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CANDRIAM EXCLUSION POLICY

CANDRIAM
BY NEW YORK LIFE INVESTMENT MANAGEMENT

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1. Introduction

Candriam has demonstrated its long-standing commitment to sustainable and responsible investing for over 25 years. The firm launched its first sustainable strategy in 1996 and is proudly amongst the founding signatories of the 2006 UN Principles for Responsible Investment (PRI). As a recognised leader in sustainability, the firm believes its actions should have a positive impact on all its stakeholders.

This controversial activity policy is the concrete expression of Candriam's sustainability leadership. It defines which activities, due to their widely recognised ethical and/or economic unsustainability, are to be excluded from Candriam's investments based on **four different levels**:

- **Level 1 Company-Wide Exclusion Policy**: exclusions of the most controversial and unsustainable activities (controversial weapons, thermal coal, tobacco and norms).
- **Level 1 CTB Aligned Exclusion Policy**: exclusions of the most controversial and unsustainable activities (controversial weapons, thermal coal, tobacco and norms) compliant with the Climate Transition Benchmark (CTB) exclusions.
- **Level 2A Exclusion Policy**: an intermediate level adding exclusions relating to nuclear weapons[1], conventional weapons[1], gambling, soy, oppressive regimes, norms and climate-related risks compliant with Climate Transition Benchmark (CTB) exclusions.
- **Level 3 SRI Exclusion Policy**: a broad set of exclusions encompassing a wide range of controversial activities from an environmental and social perspective (adult content, alcohol, gambling, norms, etc.) compliant with Paris Climate Transition Benchmark (CTB) and Paris-Aligned Benchmark (PAB) exclusions.

Candriam recognises the important role that asset managers play in tackling major global challenges, such as climate change, preserving biodiversity or ensuring decent working conditions for all, and strives to be at the forefront of sustainability by advancing its policies and practices.

Each policy, as well as its specific scope of application are described in detail in the sections that follow.

[1] For Candriam's Level 2A Exclusion policy this threshold applies to companies headquartered in non-NATO countries.

	Level 1 Company-Wide Exclusion Policy[1]	Level 1 CTB Aligned Exclusion Policy[1,2]	Level 2A Exclusion Policy[1] Compliant with Climate Transition Benchmark (CTB) exclusions[2]	Level 3 SRI Exclusion Policy[1] Compliant with Paris-Aligned Benchmark (PAB) exclusions[3]
Exclusion of controversial corporate activities:				
Controversial Armaments[2,4]	Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments			
Nuclear weapons			• Any involvement in nuclear weapons for companies headquartered in non-NATO countries	• Any involvement in nuclear weapons[5]
Conventional Armaments			• 10% revenue threshold for companies headquartered in non-NATO countries • No restrictions applied to companies headquartered in NATO countries	• 5% revenue threshold[5]
Thermal Coal	• Companies with >5% revenues from the value chain of thermal coal, including power generation[6] • Companies with expansion plans (new projects) in coal mining or coal-based power generation		• Companies directly involved in coal extraction (>0% revenues) • Companies with expansion plans (new projects) in coal mining or coal-based power generation	• Companies directly involved in coal extraction (>0% revenues) • Companies with > 1% revenues from the value chain of thermal coal (including extraction and supporting products and services)[3] • Companies with >5% revenues threshold from the value chain including coal power generation[6] • Companies with expansion plans (new projects) in coal mining or coal-based power generation • Companies with a coal power generation capacity above 5 GW
	• Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[6]			
Tobacco	• Production and cultivation: any involvement[2] • 5% revenue threshold			
Electricity Generation			• Companies with new coal or nuclear-based projects • Carbon intensity above 247gCO2/kWh	• Companies with new coal or nuclear-based projects • Carbon intensity above 247gCO2/kWh • Companies deriving 50% or more of their revenues from electricity generation sources with a carbon intensity above 100 gCO2e/kWh[3]

Oil & Gas (O&G)		**Unconventional oil & gas:** • Companies with any involvement in unconventional oil and gas extraction (shale gas, shale oil, tar sands, arctic[7] drilling, deep water drilling, extra heavy oil) **Conventional oil & gas:** • Companies involved in conventional oil & gas extraction (>0% revenues) Unless (the two conditions have to be met): • The company dedicates over 20% of its capex to renewable energy AND, • The company does not explore or develop new oil & gas projects	**Unconventional and conventional oil & gas:** • Companies with >5% revenues from extraction, refining of conventional or unconventional O&G, and Pipeline & Transportation of oil. • Companies with >25% revenues from O&G related activities such as supporting products/services, petrochemicals, equipment, Gas Pipeline & transportation, and Oil Distribution & Retail. • Companies with expansion or exploration plans for new conventional or unconventional oil and gas projects. • Companies with >10% revenues from exploration, extraction, refining, or distribution of Oil[3]. • Companies with >50% revenues from exploration, extraction, refining, or distribution of Gas[3].
Corporate Activities in Oppressive Regimes			• 10% revenue threshold (unless a suspension of activities or plans to exit the country have been announced) • Engagement triggered for certain selected companies with 5% and 10% revenue exposure
Adult Content			• 5% revenue threshold
Alcohol			• 10% revenue threshold
Animal Testing			• No responsible policy and no legal requirement to test
Gambling		• 10% revenue threshold	• 5% revenue threshold
Genetically Modified Organism (GMO)			• 1% revenue threshold
Pesticides			• 1% revenue threshold derived from pesticide production for the Agriculture sector
Nuclear Power		• 30% revenue threshold[8]	• 30% revenue threshold[9]
Soy		• Producers and distributors in the sector that are not RTRS[10] members	

Palm Oil		• Producers and distributors in the sector that are not RSPO[11] members	**Producers/Distributors that:**
			• Derive >1% of their revenues from palm oil unless:
			  • they are RSPO member; OR
			  • have 50% of palm oil being RSPO-certified AND have a deforestation policy.
			Buyers that:
			• Derive >10% of their revenues from palm oil unless:
			  • they are RSPO member; OR
			  • have 50% of palm oil being RSPO-certified AND have a deforestation policy

