (active and passive) dialogues with corporates, respectively 26% and 44% (*) of them were in relation to PAI10, 9% and 14% (*) of them to PAI11 (*).</p> <p>Please consider the statistics above do not consider collaborative statements m made to companies that did not lead to any proper dialogue.</p> <p>When our dialogues deal with proper implementation of risk management systems, we have chosen to link it to PAI 11, while dialogues linked to PAI 10 are related to exchanges in relation to potential violations of one of the UNGC principles. Dialogues triggered by accusations of poor working conditions, fraud controversy as well as exchanges related to human rights due diligence from companies with significant presence in oppressive regimes or conflict areas are examples of dialogues falling in this category.</p> <p>As for voting activities, we supported 26 out of 36 shareholder resolutions linked to Human Rights or presence in High-Risk countries.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications</p> <p>(*) this is not taking into account the global surveys (e.g., Workforce Disclosure Initiative) we supported. Taking these surveys into account, collaborative dialogues linked to PAI 10 and/or to PAI 11 would account for respectively 29% and 2% of the total.</p>
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.25	3.75	Expressed in terms of assets under management Sources: Candriam, MSCI Unit of measurement: percentage Coverage(**): 98%.	
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12.05	12.15	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, MSCI Unit of measurement: percentage Coverage(**): 30%.	<p>Engagement</p> <p>In 2023, across our SFDR scope of investee companies (effective positions in portfolios at end 2023), and out of our 342 direct and 764 (*) collaborative (active and passive) dialogues with corporates, less than 1% of them were in relation to PAI12. (*)</p> <p>When taking the collaborative Workforce Disclosure Initiative into account, dialogues related to PAI12 would account for 12% of the total. This Workforce Disclosure initiative questions investee companies about their proper management of diversity and includes a focus on gender pay gap.</p> <p>Related to our voting activities on PAI 12, we supported the 10 shareholder resolutions on vote for our portfolios.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications</p> <p>(*) this is not taking into account the global surveys (e.g., Workforce Disclosure Initiative) we supported.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies,	36.41	35.96	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, ISS-	<p>Monitoring</p> <p>Candriam's proprietary ESG rating and scoring framework takes into account the promotion and application of gender diversity on company boards. When a company fails in this respect, it can impact its ESG rating and score and eligibility. When ESG rating is negatively impacted, companies are no longer eligible for financial products classified Article 9 by Candriam .</p>



		expressed as a percentage of all board members			<p>Oekom Unit of measurement: percentage Coverage(**): 88%.</p> <p>An Emerging Markets Software company is a prime example of on-going monitoring relating to PAI13. The company's Investors' stakeholder score was adversely impacted due to governance practices including gender diversity. The Investor Score, an integral part of Candriam's stakeholder analysis, evaluates various aspects such as the quality of investee companies, decision-making structures, transparency, and stability of senior and operating management amongst other corporate governance aspects. This score also assesses gender diversity on corporate boards. In this specific case, female representation is a 12%, thus lower than the minimum expectation of 33%. To this end, Candriam's ESG team has contacted the company to further discuss corporate governance aspects to gain further insight on the company's views and mindset on these issues and to confirm if there are any plans to improve corporate governance practices including gender diversity in the near future.</p> <p>Engagement</p> <p>In 2023, across our SFDR scope of investee companies (effective positions in portfolios at end 2023), and out of our 342 direct and 764 (*) collaborative (active and passive) dialogues with corporates, respectively 22% and 2% (*) of them were in relation to PAI13.</p> <p>When including collaborative Workforce Disclosure Initiative into account, dialogues related to PAI12 would account for 12% of the total.</p> <p>In addition, the French 30pct Club Candriam co-leads and takes action to increase gender diversity at board and senior management levels. This initiative is linked to PAI13. For direct dialogues, our pre-AGM dialogues are for the vast majority also linked to this PAI13 as for all regions we require a minimum presence of Woman at board level, and this is something we exchange on with the company we engage ahead of their AGMs. Consequently, and as our voting instruction in part depends on the sufficient presence of women at board, all director elections voting items are also linked to PAI13.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications</p> <p>(*) this is not taking into account the global surveys (e.g., Workforce Disclosure Initiative) we supported.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00	0.00	<p>Expressed in terms of assets under management Sources: Candriam, ISS-Ethix Unit of measurement: percentage Coverage(**): 100%.</p> <p>Exclusion</p> <p>Candriam is firmly committed to excluding from all its investments companies directly involved in the development, production, testing, maintenance, and sale of controversial weapons, which are (anti-personnel landmines, cluster bombs, depleted uranium weapons and armor, chemical weapons, biological weapons, and white phosphorus weapons). We consider these extremely damaging activities that present systemic, legal, and reputational risks.</p> <p>For certain financial products classified as Article 8 and for all our financial products classified as Article 9, we also exclude companies involved in conventional weapons which account for more than 3% of their sales, thus reinforcing our global weapons policy.</p> <p>Over the reference period, 1 issuer became ineligible, in addition to those previously excluded, due to their involvement in these activities.</p> <p>Monitoring</p> <p>As part of Candriam's ESG framework, weapons are taken into account in our negative screening approach, which includes an analysis of controversial activities.</p> <p>When assessing companies' exposure to weapons, it is essential to distinguish between conventional and controversial weapons, the latter having been banned by several international treaties and local laws due to their harmful and non-discriminatory impact on civilian populations. For this reason, Candriam excludes companies with exposure to controversial weapons (as indicated above) across all its investment activities.</p> <p>For this reason, we are aligned with PAI 14 regarding exposure to controversial weapons. However, certain residual positions may be held within management mandates or delegated portfolios at the request of clients who may have a different interpretation and/or sources of data.</p> <p>Engagement</p> <p>In 2023, none of our direct or collaborative dialogues with corporates addressed this PAI 14. Still, we had to vote on 2 shareholder resolutions asking some (software, financial) companies an increased transparency over their management and oversight of potential ESG-related risks with respect to weapons production and development. Candriam supported all of them.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications</p>

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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Environmental	15. GHG intensity(*)	GHG intensity of investment countries	234.14	246.37	Expressed in terms of exposure to eligible assets for which data have been completed Sources: Candriam, EDGAR Unit of measurement: tCO2-eq / million euros invested Coverage(**): 95%.	<p>Monitoring</p> <p>The European Union's SFDR aims to improve transparency and promote sustainable investment, but there are issues with the reliability and quality of carbon intensity data of countries. In fact, standardized carbon intensity data are influenced by fluctuations in oil and gas prices, as well as by currencies.</p> <p>To avoid relying on data that can easily be misleading, Candriam's proprietary framework of sovereign issuers integrates a country's emissions reduction efforts by sector and assigns penalties according to the difficulty of decarbonizing each sector. It also takes into account the breakdown of emissions by fuel for each sector and assesses the efficiency with which a country uses new renewable energy capacity.</p> <p>The models indicate that the continued use of coal-fired power plants, when cheaper renewables are available, will suffer the most, followed by oil, gas and other fossil fuels. The results of the emissions model modify the overall carbon intensity of the economy based on a country's decarbonization efforts and the types of fuel it uses, facilitating a more accurate assessment of a country's decarbonization efforts.</p> <p>Through the imposition of penalties based on sector-specific decarbonization challenges and fuel selections, Candriam's framework incentivizes countries to transition to more sustainable practices and meet their decarbonization targets.</p> <p>South Africa is an example of a sovereign issuer experiencing a decline in its ESG score, partly due to its carbon intensity. The South African economy heavily relies on coal, constituting 73% of its energy supply, exceeding the peer group average of 15% in emerging countries. Despite its significant decarbonization commitment, it falls short of meeting the 2-degree Paris temperature agreement. Almost 90% of its electricity generation is coal-based, contributing to 55% of national emissions. In addition, South Africa's carbon intensity of 1.16 tCO2-eq exceeds that of its peer groups (0.23 in Sub-Saharan Africa and 0.53 in emerging markets), and its natural capital score has declined from the 20th to the 19th percentile, while its overall sustainability score has decreased from 27.1 to 22.8.</p> <p>Engagement</p> <p>Engagement with sovereigns linked to PAI15 is done via global investors statement, such as the Global Investor Statement to Governments on the Climate Crisis, usually sent to states representatives ahead of G7-G20 or annual UN COP Climate.</p> <p>More information is available in our annual engagement and voting review, under https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications</p>
Social	16. Investee countries subject to social violation	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00	0.00	Expressed in terms of assets under management Source: Candriam Unit of measurement: percentage Coverage(**): 99%.	<p>Exclusion</p> <p>Our list of repressive regimes is made up of countries in which human rights are regularly violated, fundamental freedoms are systematically denied, and personal safety is not guaranteed due to government failure and systematic ethical violations. We are also extremely vigilant with regard to totalitarian states or countries whose governments are involved in a war against their own people.</p> <p>To compile the list of repressive regimes, we rely on data provided by external sources, such as Freedom House's Index of Freedom in the World, the World Bank's Governance Indicators, and the Economist Intelligence Unit's Democracy Index, which guide our qualitative examination of non-democratic countries.</p> <p>For this list of countries, Candriam's analysts have developed processes that apply to both sovereign and corporate investments, including exclusion, mitigation and engagement processes based on our risk assessment. Candriam considers debt issued by sovereign or quasi-sovereign entities on the list of repressive regimes to be ineligible for investment.</p> <p>Over the reference period, no additional sovereign issuer(s) directly covered became ineligible, in addition to those previously excluded.</p> <p>Monitoring</p> <p>Social violations are deeply integrated into Candriam's sovereign ESG analysis framework. Within the scope of our analysis, we observed that several sovereign issuers in Sub-Saharan Africa (e.g., Gabon, Sudan) faced military takeovers of power, indicating the necessity for vigilance in monitoring the region's political stability and governance dynamics. Venezuela, similarly, stands out as another notable sovereign issuer under our scrutiny, facing a significant social violation, including economic instability to social unrest.</p>