Exclusion of sovereign issuers:			
Oppressive regimes	Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List		
Norms-based exclusions:			
Norms	Candriam's Out List: Companies that present the most severe violations of the UNGC[12] Principles and the OECD Guidelines for Multinational Enterprises[13,15]	Companies excluded[14] for violations in areas covered by the relevant norms or conventions, including the UNGC pillars and the OECD Guidelines for Multinational Enterprises [2,15]	Candriam's Red List: Companies with one or more Red Rating in areas covered by the relevant norms or conventions, including UNGC pillars and the OECD Guidelines for Multinational Enterprises[2,15]

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis.
[2] For our Level 1 CTB Aligned Exclusion Policy, Level 2A and Level 3 SRI Exclusion Policy, the threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[3] The threshold aligns with the Paris-Aligned Benchmark (PAB) as per Article 12 of the Commission Delegated Regulation (EU) 2020/1818, as outlined below. For Green Bonds, the compliance to PAB criteria is done at the use of proceeds level (issuance level).
[4] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam
[5] The threshold applies to companies headquartered both within and outside NATO countries
[6] Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground
[7] The Arctic geographical Coverage (APAC)
[8] Threshold applies if carbon intensity not available
[9] Threshold applies regardless of carbon intensity
[10] RTRS: Roundtable on Responsible Soy
[11] RSPO: Roundtable on Sustainable Palm Oil
[12] UNGC: United Nations Global Compact
[13] The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
[14] Companies excluded by an ESG research provider
[15] The conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis

2. Level 1 Company-Wide Exclusion Policy

Candriam's *Level 1 Company-Wide Exclusion Policy* targets harmful activities that we believe have a substantial negative impact and carry serious risks from both a financial and a sustainability perspective. Exposure to these activities presents important systemic and reputational risks for the investee companies from an economic as well as environmental and social perspective.

Candriam's *Level 1 Company-Wide Exclusion Policy* applies to all investments[2] made by Candriam via long positions in direct lines in corporate and sovereign issuers and single-name derivatives.

The exclusion thresholds for this Policy are shown in the table that follows:

	Exclusion threshold / criteria[1]
Exclusion of controversial corporate activities:	
Controversial Armaments[2]	• Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments
Thermal Coal	• Companies with >5% revenues threshold from the value chain including power generation[3] • Companies with expansion plans (new projects) in coal mining or coal-based power generation • Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[3]
Tobacco	• Production and cultivation: any involvement • 5% revenue threshold
Exclusion of sovereign issuers:	
Oppressive Regimes	Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List
Norms-based exclusions:	
Norms	Candriam's Out List: Companies that present the most severe violations of the UNGC[4] Principles and the OECD Guidelines for Multinational Enterprises[5,6]

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis.
[2] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam.
[3] Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground
[4] UNGC: United Nations Global Compact
[5] The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
[6] The conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international

[2] Certain exceptions may apply to investments in index derivatives, external funds/ETFs not managed by Candriam, dedicated and delegated funds, mandates, private assets, and investment advice.

references embedded in the normative analysis

Please find below further details about Candriam's approach and exclusion thresholds applied to each of these controversial activities.

2.1. Armaments

Candriam's Approach

When assessing a company's involvement in armaments, Candriam's approach takes into account the type of armament. Candriam's approach thus distinguishes between **conventional armaments** and **controversial armaments.**

Under Candriam's current approach, controversial armaments[3] are: Anti-personnel landmines; cluster bombs; depleted uranium weapons; chemical weapons; biological weapons; white phosphorus; blinding lasers and non-detectable fragments. These armaments have been identified as controversial armaments because they have faced considerable criticism with regards to three criteria:

- The indiscriminate nature of the weapons at the time of use: i.e., when the weapon used does not only strike military targets but is also likely to result in civilian casualties, in damages to civilian infrastructure and in other collateral damages.
- Being identified as weapons systems that cause both superfluous injury and unnecessary suffering.
- The potential long-term humanitarian impacts of these armaments, which can negatively impact human health and/or hinder the development and reconstruction of former war-torn regions.

Nuclear weapons are not considered as controversial weapons for the purpose of this policy although nuclear weapons share some characteristics with controversial weapons.

For further information on our methodology and data providers for armaments, please refer to the Appendix.

Please find below the exclusions for controversial armaments under Candriam's *Level 1 Company-Wide Exclusion Policy.*

2.2. Controversial Armaments

Candriam Exclusion Thresholds

At the firm level, Candriam excludes from all its investments all companies that are involved in the development, production, testing, maintenance and sale of one or more of the following controversial weapons: Anti-personnel landmines; cluster bombs; depleted uranium; chemical weapons; biological weapons; white phosphorous; blinding

[3] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam

lasers and/or non-detectable fragments regardless of the sales/revenues.

2.3. Tobacco

Candriam's Approach

Candriam acknowledges that the consumption and use of tobacco products in any quantity results in societal and health problems and is a major cause of death.

Tobacco products manufactured and retailed by companies include cigarettes and cigars, e-cigarettes, e-vapes, as well as other related products such as chewing tobacco, creamy snuff and dipping tobacco. Cigarettes account for the largest share of manufactured tobacco products.

Candriam Exclusion Thresholds

Our policy excludes all companies directly involved in the tobacco industry that derive any revenues from the cultivation or manufacturing of tobacco products, as well as companies deriving more than 5% of their revenues from the retailing of tobacco products.

2.4. Thermal coal

Candriam's Approach

Thermal coal remains the largest emitter of energy-related CO2 emissions and one of the largest sources of energy generation. Any credible Net Zero transition pathway requires coal-related activities to be reduced drastically, starting with the use of coal in power generation where cleaner alternatives do exist.

When evaluating companies' involvement in thermal coal, it is essential to differentiate between the various levels of participation in the industry and the related environmental impacts.

Exploration, extraction, processing, transportation and distribution are all considered direct involvement in the thermal coal industry.

Given the absence of alternatives to metallurgical coal in the production of steel, metallurgical coal is not considered for exclusion. Synthesis of liquid or gasified fuel from coal is also excluded on a best-effort basis given the challenges related to the reliability of data.

Coal phase out

Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[4].

[4] *Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground.*

Candriam Exclusion Thresholds

Candriam excludes from investments all companies that derive more than 5% of their revenues from the value chain, including power generation[4].

The exclusion of companies with expansion plans (new projects) in coal mining or coal-based power generation is appreciated without a minimum revenue threshold.

New projects are considered effective when the final investment decision (FID) has been taken. Some situations before the effective commissioning (permitting, announcement) might also trigger exclusions on a case-by-case basis.

We recognise that the transition to Net Zero is a journey, with associated socio-economic challenges. While this reality must be taken into account, it should not be a reason to drift away from scientific Paris-aligned pathways. As such, companies that derive between 5% and 10% from coal power generation can be investable only if they meet the three conditions outlined below, which are paramount in demonstrating alignment with the Paris goals:

- Not developing new coal projects, and decreasing the share of coal in activities;
- Having committed to phase out coal totally by 2027 in developed economies, and by 2030 in developing economies;
- Having specific carbon emissions from generation in line with the IEA 1.5 Net Zero trajectory

The achievement of the above conditions has to be constantly monitored through dedicated engagement.

2.5. Oppressive regimes: Sovereign issuers

Candriam's Approach

Candriam's list of Oppressive Regimes is comprised of countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied, and the security of people is not guaranteed due to government failure and systematic ethical breaches. We also extremely carefully consider totalitarian states or those countries in which the government is involved in war against its own people. To establish the Oppressive Regimes list, we use data provided by external sources, such as the Freedom House's Freedom in the World Index, the World Bank Governance Indicators, and the Economist Intelligence Unit's Democracy Index,

which inform our qualitative review of non-democratic countries.

Candriam Exclusion Thresholds

Debt issued by sovereign or quasi-sovereign entities that are on the Oppressive Regimes list is not eligible for investment in strategies subject to Candriam's *Level* 1 Company-Wide Exclusion Policy.

2.6. Norms-based analysis

Candriam's norms-based analysis assesses 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 (L), Environment (ENV) and Anti-Corruption (COR).** Additionally, Candriam assesses whether the company violates the principles of the

Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

As part of Candriam's *Level 1 Company-Wide Exclusion Policy*, we exclude a subset of the 'Candriam Red List', referred to as 'Candriam's Outlist'. This Outlist includes companies involved in severe to very severe controversies in terms of impact, duration, frequency and/or lack of response from the management of the company.

Emphasis is placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

3. Level 1 CTB Aligned Exclusion Policy

Candriam's *Level 1 CTB Aligned Exclusion Policy* targets harmful activities that we believe have a substantial negative impact and carry serious risks from both a financial and a sustainability perspective. Exposure to these activities presents important systemic and reputational risks for the investee companies from an economic as well as environmental and social perspective.

Candriam's *Level 1 CTB Aligned Exclusion Policy* applies to investments[5] made by Candriam via long positions in direct lines in corporate and sovereign issuers and single-name derivatives.

Portfolios subject to Candriam's Level *1 CTB Aligned Exclusion Policy* apply the Climate Transition Benchmark (CTB) exclusions as outlined in Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818[6]. These exclusions are in accordance with the European Securities and Markets Authority's (ESMA) "Guidelines on Funds' Names Using ESG or Sustainability-Related Terms" (ESMA34-472-440).

Our *Level 1 CTB Aligned Exclusion Policy* excludes companies involved in activities that conflict with EU Paris-aligned Climate Transition Benchmarks (CTB) exclusion criteria, as set out below:

a. Companies involved in any activities related to controversial weapons[7];
b. Companies involved in the cultivation and production of tobacco;
c. Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The exclusion thresholds for this Policy are shown in the table that follows:

[5] *Please note that the exclusions of Candriam's 1 Climate Transition Exclusion Policy may not necessarily be implemented in the case of investments in ETFs, index funds (or other financial instruments linked to indices such as derivatives), hedge funds, absolute return funds or third-party funds. Accordingly, a fund subject to Candriam's 1 Climate Transition Exclusion may have indirect exposure to some of the activities mentioned within the policy if investments in such activities are made through the aforementioned types of vehicles.*
[6] *Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.*
[7] *Controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.*

	Exclusion threshold / criteria[1]
Exclusion of controversial corporate activities:	
Controversial Armaments[2,3]	• Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments
Thermal Coal	• Companies with >5% revenues threshold from the value chain including power generation[4] • Companies with expansion plans (new projects) in coal mining or coal-based power generation • Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[4]
Tobacco	• Production and cultivation: any involvement[2] • 5% revenue threshold
Exclusion of sovereign issuers:	
Oppressive Regimes	Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List
Norms-based exclusions:	
Norms	Companies excluded for violations in areas covered by the relevant norms or conventions, including the UNGC[6] pillars and the OECD Guidelines for Multinational Enterprises [2,5,7,8]

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis.
[2] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[3] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam
[4] Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground
[5] Companies excluded by an ESG research provider
[6] UNGC: United Nations Global Compact
[7] The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
[8] The conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis

Please find below further details about Candriam's approach and exclusion thresholds applied to each of these controversial activities.

3.1. Armaments

Candriam's Approach

When assessing a company's involvement in armaments, Candriam's approach takes into account the type of armament. Candriam's approach thus distinguishes between **conventional armaments** and **controversial armaments.**

Under Candriam's current approach, controversial armaments[8] are: Anti-personnel landmines; cluster bombs; depleted uranium weapons; chemical weapons; biological weapons; white phosphorus; blinding lasers and non-detectable fragments. These armaments have been identified as controversial armaments because they have faced considerable criticism with regards to three criteria:

- The indiscriminate nature of the weapons at the time of use: i.e., when the weapon used does not only strike military targets but is also likely to result in civilian casualties, in damages to civilian infrastructure and in other collateral damages.
- Being identified as weapons systems that cause both superfluous injury and unnecessary suffering.
- The potential long-term humanitarian impacts of these armaments, which can negatively impact human health and/or hinder the development and reconstruction of former war-torn regions.

Nuclear weapons are not considered as controversial weapons for the purpose of this policy although nuclear weapons share some characteristics with controversial weapons.