Table 2: Additional climate and other environment-related indicators

Adverse sustainability indicator						
Adverse sustainability indicator	Measuring element	Impacts [year n]	Impacts [year n-1]	Explanation	Measures taken, measures planned, and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission	Share of investments in investee companies	9.66	11.36	Expressed in terms of assets under management Source: MSCI Unit of measurement:	See measures taken for PAIs 1 to 6 In addition, for any companies that have no initiative to reduce their carbon emissions in order to comply with the Paris Agreement, Candriam assesses opportunities for dialogue with companies based on the short- to medium-term evolution of our external provider's data.



Statement on the Principal Adverse Impacts – PAI – of decisions on sustainability factors

	reduction initiatives	without carbon emission reduction initiatives aimed at aligning with the Paris Agreement		percentage Coverage(**): 96%.	
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Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Indicators applicable to investments in companies						
Adverse sustainability impact	Measuring element	Impacts [year n]	Impacts [year n-1]	Explanation	Measures taken, measures planned and targets set for the next reference period	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Human rights	9. Lack of human rights policy	Share of investments in entities without a human rights policy	5.06	6.26	Expressed in terms of assets under management Source: MSCI Unit of measurement: percentage Coverage(**): 95%.	<p>Monitoring</p> <p>When companies fail to publish a human rights policy, Candriam's proprietary ESG analysis framework takes this into account by negatively impacting their ESG rating and score. When the ESG rating is severely negatively impacted, the companies in question may no longer be eligible for Candriam's financial products classified as Article 9.</p> <p>For example, a prominent U.S. retailer, well-known for its affordability, is facing scrutiny regarding its inadequate transparency regarding human rights policies. Despite having a human rights policy that addresses issues such as forced labour and discrimination, there is limited detail on how the company manages its sourcing due diligence (e.g., standards testing standards, criteria on suppliers' audits). Candriam regards these gaps as significant, as they hinder the comprehensive assessment of human rights issues beyond labour standards. As a result, the company's ESG Rating was downgraded from ESG5 to ESG7.</p>
Fighting corruption and corrupt practices	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	1.92	2.90	Expressed in terms of assets under management Source: MSCI Unit of measurement: percentage Coverage(**): 96%.	<p>Monitoring</p> <p>The company's stance and management against corruption are among the indicators we analyze in our own ESG analysis framework. We assess them by analyzing the presence of top management responsibility (e.g., a specific policy commitment, including oversight and the scope of the policy - including internal and external stakeholders such as suppliers), the monitoring mechanism in place (e.g., a confidential reporting channel, an external verification assessment), and the extent of reporting of this commitment and initiatives in place (including dedicated employee training on the subject). This analysis is in addition to a preliminary examination of a company's exposure to corruption-related scandals or controversies.</p>

* Exclusion of green bonds

** The coverage rate applies only to eligible assets for which data have been completed.



3. Description of policies to identify and prioritize the PAIs of investment decisions on sustainability factors

A. Governance

Candriam has set up a Company-wide ESG governance structure to ensure appropriate monitoring and information flows with regard to ESG issues and their impacts.

The Group Strategy Committee (GSC), assisted by Candriam's ESG and CSR experts, defines the strategic orientations of investments (from a product and commercial point of view) as well corporate risk as concerns sustainability challenges, risks and opportunities.

The Sustainability Risk Committee, co-led by Candriam's ESG and Risk Management teams, oversees the process of managing the PAIs on the sustainability factors of the companies and countries in which we have invested. This follow-up is based on 3 pillars:

- In terms of Environmental, Social and Governance Risks, presentation of ESG analysis and due diligence, with identification of poor ESG performance and proposals for appropriate action;
- Review and validation of policies (listed below) and processes, including the decision-making process on future actions;
- Supervision of PAI assessments.

When an ESG breach that could potentially lead to a PAI on a sustainability factor is detected for an issuer, the ESG team proposes appropriate action to the Sustainability Risk Committee for decision, and in some cases escalates directly to the Group Strategy Committee. These actions can take the form of:

- Engaging and initiating dialogue,
- Exclusion, or
- Monitoring.

Key policies:

Name	Last approval date
Sustainability Risk Management policy	2021
Exclusion policy	2024
Engagement policy	2024
Climate policy	2023
Human Rights Policy	2023



B. Identifying and prioritizing the PAIs

Candriam's ESG analysis team takes into account major sustainability trends as well as challenges specific to different sectors and regions. The process of ESG analysis and monitoring of violations of international standards, which underpins Candriam's internal ESG rating framework as described in section C, enables the identification of potential adverse impacts as well as the prioritization in terms of remediation, taking into account materiality of the issue.

The table below shows the sustainability indicators for the PAIs, their integration into the ESG analysis and Candriam's ESG rating framework. This integration is based on the level of materiality or probable materiality of each indicator, also indicated below.

Indicators for investments in companies		
Sustainable development theme	Sustainability indicator for PAIs	Explanation
CLIMATE AND OTHER ENVIRONMENTAL INDICATORS		
Contribution to climate change mitigation - Greenhouse gas emissions	GHG emissions (PAI 1)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, Trucost
	Carbon footprint (PAI 2)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, Trucost
	GHG intensity of investee companies (PAI 3)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, Trucost
	Exposure to companies active in the fossil fuel sector (PAI 4)	Integrated into Candriam's ESG analysis and rating framework and average data quality Sources: Candriam, MSCI
	Share of non-renewable energy consumption and production (PAI 5)	Integrated into Candriam's ESG analysis and rating framework, but data quality is poor Sources: Candriam, MSCI
	Energy consumption intensity per high impact climate sector (PAI 6)	Integrated into Candriam's ESG analysis and rating framework, but data quality is poor Sources: Candriam, MSCI
Preserving the natural environment and ecosystems⁷	Activities negatively affecting biodiversity-sensitive area (PAI 7)	Integrated into Candriam's ESG analysis and rating framework, but low data quality Sources: Candriam, MSCI
	Emissions to water (PAI 8)	Integrated into Candriam's ESG analysis and rating framework, but low data quality Sources: Candriam, MSCI
	Hazardous waste ratio (PAI 9)	Included in Candriam's ESG analysis and rating framework, but data quality is poor. Sources: Candriam, MSCI

⁷ Candriam is developing a proprietary solution to remedy the poor quality of data linked to the preservation of the natural environment and ecosystems.



SOCIAL AND EMPLOYEE-RELATED ISSUES, RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY		
No exposure to companies associated with controversial or illegal practices	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, MSCI
	Lack of processes and compliance mechanisms to monitor adherence to the UN Global Compact principles (PAI 11)	Integrated into Candriam's ESG analysis and rating framework, but data quality is poor Sources: Candriam, MSCI
	Unadjusted gender pay gap (PAI 12)	Integrated into Candriam's ESG analysis and rating framework, but data quality is poor Sources: Candriam, MSCI
Promoting gender equality	Board gender diversity (PAI 13)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, ISS-Oekom
	Exposure to controversial weapons (PAI 14)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam & ISS-Ethix
INDICATORS FOR SOVEREIGN & SUPRA-NATIONAL ISSUERS		
The environment	GHG intensity (PAI 15)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, EDGAR
Social	Number of investment countries with violations of social standards (PAI 16)	Integrated into Candriam's ESG analysis and rating framework however, data quality is on average Source: Candriam

Materiality

High
Average
Low

Among the main optional adverse impacts, a set of indicators is also assessed and monitored as part of Candriam's ESG analysis and rating framework. These main additional adverse impacts have a variable and disparate impact on different industries/sectors, depending on the ESG specificities of the activities within that industry/sector. Data quality and scope, applicability, relevance, and geographical coverage are the determining factors used in assessing the materiality of each PAI indicator.



Additional indicators for investments in companies		
Sustainable development theme	Sustainability indicator for adverse impacts	Explanation
CLIMATE AND OTHER ENVIRONMENTAL INDICATORS		
The environment	Investments in companies with no initiatives to reduce their carbon emissions (PAI 4)	Integrated into Candriam's ESG analysis and rating framework, but data quality is poor Sources: Candriam, MSCI
SOCIAL AND EMPLOYEE-RELATED ISSUES, RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY		
Social	Lack of human rights policy (PAI 9)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, MSCI
Social	Lack of anti-corruption policy (PAI 15)	Integrated into Candriam's ESG analysis and rating framework Sources: Candriam, MSCI

Materiality

High
Average
Low

C. Candriam's due diligence process on issuers with regard to adverse impacts

Candriam defines sustainable investing as the integration of environmental, social and governance (ESG) criteria into investment decisions.

Candriam aims to manage the risks and potential adverse impacts of its investments on sustainability, notably through the use of ESG analysis processes and the monitoring of violations of international standards, which determine Candriam's internal ESG rating system.

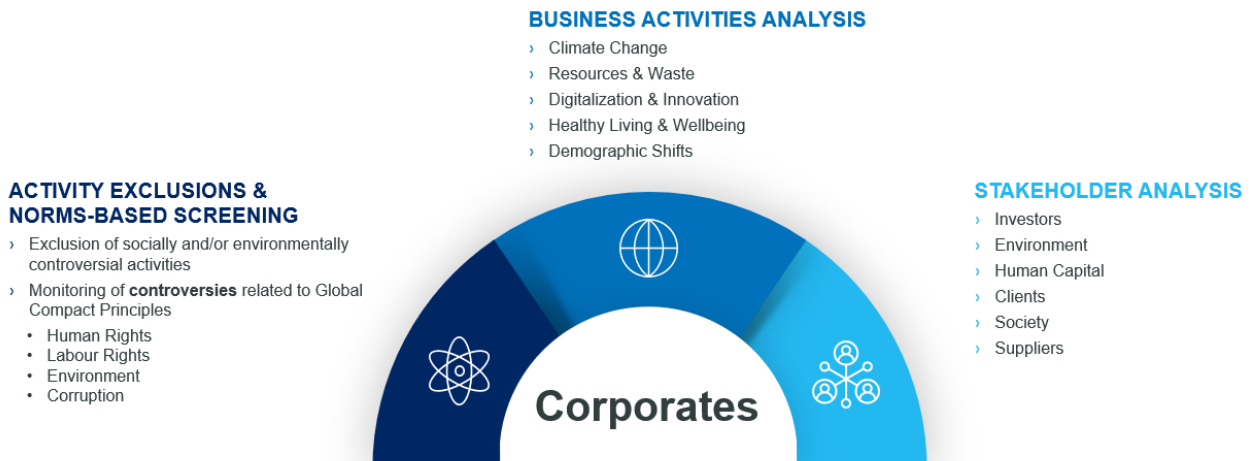
Candriam has developed structured and consistent analytical processes for assessing the sustainability of companies and sovereign issuers. These processes are described below.

i) Companies

The challenges of corporate sustainability are analyzed from two distinct but related angles: business activities and stakeholder management. Indeed, the ESG analysis aims to assess how companies create value by integrating sustainability into their business activities and, the management of stakeholder interests, and how companies integrate it into their operational and financial management processes. This analysis is complemented by an analysis of exposure to controversial activities and violations of international standards in terms of human rights, labour, the environment and corruption.



An overview of our ESG framework for corporate issuers is presented below:



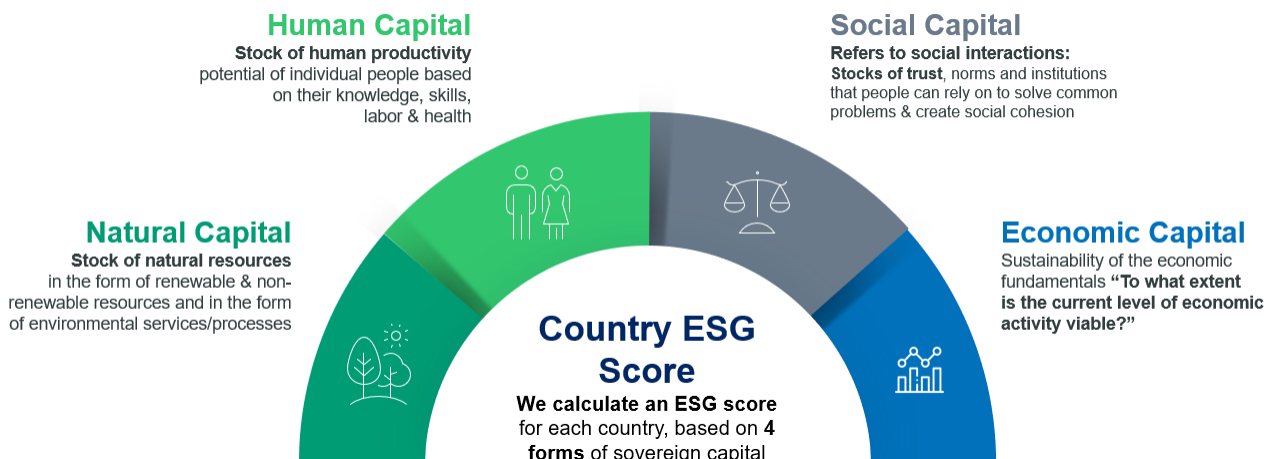
Our ESG assessment process is based on the following pillars:

- **Controversial activities:** assessment of companies involved in certain activities that are controversial in nature and do not align with the highest standards of sustainability.
- **Normative analysis:** assessment of companies that have significantly and repeatedly violated one of the ten principles of the United Nations Global Compact and/or the OECD Guidelines for Multinational Enterprises.
- **Business analysis:** companies are exposed to major long-term ESG challenges which can strongly influence the environment in which they operate, and which can shape their future business challenges and long-term growth. We have identified five key sustainability challenges: climate change, resources and waste, healthy living and well-being, demographic shifts, and digitization and innovation.
- **Stakeholder analysis:** we assess the extent to which each company integrates into its long-term strategy the interests of six stakeholders: investors, human capital, suppliers, customers, society and the environment.
- **Dialogue with companies and their stakeholders, and proxy voting,** are an integral part of the ESG analysis process, and are essential to our investment process, as they provide additional information on issuers and encourage best practice.

ii) Sovereign issuers

Candriam's approach to sovereign ESG analysis is based on four pillars of sustainability: human capital, natural capital, social capital and economic capital. This analysis is coupled with exclusion rules for high-risk regimes and minimum standards applicable to all democracies.

Please find below an overview of the sovereign framework:



The ESG rating of sovereign issuers assesses how well countries perform in four categories of sustainability criteria: human capital, natural capital, social capital and economic capital. Environmental factors play a dominant role in our framework, also influencing a country's rating for human, social and economic capital. The overweighting of environmental aspects is justified by the fact that a country cannot perform well on any front if it faces serious long-term environmental damage. Eventually, these environmental externalities will impact human health, social cohesion and economic capital criteria. All four forms of capital incorporate a wide range of tangible ESG factors, fed by several specialized data providers.

Our ESG analysis of sovereign issuers, which also aims to set minimum standards in terms of democracy and transparency, enables us to identify highly oppressive dictatorial regimes and countries classified as "not free" on the basis of Freedom House's Freedom in the *World Index* and the World Bank's *Voice & Accountability Index*. We are thus reducing our exposure to all countries on the Financial Action Task Force's (FATF) list of high-risk jurisdictions subject to a Call to Action.

D. Data sources

In financial and corporate social responsibility (CSR) reports, the available data is subject to quality and accuracy checks by the company's auditors or regulators. However, there are still significant gaps in the availability and quality of information on the PAIs on sustainability. Candriam ensures, as far as possible, the quality of the data, in particular by carrying out due diligence on each ESG data provider it uses. These quality and monitoring checks are designed to verify the adequacy, sufficiency, consistency and accuracy of the data. When new data sources are identified, they are evaluated and submitted to the Sustainability Risk Committee for validation.

The following paragraphs summarize the various limitations of the methodologies, which are due to the lack of disclosed or verified data.

- **Data coverage:**

ESG data in general is continually improving, but some data may not be available for all issuers in the fund or benchmark, implying that sustainability indicator scores given at portfolio level may only be representative of a sub-portfolio of issuers for which data is available. It is therefore always important to take coverage ratios into account when interpreting the levels of sustainability indicators.

- **Data granularity:**

For certain types of data, the necessary level of granularity is not always readily available. Data is available at issuer level, but not always at instrument level. This situation is resolved by excluding green bonds from the calculation of sustainability indicators (in both numerator and denominator), rather than assigning issuer-level data or a zero-carbon value to the green bond.