For further information on our methodology and data providers for armaments, please refer to the Appendix.

Please find below the exclusions for controversial armaments under Candriam's *Level 1 CTB Aligned Exclusion Policy*.

3.2. Controversial Armaments

Candriam Exclusion Thresholds

Candriam excludes all companies that are involved in the development, production, testing, maintenance and sale of one or more of the following controversial weapons: Anti-personnel landmines; cluster bombs; depleted uranium; chemical weapons; biological weapons; white phosphorous; blinding lasers and/or non-detectable fragments regardless of the sales/revenues[8];

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:
Article 12(1)(a): Companies involved in any activities related to controversial weapons.

3.3. Tobacco

Candriam's Approach

Candriam acknowledges that the consumption and use of tobacco products in any quantity results in societal

[8] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam

and health problems and is a major cause of death.

Tobacco products manufactured and retailed by companies include cigarettes and cigars, e-cigarettes, e-vapes, as well as other related products such as chewing tobacco, creamy snuff and dipping tobacco. Cigarettes account for the largest share of manufactured tobacco products.

Candriam Exclusion Thresholds

Our policy excludes all companies directly involved in the tobacco industry that derive any revenues from the cultivation or manufacturing of tobacco products, as well as companies deriving more than 5% of their revenues from the retailing of tobacco products.

These exclusion criteria include those applied in the Climate Transition Benchmark (CTB) as outlined in Article *12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:*
Article 12(1)(b): Companies involved in the cultivation and production of tobacco.

3.4. Thermal coal

Candriam's Approach

Thermal coal remains the largest emitter of energy-related CO2 emissions and one of the largest sources of energy generation. Any credible Net Zero transition pathway requires coal-related activities to be reduced drastically, starting with the use of coal in power generation where cleaner alternatives do exist.

When evaluating companies' involvement in thermal coal, it is essential to differentiate between the various levels of participation in the industry and the related environmental impacts.

Exploration, extraction, processing, transportation and distribution are all considered direct involvement in the thermal coal industry.

Given the absence of alternatives to metallurgical coal in the production of steel, metallurgical coal is not considered for exclusion. Synthesis of liquid or gasified fuel from coal is also excluded on a best-effort basis given the challenges related to the reliability of data.

Coal phase out

Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[9].

[9] *Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground.*

Candriam Exclusion Thresholds

Candriam excludes from investments all companies that derive more than 5% of their revenues from the value chain, including power generation[9].

The exclusion of companies with expansion plans (new projects) in coal mining or coal-based power generation is appreciated without a minimum revenue threshold.

New projects are considered effective when the final investment decision (FID) has been taken. Some situations before the effective commissioning (permitting, announcement) might also trigger exclusions on a case-by-case basis.

We recognise that the transition to Net Zero is a journey, with associated socio-economic challenges. While this reality must be taken into account, it should not be a reason to drift away from scientific Paris-aligned pathways. As such, companies that derive between 5% and 10% from coal power generation can be investable only if they meet the three conditions outlined below, which are paramount in demonstrating alignment with the Paris goals:

- Not developing new coal projects, and decreasing the share of coal in activities;
- Having committed to phase out coal totally by 2027 in developed economies, and by 2030 in developing economies;
- Having specific carbon emissions from generation in line with the IEA 1.5 Net Zero trajectory

The achievement of the above conditions has to be constantly monitored through dedicated engagement.

3.5. Oppressive regimes: Sovereign issuers

Candriam's Approach

Candriam's list of Oppressive Regimes is comprised of countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied, and the security of people is not guaranteed due to government failure and systematic ethical breaches. We also extremely carefully consider totalitarian states or those countries in which the government is involved in war against its own people. To establish the Oppressive Regimes list, we use data provided by external sources, such as the Freedom House's Freedom in the World Index, the World Bank Governance Indicators, and the Economist Intelligence Unit's Democracy Index, which inform our qualitative review of non-democratic countries.

Candriam Exclusion Thresholds

Debt issued by sovereign or quasi-sovereign entities that are on the Oppressive Regimes list is not eligible for investment in strategies subject to Candriam's Level 1 *CTB Aligned Exclusion Policy.*

3.6. Norms-based analysis

Candriam's norms-based analysis assesses 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 (L), Environment (ENV) and Anti-Corruption (COR).** Additionally, Candriam assesses whether the company violates the principles of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

Candriam's *Level 1 CTB Aligned Exclusion Policy* excludes all companies that have been identified for violations in areas covered by the relevant norms or conventions, including the UNGC pillars and the OECD Guidelines for Multinational Enterprises[10].

Emphasis is placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:

Article 12(1)(c): Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

[10] Companies excluded by an ESG research provider

4. Level 2A Exclusion Policy

Candriam's *Level 2A Exclusion Policy* targets harmful activities that we believe have a substantial negative impact and carry serious risks from both a financial and a sustainability perspective. Exposure to these activities presents important systemic and reputational risks for the investee companies from an economic as well as environmental and social perspective.

Moreover, considering that climate change is the pivotal sustainability challenge for the near future, Candriam's *Level 2A Exclusion Policy* takes this into account and accordingly emphasises environmental issues. The aim is to help tackle climate change by excluding activities that do significant harm to the environment. We believe that supporting environmental sustainability can also have positive repercussions on social issues.

Candriam's *Level 2A Exclusion Policy* applies to investments[11] made by Candriam via long positions in direct lines in corporate and sovereign issuers and single-name derivatives.

As regards the *Level 2A Exclusion Policy*, Candriam excludes controversial armament, tobacco and thermal coal activities and encourages third parties to do the same. These activities carry substantial systemic risks regarding society and the global economy.

The application of Candriam's *Level 2A Exclusion Policy* also involves the exclusion of conventional weapons. This is in line with many sustainable investors' approach and various standards that consist in excluding this activity due to the adverse nature of armaments which have often served to infringe on human rights and led to devastating effects on human lives and the overall well-being of society. The challenge of obtaining granular information on end users and end uses of weapons is an additional factor supporting this exclusion.