- **Mapping the transmitter:**

As regards the correspondence between subsidiaries and parent companies, ESG data is not always available at the level of the specific issuer held in position but can be matched with ESG data from a reference company in the same group. This is the case when the relationship between the two companies is deemed relevant from an ESG point of view.



4. Engagement policies

Candriam's engagement activities contribute to avoiding or reducing the extent of the PAIs through dialogue and voting activities. Candriam's Commitment Policy is validated by our Global Strategic Committee and regularly reviewed.

Our engagement initiatives encourage the companies in which we invest to adopt best ethical practices, and to consider the interests of key stakeholders in their decision-making processes.

Candriam's Sustainability Risk Committee and/or Strategic Sustainability Committee oversee(s) and guide(s) Candriam's ESG engagement initiatives, which are the operational responsibility of the ESG team. The ESG team works in close collaboration with financial analysts and portfolio managers who:

- Help define commitment priorities
- Are regularly informed of the follow-up and results of the commitment,
- You can take part in the dialogue and even carry it in its entirety
- Are involved in decisions in the event of an escalation process (including reconsideration of issuer eligibility for their portfolios).

We prioritize engagement with the most important and relevant ESG challenges facing sectors and issuers, taking into account both financial and societal/stakeholder impacts (the principle of double materiality).

In line with the UN PRI, the pillars of our engagement process are as follows:

- encourage improved communication and transparency on ESG criteria, supporting internal ESG research and analysis to support our investment decisions;
- support investment decision-making, particularly in the wake of controversial events deemed significant from a sustainable development perspective;
- influence companies' ESG strategies and practices,
 - on systemic issues such as climate change and resource management, among others, and
 - whenever an event, whether environmental, social or governance-related, requires/justifies preventive measures or calls into question organizational, industrial, commercial or accounting/financial strategies and practices, with a view to sustainable development.

Three themes have been identified as priorities since 2015:

1. energy transition,
2. fair working conditions and
3. business ethics.

While the above topics remain central to our engagement activities, we observed a surge in biodiversity related engagement over the last year.

A good understanding of the ESG challenges faced by business sectors and issuers, as well as their respective materiality, are the necessary entry points for any commitment to an initiative, whether individual or collective. In this respect, the main objective of our ESG sector analysis is to identify the most important issues from an operational, strategic and reputational point of view. As mentioned at the beginning of the integration of Mandatory and Voluntary PAIs into Candriam's ESG analysis, the ESG analysis framework and the opinions derived from it feed into our engagement process. In return, engagement outcomes also feed into our ESG analysis framework.



Once ESG issues and priorities have been identified, a commitment schedule can be defined or updated, taking into account:

- The nature of the event requiring specific action (ESG rating review, controversy, request from our Sustainability Risk Committee, corporate action, emerging theme, etc.);
- The importance of the issue and its impact with regard to the United Nations Sustainable Development Goals and the main mandatory or optional adverse impacts;
- Candriam's level of exposure to the assets of the issuer(s) concerned and the resulting degree of influence;
- The interests of Candriam's portfolio managers and analysts;
- The subject of the engagement and how it fits in with Candriam's conviction topics and other priority ESG topics, including those in which Candriam's customers have expressed an interest;
- Current ESG opinion of the issuer (e.g., presence on the ESG watch list);
- The potential impact that a change at the level of the specific issuer could induce on market practice or on the market's approach to the security in question.
- Existence of clear and measurable objectives
- Adequacy between the resources available and those to be made available for the dialogue concerned

Our engagement activities take many forms.

- Direct dialogue with issuers: Candriam individually engages in dialogue with issuers to raise awareness of material ESG issues, encourage greater transparency and the adoption of best practices over specific ESG topics.
- Collaborative engagement initiatives which allow to act together with other major investors on a non-discretionary basis, exerting greater influence on issuers and broadening the scope of action of individual investors through economies of scale.
- Exercise voting rights and commitment before and after the AGM, to uphold the principles of good corporate governance and sustainable development.
- Promotion of sustainable development to support ESG research and better integration of ESG factors into the investment decision-making process.

Once a dialogue has started and depending on the quality of the exchanges and the interest of internal parties, a follow-up approach and potential escalation measures can be defined. Several decisions can be taken, not mutually self-exclusive:

- the commitment is closed: a) the prescribed objective has been achieved or b) the dialogue is not a tier 1 priority, and the objective does not appear to be achievable under the given conditions.
- the commitment continues: the objective of dialogue seems achievable, but with an extended deadline;
- an escalation process is triggered: the objective has not been reached, but it is still considered achievable and important enough for us to continue to warrant continued efforts in another form. When triggered, the escalation process may differ, depending on the history (type of engagement, duration, quality of relationship), the context of the dialogue (time of year, customer-specific investment policy, market/media/NGO/customer pressure) or new opportunities that may arise.

In the (non-mutually exclusive) escalation steps below, Candriam is willing to consider:

- Joining or launching a collaborative initiative having similar objectives to the previous dialogue and potentially extended to industry or regional levels;
- Exercising voting rights against management to show Candriam's disagreement on practices or strategic choices;
- Exercising voting rights against management to show Candriam's disagreement on practices or strategic choices;
- Starting an individual dialogue (e.g., after a vote against management during the AGM);



- Supporting or filing a shareholder resolution;
- Reading a statement at the AGM to raise both management and shareholder awareness;
- Changing the ESG eligibility status of the company with divestment consequences, the issuer being systematically informed. The ESG profile of the issuer and/or analysis framework is systematically updated to consider the engagement content and its outcomes. ESG opinion on, and the eligibility status of, the issuer is updated accordingly, when needed. An intermediary step can be to temporarily freeze new investments in an issuer, pending the results of the next steps in the engagement process.

The ESG profile of the issuer and the analysis framework are systematically updated to incorporate the engagement content and its outcomes. The ESG team monitors engagement activities daily in collaboration with investment team representatives. The traceability of various commitment actions and their follow-up is ensured and recorded in a proprietary ESG database, which stores all information on dialogue activities, including contact details, period of contact, topics, and associated engagement targets.

Candriam's engagement efforts on climate and human rights in particular, are being reflected and articulated in Candriam's Climate and Human Rights Policies, as explained below.

Climate Policy

Candriam's Climate Policy integrates Principal Adverse Impacts (PAIs) into its sustainable investment approach, focusing on climate change mitigation and adaptation. Performance is evaluated at both operational and investment levels, with metrics disclosed in CSR reports and fund disclosures. Annually, Candriam publishes Scope 1, 2, and 3 GHG emissions, aiming for year-on-year carbon intensity reduction. At the investment level, relevant PAIs such as GHG emissions, carbon footprint, and fossil fuel exposure (PAIs 1, 2, 3, 4, 5, 6) are monitored.

In November 2021, Candriam joined the Net Zero Asset Managers Initiative (NZAMI), committing to Net Zero GHG emissions by 2050 or sooner. By 2030, we plan to engage with companies representing at least 70% of our financed emissions to support this goal.

We prioritize supporting investees in their decarbonization efforts and will conduct a comprehensive assessment in 2025.

For more details, refer to chapter 3.1.3. of our Climate policy: [Climate-Policy.pdf \(candriam.com\)](#)

Human Rights Policy

Regarding Candriam's Human Rights Policy, Candriam embeds Principal Adverse Impacts (PAIs) within its sustainable investment approach. It monitors and discloses information on PAIs, specifically those related to Human Rights issues (e.g., PAIs 9, 10, 11, 12, and 16).

By incorporating PAIs into its processes, Candriam adheres to the Do No Significant Harm (DNSH) principle as outlined by the SFDR. Investment decisions are influenced by the integration of PAIs through Candriam's ESG analytical framework and exclusion policy. Furthermore, Candriam's engagement activities work towards preventing or mitigating adverse impacts.

For more details, refer to chapter 4.4 of our Human Rights Policy: [Human-Rights-Policy.pdf \(candriam.com\)](#)



5. References to international standards

The concept of responsible investment invites investors to use all the means at their disposal to create long-term value for their clients and beneficiaries, and sustainable benefits for the economy, the environment and society. To this end, Candriam adheres to various codes of conduct and standards, and engages with entities that, by virtue of their skills and/or authority, are in a position to initiate or influence changes in ESG regulations or market practices.

Candriam defines engagement as the interactions we have on ESG issues, encompassing both collaborative engagement initiatives and, among others, working groups and professional associations on responsible investment.

All the declarations we have signed, committing us to these additional principles, are listed in our 2023 commitment report: [voting-and-engagement-report-2023.pdf \(candriam.com\)](#)

Below you will find the various responsible codes of conduct and internationally recognized standards to which Candriam adheres and/or takes into account in its analysis, as well as the indicators, methodologies and data used to examine their alignment with the IAPs and Paris Agreement targets, where relevant.

I. International climate standards

i. Net Zero Asset Manager Initiative

PAI covered:

GHG emissions (PAI 1), Carbon footprint (PAI 2), GHG intensity of investee companies (PAI 3), Exposure to companies active in the fossil fuel sector (PAI 4), Share of non-renewable energy consumption and production (PAI 5), Energy consumption intensity per high impact climate sector (PAI 6).

Indicators, methodology and data:

In November 2021, Candriam set decarbonization targets by joining the *Net Zero Asset Managers Initiative*. With this commitment, Candriam aims to align its investment trajectory and contribute to the goal of carbon neutrality by 2050. As part of this commitment, we have selected 3 methods to demonstrate the alignment of our investments with the *Net Zero* objective:

- Emissions intensity reduction: reduce the portfolio's weighted average carbon intensity (WACI) by 50% between 2019 and 2030.

Candriam aims to reduce greenhouse gas emissions from part of its investment portfolio by 50% by 2030, and to achieve carbon neutrality by 2050 at the latest. In addition, Candriam has defined the reduction of GHG emissions as a key objective for financial products classified under Article 9, unless this is not relevant for investment strategies that pursue a specific social or environmental objective for which we use other indicators.

- Alignment on temperature: reduce portfolio temperature to below 2°C by 2030.

The methodology is based on a fundamental and prospective analysis, adapted to each sector, which models sectoral decarbonization trajectories based on IPCC scenarios and IEA sectoral trajectories. This is a detailed assessment of each issuer's specific climate performance, incorporating past, present and future performance in terms of greenhouse gas emissions, as well as an analysis of the company's



ability to achieve its climate objectives, focusing in particular on its governance, strategy and investment plans. Climate indices are used as input data for calculating portfolio temperature (see next section).

- EU climate benchmark: reduce the portfolio's weighted average carbon intensity (WACI) below the fund's Paris-aligned benchmark (PAB).

Funds with a weighted carbon intensity below the WACI of their relevant benchmark, aligned with the Paris Agreement targets, are considered to be already aligned on a carbon neutral path.

For more information on the application of our climate strategy, please refer to our dedicated [document](#), also available on our [website](#) under the heading "Candriam policies".



ii. Other corporate climate commitment initiatives

Commitment	ES G	Joined / renewed	PAI	Initiative description
Climate Action 100+	E	2017	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i> PAI 7. <i>Activities endangering biodiversity</i> PAI 8. <i>Emissions to water</i>	This five-year initiative by PRI, in partnership with global networks, aims to curb emissions from over 100 major corporate polluters, enhance climate-related financial disclosures, and improve governance on climate risks. Climate Action 100+ signatories have set a unified agenda, urging company boards and senior management to: Establish a robust governance framework for climate risk accountability. Reduce greenhouse gas emissions in line with the Paris Agreement's goals. Enhance corporate disclosure per TCFD recommendations to improve investment decisions against various climate scenarios.
Global Banks Climate Change & Biodiversity (Shareaction-led)	E	2021	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i> PAI 7. <i>Activities endangering biodiversity</i> PAI 8. <i>Emissions to water</i>	Aligned with the IIGCC Working Group on Financials, the initiative urges banks to: 1. Set short-term (5-10 years) climate targets for all financial services before their 2022 AGM. 2. Integrate the IEA Net-Zero scenario or a similar 1.5°C scenario into their climate strategy. 3. Phase out coal by 2030 in OECD countries and by 2040 in non-OECD countries. 4. Align financial statements with a 1.5°C pathway. 5. Commit to protecting and restoring biodiversity. These requests align with COP26 and IIGCC's climate expectations for banks.
IIGCC investor position statement - voting on transition planning		2021	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i>	The 2021 voting season introduced a new type of resolution from corporate management: Say on Climate. To ensure investors can make informed decisions, IIGCC and its members have defined basic principles for structured corporate net zero transition plans with regular votes and director oversight.
Net Zero Proxy Advice - IIGCC Investors Letter to Proxy Advisors	E	2021	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i>	IIGCC letter to proxy voting service providers asking them to develop a suite of proxy voting solutions for investors committed to zero greenhouse gas emissions by 2050 and to publicly commit to supporting Net Zero investment as soon as possible.
2022 - IIGCC Banks Engagement	E	2022	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i>	After participating in the IIGCC's banking sector working group since 2020, we have decided to play a more active role, and take part in the associated commitments from 2022 onwards. This collaborative initiative aims to engage with banks to guide them along the path to Net Zero. The university partner in this project is the <i>Transition Pathway Initiative</i> (TPI). The IPT evaluation framework is used as a starting point for discussing banks' strategy and performance in the transition to Net Zero.
CDP Climate, Forest & Water 2023	E	2023 renewed	PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i>	CDP is an independent and global system through which thousands of companies measure, disclose, manage and share vital environmental information. This data is currently shared with Investor signatories and members. The insights offered by the data CDP collects on climate change, and on water and deforestation risk management, enables investors notably to make informed decisions about mitigating the risks of environmental issues whilst capitalizing on the opportunities that a responsible approach presents.



			<p>PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i> PAI 7. <i>Activities endangering biodiversity</i> PAI 8. <i>Emissions to water</i></p>	
Enhancing Legal Framework Say-on-Climate and Shareholder Resolutions		2023	<p>PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i></p>	<p>This initiative builds on our Say on Climate efforts in France, gaining momentum in 2022 with work on TotalEnergies' Say on Climate. PhiTrust initiated a formal letter to French authorities, urging enhancements to legislation on shareholder proposals and Say-on-Climate. A follow-up letter from the French SIF supported similar changes. In France, the restrictive legal framework makes it difficult for shareholders to submit proposals, requiring a 0.5% ownership threshold, which is challenging for large caps. The tight timeframe and potential management opposition further complicate the process. Additionally, shareholder dialogue on climate issues in France is inefficient. Companies' transition plans are often incomplete, lacking sufficient detail for shareholders to assess their climate ambitions. While the CSRD directive aims to improve this, current climate transparency remains inadequate and slow to progress.</p>
Intesa Sanpaolo's Thermal Coal Policy	E	2023	<p>PAI 1. <i>GHG emissions</i> PAI 2. <i>Carbon footprint</i> PAI 3. <i>Issuer GHG Intensity</i> PAI 4. <i>Exposure to fossil fuel sector</i> PAI 5. <i>High non renewable energy</i> PAI 6. <i>Energy intensity per impact sector</i> PAI 10. <i>Global Compact and OECD violation</i></p>	<p>Intesa Sanpaolo updated its thermal coal policy in July 2021, with mixed outcomes. While it committed to stop financing coal power plant developers immediately and to phase out coal mining by 2025, crucial exclusions are missing: As a major European and global bank, Intesa Sanpaolo plays a crucial role in financing the transition to a low-carbon economy. We urge the bank to tighten its coal policy and publicly share it in full, including:</p> <ol style="list-style-type: none"> 1. Excluding general purpose financing to coal mine developers. 2. Adopting a stricter, immediate threshold for coal power generation company exclusions. 3. Outlining a comprehensive strategy to fully exit coal by 2030 in Europe/OECD and 2040 globally. 4. Covering all financial services, including investments and securities underwriting.

iii. Other climate commitment initiatives with countries

Commitment	ES G	Joined / renewed	PAI	Initiative description
FAIRR: Where's the Beef Statement	E	2021	PAI 15. <i>Sovereign GHG intensity</i>	From 2007-2016, 23% of total anthropogenic greenhouse gas emissions came from agriculture, forestry, and other land use. To sustainably feed the world's population while meeting environmental and climate targets, the global food system, particularly animal agriculture, must be a key part of the transition to a net-zero economy. The IPCC also highlights the significant GHG-mitigation potential of increasing plant-based food in global diets. As part of the COP26 process, and each country's Nationally Determined Contributions (NDCs), investors urge all G20 nations to disclose specific targets for emissions reduction in agriculture within or alongside their NDC commitments.
2022 Australia Sovereign Engagement on Climate	E	2022	PAI 15. <i>Sovereign GHG intensity</i>	The overall aim of the initiative is for the Australian government to take all possible steps to mitigate climate change in line with the Paris Agreement and, in particular, a temperature target of 1.5°C. The engagement will cover 3 areas: 1. Transition risks and opportunities (1.5°C and <i>Net Zero Pathways</i>) 2. Physical risk assessment (has not been done in Australia) 3. Market developments (sustainable finance, disclosure, taxonomy, green bond initiatives). The initiative will seek to engage with various Australian federal government departments, agencies and entities, state governments as well as various stakeholders.
2022 Global Investor Statement to Governments on the Climate Crisis	ES	2022 renewed	<p>PAI 15. <i>Sovereign GHG intensity</i> PAI 16. <i>SOV Social violation countries</i></p>	<p>The World Investor Statement 2022 takes up the central themes of the World Investor Statement 2021, namely the urgent need to take swift and immediate action to tackle the climate crisis. Following the new commitments made by governments at COP26 in Glasgow, the declaration has been strengthened in three main areas:</p> <ul style="list-style-type: none"> - Ensure that the targets set by governments for 2030 are aligned with the objective of limiting global temperature rise to 1.5°C. - Invite governments to set deadlines for phasing out coal-fired power. - Focus on the relationship between climate change and vulnerable environmental, social and economic systems (including food and agriculture, energy, water resources, nature, biodiversity and forests) and the need for governments to ensure that their actions take full account of the potential impacts on ecosystems, individuals, workers and communities.