Portfolios subject to Candriam's *Level 2A Exclusion Policy* exclude gambling activities, too, as such activities can potentially be intertwined with illegal activities and corruption, and could therefore generate reputational risks for Candriam and our clients. This reflects the concerns of many responsibility-oriented investors as well as certain independent ESG frameworks.

Portfolios subject to Candriam's Level *2A Exclusion Policy* apply the Climate Transition Benchmark (CTB) exclusions as outlined in Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818[12]. These exclusions are in accordance with the European Securities and Markets Authority's (ESMA) "Guidelines on Funds' Names Using ESG

[11] *Please note that the exclusions of Candriam's Level 2A Exclusion Policy may not necessarily be implemented in the case of investments in ETFs, index funds (or other financial instruments linked to indices such as derivatives), hedge funds, absolute return funds or third-party funds. Accordingly, a fund subject to Candriam's Level 2A Exclusion Policy may have indirect exposure to some of the activities mentioned within the policy if investments in such activities are made through the aforementioned types of vehicles.*

[12] *Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.*

or Sustainability-Related Terms" (ESMA34-472-440).

Our *Level 2A Exclusion Policy* excludes companies involved in activities that conflict with EU Paris-aligned Climate Transition Benchmarks (CTB) exclusion criteria, as set out below:

d. Companies involved in any activities related to controversial weapons[13];
e. Companies involved in the cultivation and production of tobacco;
f. Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The exclusion thresholds for the aforementioned activities are outlined in the table that follows.

	Exclusion thresholds / criteria[1]
Exclusion of controversial corporate activities:	
Controversial Armaments[2,3]	• Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments
Nuclear Weapons	• Any involvement in nuclear weapons for companies headquartered in non-NATO countries
Conventional Armaments	• 10% revenue threshold for companies headquartered in non-NATO countries • No restrictions applied to companies headquartered in NATO countries
Thermal Coal	• Companies directly involved in coal extraction (>0% revenues) • Companies with expansion plans (new projects) in coal mining or coal-based power generation • Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[4]
Tobacco	• Production and cultivation: any involvement[2] • 5% revenue threshold
Electricity Generation	• Companies with new coal or nuclear-based projects • Carbon Intensity above 247gCO2/kWh
Oil & Gas	**Unconventional O&G:** • Companies with any involvement in unconventional oil and gas extraction (shale gas, shale oil, tar sands, arctic[5] drilling, deep water drilling, extra heavy oil)
	Conventional O&G: • Companies involved in conventional oil & gas extraction (>0% revenues) Unless (the two conditions have to be met): • The company dedicates over 20% of its capex to renewable energy AND, • The company does not explore or develop new oil & gas projects
Gambling	• 10% revenue threshold
Nuclear Power	• 30% revenue threshold[6]
Soy	• Producers and distributors in the sector that are not RTRS[7] members
Palm Oil	• Producers and distributors in the sector that are not RSPO[8] members

[13] Controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.

Exclusion of sovereign issuers:	
Oppressive regimes	Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List
Norms-based exclusions:	
Norms	Companies excluded for violations in areas covered by the relevant norms or conventions, including the UNGC[9] pillars and the OECD Guidelines for Multinational Enterprises[2,10,11]

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis.
[2] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[3] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam
[4] Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground
[5] The Arctic geographical Coverage (APAC)
[6] Threshold applies if carbon intensity not available.
[7] RTRS: Roundtable on Responsible Soy
[8] RSPO: Roundtable on Sustainable Palm Oil
[9] UNGC: United Nations Global Compact
[10] The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
[11] The conventions of the International Labour Organisation and the International Bill of Human Rights are among the international references embedded in the normative analysis

Please, find below details about Candriam's approach and exclusion thresholds applied to each of these controversial activities.

4.1. Armaments

Candriam's Approach

When assessing a company's involvement in armaments, Candriam's approach takes into account the type of armament. Candriam's approach thus distinguishes between **conventional armaments** and **controversial armaments.**

Under Candriam's current approach, controversial armaments[14] are: Anti-personnel landmines; cluster bombs; depleted uranium weapons & armor; chemical weapons; biological weapons; white phosphorus; blinding lasers and non-detectable fragments. These armaments have been identified as controversial armaments because they have faced considerable criticism with regards to three criteria:

- The indiscriminate nature of the weapons at the time of use: i.e., when the weapon used does not only strike military targets but is also likely to result in civilian casualties, in damages to civilian infrastructure and in other collateral damages.
- Being identified as weapons systems that cause both superfluous injury and unnecessary suffering.
- The potential long-term humanitarian impacts of these armaments, which can negatively impact human health and/or hinder the development and reconstruction of former war-torn regions.

Nuclear weapons are not considered as controversial weapons for the purpose of this policy although nuclear

[14] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam

weapons share some characteristics with controversial weapons.

Within *Candriam's Level 2A Exclusion Policy*, nuclear weapons and conventional armaments are assessed in reference to their role within NATO arrangements, reflecting the specific defence and regulatory context in which such activities operate, and the extensive international regulation and oversight governing their production, use and transfer.

For further information on our methodology and data providers for armaments, please refer to the Appendix.

Please find below the applicable exclusion thresholds under Candriam's *Level 2A Exclusion Policy* for each activity.

4.2. Controversial armaments

Candriam Exclusion Thresholds

Candriam excludes from all its investments all companies that are involved in the development, production, testing, maintenance and sale of one or more of the following controversial weapons anti-personnel landmines, cluster bombs, depleted uranium, chemical weapons, biological weapons; white phosphorous; blinding lasers and/or non-detectable fragments regardless of the sales/revenues.

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:
Article 12(1)(a): Companies involved in any activities related to controversial weapons.

4.3. Nuclear weapons

Candriam Exclusion Thresholds

Candriam excludes all companies headquartered in non-NATO that are involved in the development, production, testing, maintenance and sale of nuclear weapons regardless of the sales/revenues.

4.4. Conventional armaments

Candriam Exclusion Thresholds

Candriam excludes all companies headquartered in non-NATO countries that derive more than 10% of their total sales/revenues from the production, manufacturing, trade, testing or maintenance of conventional armaments and/or of critical components / services for conventional armaments.