II. International biodiversity standards

Commitment	ES G	Joined / renewed	PAI	Description of the Initiative
Plastic Solutions	ES	2018	<p>PAI 7. <i>Activities endangering biodiversity</i> PAI 8. <i>Emissions to water</i></p>	This initiative was launched in mid-2018. It is convened by <i>As You Sow</i> and calls for a reduction in the use of plastics, improved collection and recycling channels, and the development of sustainable alternatives to plastic packaging. The initial declaration provides the framework for future engagement with global consumer players.



Investor Alliance			PAI 9. <i>Hazardous waste ratio</i> PAI 11. <i>Lack of Global Compact processes</i>	Candriam took part in drafting this declaration. Candriam has also joined the initiative as an active participant in the engagement, targeting several global consumer companies.
Investor Expectations Statement on Sustainable Palm Oil		2018	PAI 7. Activities endangering biodiversity	In 2014, 33 members of the Investor Working Group on Sustainable Palm Oil signed a position paper to support a sustainable palm oil industry. Their goal was to raise awareness among investors, provide a unified voice in support of the industry and the Roundtable on Sustainable Palm Oil (RSPO), and engage companies in adopting more sustainable practices. Today, the investor expectation statement updates this position paper to reflect changes in the palm oil market. It outlines investor expectations and calls on companies across the palm oil value chain—producers, refiners, traders, consumer goods manufacturers, retailers, and banks—to adopt and publicly disclose a No Deforestation, No Peat, and No Exploitation (NDPE) policy. This statement aligns with other palm oil initiatives signed by Candriam, including the Letter to RSPO Secretariat for an improved complaints mechanism and the Letter to RSPO on sustainable palm oil practices.
Investor Statement on Deforestation and Forest Fires in the Amazon		2019	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 7. Activities endangering biodiversity PAI 8. Emissions to water PAI 10. Global Compact and OECD violation	Tropical forests are vital for combating climate change, protecting biodiversity, and maintaining ecosystem services. Recent and ongoing Amazon fires have heightened concerns about the systemic risks posed by deforestation. Significant rainforest disruption threatens the agricultural sector and other economic activities by reducing rainfall and increasing temperatures in the long-term. Companies involved in deforestation face growing reputational, operational, and regulatory risks. This statement, coordinated by the UN PRI, calls on companies to intensify their efforts and demonstrate a clear commitment by: - Publicly disclosing and implementing a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain and sourcing geographies. - Assessing and minimizing deforestation risk in operations and supply chains, and publicly disclosing this information. - Establishing a transparent system to monitor and verify supplier compliance with the no deforestation policy. - Reporting annually on deforestation risk exposure and management, including progress towards the no deforestation policy. This statement is part of the broader Investor Initiative for Sustainable Forests (IISF). The IISF, in collaboration with Ceres, helps investors understand the high material risk deforestation in cattle and soybean supply chains poses to companies.
Marine Microplastic Pollution	E	2020	PAI 7. Activities endangering biodiversity PAI 8. Emissions to water	In collaboration with the leading UK-based science led charity, the Marine Conservation Society (MCS), institutional investors are commencing an investor engagement program with the manufacturers of domestic and commercial washing machines to fit, as a standard feature, filters to their products to prevent plastic microfibers entering the world's marine ecosystems. Filter technology is currently available and today is not systematically utilized across the industry. Scientific evidence of the significant harm to marine biodiversity and ecosystems is emerging, as well as widespread public awareness and support for action in tackling plastic pollution in the marine environment.
FAIRR Biodiversity - Waste & Pollution	E	2022	PAI 7. <i>Activities endangering biodiversity</i> PAI 8. <i>Emissions to water</i> PAI 9. <i>Hazardous waste ratio</i>	FAIRR (a foundation of which we are members, dedicated to actions linked to the agri-food industry, and with which we have worked on antibiotics / sustainable proteins / agriculture and climate) has decided to launch 3 commitment initiatives linked to biodiversity. The first will focus on waste and pollution, the second on land management and resource use (2023), and the third on land and sea use change (2023). This first campaign on waste and pollution targets livestock farmers and agrochemical companies.
Nature Action 100	E	2023	PAI 7. Activities endangering biodiversity PAI 10. Global Compact and OECD violation	Nature Action 100 is a global investor initiative aimed at reversing nature and biodiversity loss by 2030. It targets key sectors crucial to this goal and was created by institutional investors. Ceres and the Institutional Investors Group on Climate Change (IIGCC) co-lead the initiative's Secretariat and Corporate Engagement Working Group, while the Finance for Biodiversity Foundation and Planet Tracker co-lead the Technical Advisory Group. Investors urge companies to: 1. Commit to minimizing nature loss and restoring ecosystems by 2030. 2. Assess and disclose nature-related impacts, risks, and opportunities. 3. Set and disclose science-based targets and annual progress. 4. Develop and implement a comprehensive plan with Indigenous and local communities. 5. Establish Board oversight and disclose management roles in nature-related issues. 6. Engage with stakeholders to support plan implementation and target achievement.
Plastic Solutions Investor Alliance: Petrochemicals	E	2023	PAI 7. Activities endangering biodiversity PAI 10. Global Compact and OECD violation	As You Sow is leading shareholder engagements with Chevron, Dow, ExxonMobil, and Phillips66, the top U.S. petrochemicals companies producing plastic resins for single-use applications. They are asking these companies to: 1. Study the business impact of an 80% reduction in plastic pollution by 2040. 2. Disclose safety and efficiency data on chemical recycling technologies. This initiative continues resolutions from 2022 and 2023, which gained significant investor support, including from Candriam. The core demand is for companies to analyze the impact of a one-third reduction in single-use plastic demand by 2040 and disclose information about recycling technologies.
PRI Nature Reference Group		2023	PAI 7. Activities endangering biodiversity	The Nature Reference Group, composed of PRI signatories, aims to: - Raise awareness of nature-related impacts, dependencies, risks, and opportunities in investment activities and their role in achieving net zero targets. - Build investor capacity to address biodiversity loss and nature-related risks, aligning with global sustainability goals like the Kunming-Montréal Global Biodiversity Framework. - Support investors in integrating nature-related risks and opportunities into their practices and policies, and in using relevant tools and frameworks.
VBDO: Investor Call to Reduce Plastic	E	2023	PAI 7. Activities endangering biodiversity	The entire plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights, and public health. Research highlights the severe impacts, with scientists stating that "clean-up is futile" if production continues at current rates. We, as investors and their representatives, urge companies to: - Reduce dependence on single-use plastic packaging.



				<ul style="list-style-type: none"> - Align plastic production and consumption with planetary boundaries and the Paris Agreement. - Adhere to the Kunming-Montreal Global Biodiversity Framework. <p>This statement targets companies in the fast-moving consumer goods and grocery retail sectors.</p>
VBDO: Plastic Engagement	E	2023	PAI 7. Activities endangering biodiversity	Following our May 2023 statement (see VBDO Investor Call to Reduce Plastic), we are targeting a shortlist of companies with a letter and an invitation for follow-up discussions with signatory investors.



III. UN Global Compact principles and OECD Guidelines for Multinational Enterprises

i. Candriam normative analysis

Candriam endorses the principles enshrined in these international standards, which form an essential reference point for its policy of normative exclusions. Issuer exclusions in violation of these principles are considered essential at entity level.

Principle Adverse Impacts covered:

Violations of the principles of the United Nations Global Compact and the OECD (PAI10).

Indicators, methodology and data:

Certain financial products classified as Article 8, and all our financial products classified as Article 9, exclude issuers deemed to be in breach of one or more of the principles of the United Nations Global Compact. Breaches are assessed dynamically, on the basis of well-documented evidence, taking into account both the impact and the remedial measures adopted by the issuer.

Alignment with international principles is implemented through our normative analysis, which is an integral part of Candriam's ESG analytical framework. The result of this analysis is the indicator used to monitor PAI 10. Investments are subject to an in-depth normative analysis, which examines issuers' compliance with international social, human, environmental and anti-corruption standards. These standards include the United Nations (UN) Global Compact and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Additionally, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights are among the many international references included in our analysis.