Accordingly, investments in companies headquartered in NATO countries are not excluded, irrespective of the level of revenues generated from the associated activities.

4.5. Tobacco

Candriam's Approach

Candriam acknowledges that the consumption and use of tobacco products in any quantity results in negative societal and health problems and is a major cause of death.

Tobacco products manufactured and retailed by companies include cigarettes and cigars, e-cigarettes, e-vapes, as well as other related products such as chewing tobacco, creamy snuff and dipping tobacco. Cigarettes account for the largest share of manufactured tobacco products.

Candriam Exclusion Thresholds

Our policy excludes all companies directly involved in the tobacco industry that derive any revenues from the cultivation or manufacturing of tobacco products, as well as companies deriving more than 5% of their revenues from the retailing of tobacco products.

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article *12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:*
Article 12(1)(b): Companies involved in the cultivation and production of tobacco.

4.6. Thermal coal

Candriam's Approach

Thermal coal remains the largest emitter of energy-related CO2 emissions and one of the largest sources of energy generation. Any credible Net Zero transition pathway requires coal-related activities to be reduced drastically, starting with the use of coal in power generation where cleaner alternatives do exist.

When evaluating companies' involvement in thermal coal, it is essential to differentiate between the various levels of participation in the industry and the related environmental impacts.

Exploration, extraction, processing, transportation, and distribution are all considered direct involvement. We have adopted a stricter exclusion threshold (>0% revenues) for coal extraction due to the significant and pervasive environmental impacts associated with this activity.

Given the absence of alternatives to metallurgical coal in the production of steel, metallurgical coal is not considered for exclusion. Synthesis of liquid or gasified fuel from coal is also excluded on a best-effort basis given the challenges related to the reliability of data.

Coal phase out

Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power

generation by 2030 in OECD countries and 2040 in non-OECD countries[15].

Candriam Exclusion Thresholds

Candriam excludes from all its investments all companies that are directly involved in coal extraction regardless of the level of sales/revenues.

The exclusion of companies with expansion plans (new projects) in coal mining or coal-based power generation is appreciated without a minimum revenue threshold.

New projects are considered effective when the final investment decision (FID) has been taken. Some situations before the effective commissioning (permitting, announcement) might also trigger exclusions on a case-by-case basis.

We recognise that the transition to Net Zero is a journey, with associated socio-economic challenges. While this reality must be taken into account, it should not be a reason to drift away from scientific Paris-aligned pathways. As such, companies that derive between 5% and 10% from coal power generation can be investable only if they meet the three conditions outlined below, which are paramount in demonstrating alignment with the Paris goals:

- Not developing new coal projects, and decreasing the share of coal in activities;
- Having committed to phase out coal totally by 2027 in developed economies, and by 2030 in developing economies;
- Having specific carbon emissions from generation in line with the IEA 1.5 Net Zero trajectory

The achievement of the above conditions has to be constantly monitored through dedicated engagement

4.7. Gambling

Candriam's Approach

Candriam acknowledges the controversial nature of gambling as well the vulnerabilities of stakeholders who engage in this activity. For companies respecting the defined threshold mentioned below, but which are more actively involved in gambling and/or the manufacturing of gambling products (games), we will assess if these companies comprehensively address product risks and monitor sales practices to protect vulnerable consumers, such as minors.

To this end, for companies that respect the determined threshold, we may also take into consideration if they have implemented a responsible policy:

[15] *Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground.*

- For companies **directly involved** in gambling (machines or software manufacturers, casinos, lotteries, bookmakers, gambling websites, outlets with slot machines, gambling broadcasts), we verify if they have policy that addresses design, behavioural transparency and customer support.

- For Companies **indirectly involved** in gambling through intermediary gambling access services (e.g., online payment service providers, general retailers, airports hosting gambling products), we verify if they have policy which seeks to offer better consumer protection (e.g., limited access to "gambling channels" by password access).

The establishment of a policy is not a hard criterion, but provides us with further insight on a company's responsible practices.

Candriam Exclusion Thresholds

Our policy excludes directly or indirectly involved companies that derive more than 10% of their total revenues (even through shareholdings) from gambling activities.

4.8. Oil & gas

Candriam's Approach

In the assessment of energy sources, we believe that a distinction should be made between oil & gas supply originating from conventional and unconventional extraction. The main difference results from the techniques required for the extraction and the nature of the reservoir.

Conventional oil & gas are derived from formations that are simpler to extract compared to unconventional oil & gas which require complex extraction methods with negative impacts on the environment. The extraction of unconventional resources tends to require more energy as well as more water and chemical inputs in the case of hydraulic fracturing techniques. As such, unconventional methods are more carbon- and water-intensive than conventional projects. Depending on the type of resource, unconventional methods can also cause more land disturbance (including deforestation) and higher levels of wastewater.

We categorise the following activities and sources as follows:

- **Unconventional oil & gas extraction**: the extraction of tar/oil sands, shale gas/oil, tight gas/oil, coalbed methane Arctic drilling, deep water drilling and extra heavy oil.
- **Conventional oil & gas extraction**: prospecting, exploration and/or the extraction of conventional oil and conventional natural gas, including gas condensate.

Candriam acknowledges that transitioning into a low-carbon economy requires time. For this reason, our approach also takes into consideration the energy transition strategy of companies involved in the conventional oil & gas industry, with very clear and ambitious thresholds that are in line with Paris-aligned trajectories. Exposure to unconventional oil

& gas, on the other hand, is considered incompatible with the energy transition given the associated negative environmental impacts.

Candriam Exclusion Thresholds

Candriam excludes companies with any involvement in unconventional oil and gas extraction (shale gas, shale oil, tar sands, arctic drilling, deep water drilling, extra heavy oil).

Candriam excludes companies involved in the prospecting, exploration and/or production of conventional oil & gas when the CapEx from renewable activities is below 20%.

The exclusion of companies with expansion or exploration plans in relation to fossil fuels is implemented without a minimum revenue threshold.

Expansion or exploration plans are considered effective when the final investment decision (FID) has been taken. Some situations before the effective commissioning (permitting, announcement) might also trigger exclusions on a case-by-case basis.

Activities	Exclusion Thresholds
Unconventional Oil & Gas	• Companies active in unconventional oil and gas extraction (shale gas, shale oil, tar sands, arctic drilling, deep water drilling, extra heavy oil)
Conventional Oil & Gas	• Less than 20% of CapEX derived from renewable energy activities • Companies with expansion or exploration plans in relation to fossil fuels

4.9. Electricity generation

Candriam's Approach

As the level of emissions varies across electricity generation sources, it is important to assess the level of greenhouse gasses emitted per KWh to measure companies' alignment with the SBTi 1.5°C trajectory for the power sector. For this reason, we incorporate the carbon intensity of power producers in our sustainability assessment.

Candriam believes that an increasing use of coal in electricity generation is not aligned with the Paris Agreement. On the other hand, while Candriam considers nuclear energy to be an intermediary solution, we acknowledge the financial risks as well as the controversies surrounding it. In particular because of the very low probability but high impact potential of accidents and because of the issues pertaining to the long-term disposal on nuclear waste.

Candriam Exclusion Thresholds

Candriam excludes from all its investments power-producing companies with a carbon intensity of over 247 gCO2/kWh for 2026, or with a trend towards increasing coal and nuclear power generation capacity.

In case no data on electricity power producers' carbon intensity is available, we seek alternative sources of information and demonstration of good practice. The energy mix is a meaningful but not sufficient indicator. It is necessary that the use of thermal coal power in electricity production does not increase, unlike the use of renewable energies, both in production and capacity.

4.10. Soy

Candriam's Approach

Without proper safeguards, the soybean industry causes widespread deforestation and displacement of small farmers and indigenous peoples around the globe.

Candriam Exclusion Thresholds

Companies in this sector can be accepted and financed provided that they are a member of the Roundtable on Responsible Soy (RTRS) an international sector organisation that promotes the production, trade and use of responsible soy, through collaboration with all parties in the soy value chain, from production to consumption.

4.11. Palm oil

Candriam's Approach

Candriam acknowledges that the production, processing, sale, and/or use of palm oil has a very complex value chain and has been linked to deforestation (including land clearing activities, conversion of peatland areas) and biodiversity loss globally. Deforestation linked to palm oil supply chains results in devastating environmental impacts such as forest loss and the loss of animal habitats (e.g. Asian rhinos, elephants, tigers, and orangutans), particularly in Southeast Asian regions from which 85% of global palm oil production is derived. Various reports of forced labour and child labour cases tainting the palm oil value chains have also been prevalent from the level of plantations, mills, refineries to the manufacturing of food and/or non-food products.

Despite that, Candriam recognises that palm oil remains an invaluable ingredient in a variety of food and non-food items given its relatively high yields compared to any other oil crops. It can produce up to 20 times as much oil per hectare from palm versus other oil crop alternatives.[3] It accounts for around 40% of the current global annual demand for vegetable oil as food, animal feed and fuel.[4]

Candriam considers palm oil producers and distributers as companies whose business activities are primarily **producing, manufacturing, or distributing/selling** of oil palm products. All companies whose business activities primarily consume or use palm oil for production or for inclusion as **ingredients** in the end-products that these companies sell are considered palm oil buyers.

3https://ourworldindata.org/palm-oil
4https://publications.jrc.ec.europa.eu

Candriam Exclusion Thresholds

Companies' exposure to palm oil-related controversies linked to deforestation and/or biodiversity risks is systematically assessed based on RSPO membership/affiliation.
We integrate additional checks based on a best effort approach in assessing the palm oil-tied company's exposures to controversies on land use and biodiversity and their overall due diligence.

Our policy excludes producers and distributers in the sector that are not RSPO members.

On top of this policy, a company's exposure to palm oil-related activities is also evaluated based on the relevant controversies that the company has been allegedly involved in, and the company's responsiveness in addressing, mitigating and remedying said controversies. All of this allows for an additional layer of screening for companies under the coverage of Candriam's activities.

Additionally, in our norms-based analysis, particular attention is given to possible breaches of the environmental and human rights principles of the Global Compact in relation to the activities of companies exposed to palm oil.

4.12. Nuclear power

Candriam's Approach

Despite the benefits of nuclear power as a low-carbon and low-marginal cost energy (compared to coal, for instance) that reduces supply-insecurity risk, there is significant controversy surrounding the use of nuclear power as a viable and sustainable alternative to other forms of energy due to the significant environmental, safety and security risks and liabilities related to nuclear reaction, nuclear waste, power plant decommissioning and nuclear fuel proliferation.

Nuclear power, as long as it is operated under the highest safety/security conditions, is currently a proven and needed alternative to fossil fuels and will be part of this century's energy landscape. However, Candriam acknowledges that the benefits of nuclear power in terms of mitigation of climate change and security of supply are counterbalanced by significant safety, environmental and security risks.

Candriam Exclusion Thresholds

Candriam excludes all companies, directly or indirectly and only if no carbon intensity is available, derive more than 30% of their revenues from the extraction, conversion and enrichment of uranium to produce nuclear fuel, the irradiation of the fuel in a nuclear reactor and/or the reprocessing/disposal of spent nuclear fuel and other nuclear waste.

4.13. Oppressive regimes: Sovereign issuers

Candriam's Approach

Candriam's list of Oppressive Regimes is comprised of countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied, and the security of people is not guaranteed

due to government failure and systematic ethical breaches. We also extremely carefully consider totalitarian states or those countries in which the government is involved in war against its own people. To establish the Oppressive Regimes list, we use data provided by external sources, such as the Freedom House's Freedom in the World Index, the World Bank Governance Indicators, and the Economist Intelligence Unit's Democracy Index, which inform our qualitative review of non-democratic countries.

Candriam Exclusion Thresholds

Debt issued by sovereign or quasi-sovereign entities that are on the Oppressive Regimes list is not eligible for investment in strategies subject to our *Level 2a Exclusion Policy*.