Information on actual, suspected or associated incidents or violations of international standards is gathered through external research with our own ESG Analysis, MSCI and/or Sustainalytics, and then combined with internal analyses by our ESG experts.

For further information on the application of our normative analysis, please refer to our exclusion policy on our dedicated SFDR page: [SFDR | Candriam](#)



ii. Other commitment initiatives relating to the UN Global Compact and OECD principles

Commitment	ESG	Joined / renewed	PAI	Initiative description
Investor Mining and Tailings Safety Initiative	ES	2019	PAI 7. Activities endangering biodiversity PAI 8. Emissions to water PAI 10. Global Compact and OECD violation PAI 11. Lack of Global Compact processes	Following the Vale dam failure in Brumadinho, Brazil, and the tragic loss of lives, livelihoods, and environmental damage, investors called for an independent public classification system for tailings dams. In April 2019, over 500 companies received a disclosure questionnaire and investor letter requesting specific details on their dams, including location, status, and downstream impact analysis. This applies to all tailings facilities where the company has any interest, including subsidiaries, partnerships, and joint ventures. Responses are made public and serve as a basis for engagement. Since 2020, the initiative has encouraged companies to adopt the Global Industry Standard on Tailings Management. This standard aims for zero harm to people and the environment, with zero tolerance for human fatalities. It promotes transparency, accountability, and the rights of affected communities, striving to prevent catastrophic failures and enhance the safety of tailings facilities worldwide.
Investor Statement on Turkmen Cotton (Responsible Sourcing Network)		2019	PAI 10. Global Compact and OECD violation	In Turkmenistan, the world's eleventh-largest cotton exporter, the cotton industry is entirely government-controlled. Domestic media and international organizations, such as the ILO Committee of Experts, have noted the widespread use of forced labor in cotton production, affecting farmers, businesses, and workers in both the public and private sectors. In May 2018, the U.S. Customs and Border Protection (CBP) issued a Withhold Release Order (WRO) to block the importation of all Turkmenistan cotton and products made with Turkmenistan cotton into the United States. In this statement, investors recommend companies to: 1. Sign the Turkmen Cotton Pledge developed by Responsible Sourcing Network (RSN). 2. Support the implementation of the pledge through the YESS (Yarn Ethically & Sustainably Sourced) initiative, also developed by RSN.
CHRB – Investor Statement Calling on Companies to Improve Human Rights Performance	S	2020	PAI 10. Global Compact and OECD violation	Coordinated by the Investor Alliance for Human Rights, we co-signed a letter addressing concerns about rankings in the 2019 Corporate Human Rights Benchmark (CHRB). This letter was sent to 95 high-risk sector companies that scored zero on key indicators, highlighting potential severe human rights risks. The letter urges these companies to publicly disclose by June 2020: 1. Their processes for identifying and assessing human rights risks and impacts. 2. Their prioritization of salient human rights issues. 3. Their salient human rights impacts, including supply chain impacts. 4. Their actions to prevent, mitigate, and remediate these impacts. 5. Their approach to tracking and evaluating the effectiveness of these actions. The Investor Alliance for Human Rights will monitor these companies' progress in their CHRB scores, especially regarding human rights due diligence.
Teleperformance: Duty of Vigilance Law & Related Concerns	S	2020	PAI 10. Global Compact and OECD violation	Following direct dialogue with the company over the past year, we decided to gain leverage and join a group of French AMs.
Collaborative Engagement on Uyghurs Slave Labour in the Supply Chain	S	2020	PAI 10. Global Compact and OECD violation	The Interfaith Center on Corporate Responsibility, the Investor Alliance for Human Rights, and Rathbones are organizing a coordinated investor engagement with companies regarding the human rights crisis in the Xinjiang Uyghur Autonomous Region (XUAR). This effort is based on the UN Guiding Principles on Business and Human Rights, emphasizing businesses' responsibility to respect human rights. In XUAR, an estimated 1.8 million Uyghur, Turkic, and Muslim-majority people face extrajudicial detention and forced labor, affecting global supply chains. Businesses are implicated through operations and partnerships in the region, and investors are linked to these violations through their investments. Investors must use their leverage to address these harms through corporate engagement and collaboration with rightsholders.
Corporate Accountability for Digital Rights	S	2021 renewed	PAI 10. Global Compact and OECD violation	The Investor Alliance for Human Rights' statement on Corporate Accountability for Digital Rights calls on ICT companies to respect human rights, using the Ranking Digital Rights (RDR) Corporate Accountability Index as a guide to improve governance. The RDR evaluates 26 major ICT companies on their commitment to freedom of expression and privacy. Investors urge these companies to align with the RDR by conducting human rights due diligence, reporting on human rights, and collaborating with investors. By signing this statement, investors pledge to promote digital rights within the investor community, push companies to respect users' rights, and disclose their policies. They also commit to using and developing the RDR Index in their analyses. Candriam co-leads engagement with two ICT companies and supports efforts with several others.
Investor Engagement on Facial Recognition 2021	S	2021	PAI 10. Global Compact and OECD violation	The rapid deployment of Facial Recognition Technology (FRT) has raised major concerns about the impact on privacy, data protection, and civil liberties. This engagement calls on the companies involved in this technology to increase disclosure, to demonstrate awareness of the impact on human rights and to adopt ethical practices. This engagement follows the Investor Statement on Facial Recognition.
Healthy Market Initiative	SG	2021	PAI 11. Lack of Global Compact processes	We are working punctually with this collaborative initiative whose aim is to improve children's health by increasing access to affordable, healthy food.



2022 Letter to Starbucks on Worker Representation	S	2022	PAI 10. Global Compact and OECD violation	Over 100 Starbucks stores across the U.S. have filed for union elections, exercising their right to organize. Since these efforts began in Buffalo, NY, Starbucks' actions appear to contradict its commitments to worker rights, posing reputational risks. Trillium Asset Management, Parnassus Investments, SOC Investment Group, Pensions & Investment Research Consultants, and the Office of New York City Comptroller Brad Lander have written to Starbucks, urging it to adopt a neutral stance on worker organizing. This follows a similar letter from December 2021 regarding Buffalo. The new letter emphasizes that partnerships between companies, unions, and workers foster stronger workplaces and better labor relations. Ensuring workers' rights benefits both employees and companies, leading to lower turnover, more resilient operations, higher employee satisfaction, and better products and services. This letter reminds Starbucks of its obligations under international agreements, such as the ILO Labor Conventions and the UN Guiding Principles on Business and Human Rights, to respect workers' freedom of association.
Investor Initiative on Responsible Care – UNI Global Led	S	2022	PAI 11. Lack of Global Compact processes	This initiative, led by UNI Global, aims to engage nursing home operators to improve conditions for workers and pensioners. It follows the signing of the "Investor Statement - Expectations for the Nursing Home Sector" by 105 financial institutions representing over \$3 billion in assets under management. The COVID-19 pandemic has highlighted and worsened long-standing issues in the nursing home sector. Nursing homes worldwide have been at the epicenter of the crisis, with a significant number of COVID-19 deaths among residents—averaging 41% of all deaths across 22 countries by February 2021. Additionally, many nursing home workers have been infected, with lasting effects and fatalities. Investors expect nursing home operators to develop and implement group-wide standards that go beyond local regulatory requirements, focusing on: - Under-staffing - Health and safety - Wages and contracts - Freedom of association and collective bargaining - Quality of care These standards aim to enhance the quality of care and working conditions within the sector.
WBA Investor Engagement on Ethical AI	ESG	2022	PAI 10. Global Compact and OECD violation PAI 11. Lack of Global Compact processes	This initiative, led by the World Benchmarking Alliance (WBA), unites multiple stakeholders to address ethical Artificial Intelligence (AI) and promote corporate practices for systemic change. A key finding from WBA's 2021 Digital Inclusion Benchmark revealed that while many digital companies extolled the benefits of AI, few acknowledged its risks. Only 20 out of 150 companies disclosed a commitment to ethical AI principles. As investors, we see this lack of commitment as a significant risk, not only to the companies we invest in but also to basic human rights and the sustainable development of society. We recognize that committing to ethical AI principles is essential for an inclusive and trustworthy digital transformation. Therefore, we are taking coordinated actions to ensure more companies adopt ethical AI practices. This investor engagement is led by Fidelity International, Boston Common Asset Management, and Candriam.
2022 PRI Advance: Human Rights	S	2022	PAI 10. Global Compact and OECD violation	Advance, led by PRI, is a collaborative stewardship initiative where institutional investors join forces to address human rights and social issues. Investors leverage their collective influence to drive positive outcomes for workers, communities, and society. The initiative sets the following expectations for companies: - Fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs) - Align political engagement with their responsibility to respect human rights - Deepen progress on the most severe human rights issues in their operations and across their value chains The extractive and utilities sectors will be the first targets of this initiative.
2023 Big Tech and Human Rights	S	2023	PAI 10. Global Compact and OECD violation	Led by the Council on Ethics of the Swedish national pension funds (AP1-4), this investor collaboration targets big tech companies to address their human rights and societal impacts. Over three years, the initiative aims to: 1. Encourage concrete measures to tackle operational and systemic human rights risks related to products and services. 2. Enhance transparency in reporting challenges and activities. The focus areas include: 1. Content integrity, combating misinformation, hate speech, and electoral interference. 2. Integration of human rights in corporate culture and structures. 3. Ensuring access to remedy for rights holders. 4. Shaping corporates' interaction with authorities and regulators, including lobbying efforts.
FIR: Forced Labour and Child Labour Engagement	S	2023	PAI 10. Global Compact and OECD violation	The 'Forum pour l'Investissement Responsable' (FIR) has forged a coalition with ten investor members, collectively managing over 3,100 billion euros in assets, to combat forced labor and child labor globally. This commitment is grounded in a methodology developed by the NGO 'Ressources Humaines Sans Frontières' (RHSF) for assessing companies. The objective is comprehensive vigilance across product or service value chains up to their origins, identifying and addressing risks to mitigate impacts. Ten French companies from high-risk sectors such as food, automotive, consumer goods, construction, hospitality, and utilities have been selected for constructive engagement. The dialogue aims to understand and prevent forced labor and child labor risks within these companies' value chains.
Investor Letter to Nike on Wages Owed to Workers	S	2023	PAI 10. Global Compact and OECD violation	Led by ABN Amro and CCLA Investment Management, an investor letter addresses labor violations involving Nike's key suppliers, the Ramatex Group and the Hong Seng Knitting Group. Garment workers in Cambodia and Thailand were denied legally owed wages and benefits totaling \$2.2 million in 2020, impacting over 4,500 workers. These cases underscore Nike's due diligence and monitoring shortcomings, prompting calls for the company to compel its suppliers to rectify the situation. Drafted in consultation with NGOs and unions, this coalition of investors emphasizes the urgency of remedial action.



<i>Investor Letter to NXP Semi on Links to Russia Weapon Systems</i>	S	2023	PAI 10. Global Compact and OECD violation PAI 14. Controversial Weapons Exposure	Given the significant human rights and material risks linked to NXP's products in Russian weapons systems, this letter urges the company to implement a thorough know-your-customer due diligence process, surpassing mere compliance with sanctions and export controls.
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IV. Controversial international weapons standards

CANDRIAM considers the following weapons to be controversial: (1) anti-personnel mines, (2) cluster bombs, (3) nuclear weapons, (4) depleted uranium weapons and armor, (5) chemical weapons or (6) biological weapons or (7) white phosphorus.

PAI covered:

Exposure to controversial weapons (PAI14)

Indicators, methodology and data:

These weapons have been identified as controversial weapons, because they have received considerable criticism on three criteria:

- The non-selective nature of weapons at the time of use: i.e., the weapon used not only hits military targets, but is also likely to cause civilian casualties, damage to civilian infrastructure and other collateral damage;
- Identification as a weapon system causing both unnecessary injury and unnecessary suffering;
- The potential long-term humanitarian impacts of these weapons, which can have an adverse impact on human health and hamper the development and reconstruction of former war-affected regions.

To identify issuers' exposure to controversial weapons, Candriam works closely with two external suppliers, ISS Ethix and MSCI ESG.

ISS Ethix provides Candriam with information on companies' exposure to the majority of controversial weapons (landmines, cluster bombs, depleted uranium, white phosphorus), excluding chemical and biological weapons. ISS Ethix classifies companies' exposure into three color-coded categories:

Signal	Description
Red	<ul style="list-style-type: none">• Observed involvement
Amber	<ul style="list-style-type: none">• Strong signs of involvement• Fragmentary information on involvement
Green	<ul style="list-style-type: none">• Past implications• Implications beyond the scope of applicable definitions• No implications

Candriam automatically excludes all companies marked "Amber" and "Red" by ISS Ethix. In the event of a change of category for companies likely to have a significant impact on our portfolios, the ESG team will carry out additional analyses to obtain information for the rating evolution. Following its analysis, the ESG team will determine whether the new rating should be applied to the company's portfolios. The controversial weapons exclusion list is updated twice a year.

If a new exposure is identified for companies with a significant impact on the portfolios, the ESG team may carry out an additional analysis of the company before implementing the exclusion.

For more information on the application of the controversial arms exclusion, please refer to our exclusion policy on our dedicated SFDR page: [SFDR | Candriam](#)



These exclusions are aligned with various international standards, listed below:

Weapons category	Relevant norms
Anti-personnel mines	<i>Mine ban treaty, Belgian Mahoux law</i>
Biological weapons	<i>Biological Weapons Convention</i>
Chemical weapons	<i>Chemical Weapons Convention</i>
Cluster munitions	<i>Convention on Cluster Munitions, Belgian Mahoux law</i>
Depleted uranium, ammunition and armor	<i>Belgian Mahoux law (depleted uranium)</i>
White phosphorus weapons	N/A

V. International corporate governance standards

As a responsible investor, Candriam pays particular attention to the corporate governance policies, structures and practices of the companies in which it invests on behalf of its clients and the funds it manages. Candriam is convinced that sound corporate governance practices deliver long-term results for its shareholders.

Corporate governance" can be defined as "the system by which commercial companies are directed and controlled. The corporate governance structure specifies the division of rights and responsibilities between the various participants in the company, such as the board of directors, management, shareholders and other stakeholders, and the rules and procedures for decision-making on the company's affairs. In doing so, it also provides the structure for setting the company's objectives, the means of achieving these objectives and the performance controls.

Candriam's approach to corporate governance is based on internationally recognized standards, in particular the principles defined by the OECD, SRD II, and *the International Corporate Governance Network (ICGN)*.



In the table below, you will find the commitment initiatives promoting corporate governance aligned with Candriam's policy.

Commitment	ESG	Joined / signed up in	PAI	Description of the initiative
2021-22 Kingspan Governance Structure Engagement	SG	2021	PAI 11. Lack of Global Compact processes PAI 13. Board gender diversity	For the past five years, we have expressed concerns to the company about its governance structure, particularly regarding the lack of independence in its nomination committee. Unfortunately, our efforts have not yielded results: two executive members, both relatives of the founder and one serving as CEO, remain on the committee. This setup violates established governance norms and has hindered board-level changes that could enhance expertise and diversity. We have communicated to the company our intention to engage collaboratively with other investors to push for positive changes or commitments before the 2022 AGM. While we commend Kingspan's CEO for his leadership and the company's achievements, including its role in reducing carbon emissions, proper governance is essential. We believe diversifying the board will improve the company's ability to implement necessary changes in governance and compliance protocols. We trust that Mr. Murtagh is capable of driving this change, which is vital for our investment in KSP.
30% Club France	SG	2022	PAI 13. Board gender diversity	The 30% Club is a global campaign aiming to boost gender diversity in boardrooms and senior management. Launched in the UK in 2010 when female representation on FTSE 100 boards was a mere 12%, the Club advocates that gender balance fosters better leadership, governance, and overall board performance, ultimately driving corporate success. With 15 chapters worldwide, the French Investor Group aims to establish a dedicated French Chapter. In France, the Copé-Zimmermann law mandates listed companies to have a minimum of 40% women on their Boards since 2017. However, gender diversity at the executive management level remains lacking, with women holding only 21% of roles on average in SBF 120 Executive Committees, mainly in functional roles. As investors, we believe embracing cognitive diversity, including gender representation and diverse skills, leads to better outcomes. Research increasingly supports this assertion.
30% Club Germany	SG	2023	PAI 13. Board gender diversity	The 30% Club is a global campaign launched in the UK in 2010 to boost gender diversity at board and senior management levels, starting when only 12% of FTSE 100 board members were women. The Club asserts that gender balance enhances leadership, governance, board performance, and corporate success. In Germany, the government aims to have 30% women on supervisory boards by 2030 and mandates at least one woman on management boards, though not all DAX-listed companies are affected. As of September 2022, women held 34% of supervisory board seats but only 14% of management board positions, with just 5% of companies having a female CEO. In response, the 30% Club Germany Investor Group is launching a campaign to increase female representation in board seats and executive leadership of DAX40 and MDAX companies across various sectors.
Workforce Disclosure Initiative	S	2023 renewed	PAI 12. Unadjusted gender pay gap	The Workforce Disclosure Initiative was launched in 2017 to generate standardised and comparable workforce data for investors so that they can help drive improvements in labour policies and practices in listed companies' direct operations and supply chains. By generating meaningful workforce data, the WDI enables investors to better assess and take decisions on companies' social performance and impacts. Each year a new campaign is launched integrating learnings from previous years of data collection.





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