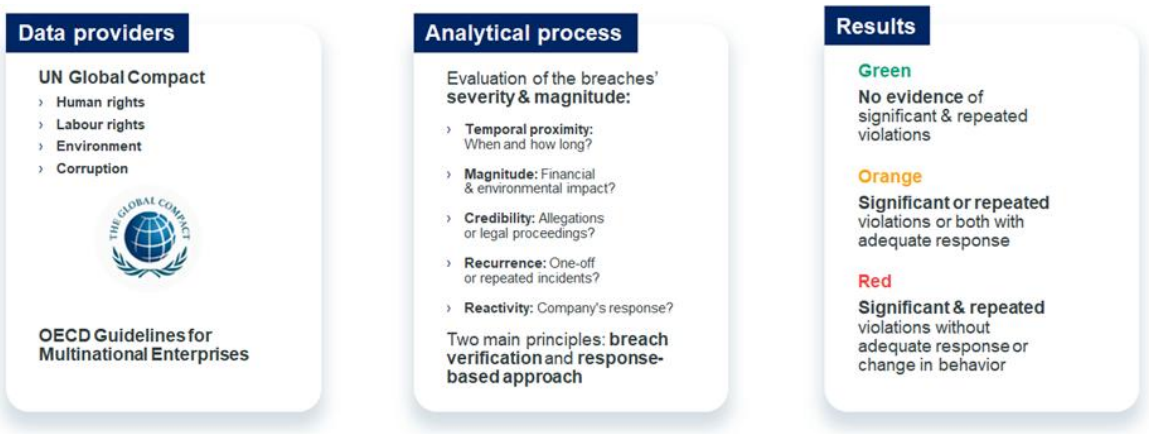
4.14. Norms-based analysis

Candriam's norms-based 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 (L), Environment (ENV) and Anti-Corruption (COR).** Additionally, Candriam assesses whether the company violates the principles of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

Candriam excludes all companies with one or more Red Rating in areas covered by the relevant norms or conventions, including UNGC pillars and the OECD Guidelines for Multinational Enterprises, collectively referred to as Candriam's Red List.

Emphasis is placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

Breaches are assigned a colour code for each of the main principles categories. For an issuer to be able to successfully negotiate the norms-based analysis filter, it must not have been attributed a "red" rating in any area covered by the corresponding set of norms or conventions.



These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:
Article 12(1)(c): Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

5. Level 3 SRI Exclusion Policy

Candriam's *Level 3 SRI Exclusion Policy*[16] addresses environmental and social issues through a broad set of excluded activities. These activities bear risks for the environment, our health, human rights, and other environmental and social objectives.

Candriam's *Level 3 SRI Exclusion Policy* applies to investments made by Candriam via long positions in direct lines in corporate and sovereign issuers and single name derivatives[16].

This policy covers harmful activities that we believe have a substantial negative impact and carry serious risks from both a financial and a sustainability perspective. Exposure to these activities presents important systemic and reputational risks for the investee companies from an economic as well as environmental and social perspective.

As regards the *Level 3 SRI Exclusion Policy*, Candriam excludes controversial armament, tobacco and thermal coal activities and encourages third parties to do the same. Moreover, *Level 3 SRI Exclusion Policy* takes this into account that climate change is the pivotal sustainability challenge for the near future, and accordingly emphasises environmental issues. The aim is to help tackle climate change by excluding activities that do significant harm to the environment. We believe that supporting environmental sustainability in this fashion can also have positive repercussions on social issues as well. The exclusion of such activities is part of a broader framework of greenhouse gas reductions necessary if the average global temperature is not to exceed two degrees Celsius above pre-industrial levels. Candriam has taken steps to mitigate climate-related risk exposure by reducing its exposure to the most greenhouse gas-intensive corporate activities. This includes, but is not limited to, oil & gas, and mining activities. In accordance with this approach, Candriam is a signatory of the Net Zero Asset Managers Initiative.

Candriam's *Level 3 SRI Exclusion Policy* also targets a number of activities that, with the gradual rise of ESG investing, are no longer considered pertinent by many sustainable and responsible investors due to their potential repercussions on human, societal and animal welfare. These include for example adult content, conventional weapons, alcohol, gambling, GMO, pesticides, nuclear power, palm oil, and animal testing.

Portfolios subject to Candriam's *3 SRI Exclusion Policy* apply the Paris-Aligned Benchmark (PAB) and Climate Transition Benchmark (CTB) exclusions as outlined in Article 12 of Commission Delegated Regulation (EU) 2020/1818[17]. These exclusions are in accordance with the European Securities and Markets Authority's (ESMA) "Guidelines on Funds' Names Using ESG or Sustainability-Related Terms" (ESMA34-472-440). These exclusions,

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[16] *Please note that Candriam's Level 3 SRI Exclusion Policy may not necessarily be implemented in the case of investments in ETFs, index funds or other financial instruments linked to indices such as index derivatives. Accordingly, a portfolio subject to Candriam's Level 3 SRI Exclusion Policy may have indirect exposure to some of the activities mentioned within the policy, if investments in such activities are made through the aforementioned types of vehicles.*

[17] *Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.*

required by ESMA, ensure that funds with ESG or sustainability labels do not invest in activities that conflict with EU climate objectives.

Our *Level 3 SRI Exclusion Policy* excludes companies involved in activities that conflict with EU Paris-aligned Benchmarks (PAB)[18] and Climate Transition Benchmarks (CTB) exclusion criteria, as set out below:

a. Companies involved in any activities related to controversial weapons[19];
b. Companies involved in the cultivation and production of tobacco;
c. Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
d. Companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite;
e. Companies that derive 10% or more of their revenues from the exploration, extraction, distribution, or refining of oil fuels;
f. Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels;
g. Companies that derive 50% or more of their revenues from electricity generation sources with a GHG intensity of more than 100 g CO2e/kWh

The exclusions for the Climate Transition Benchmark (CTB) are limited to Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as referenced in the ESMA fund naming guidelines (ESMA34-472-440).

The complete of activities excluded under Candriam's *Level 3 SRI Exclusion Policy*, and their respective exclusion thresholds or criteria, are provided below.

	Exclusion threshold / criteria[1]
Exclusion of controversial corporate activities:	
Controversial Armaments[2,3]	• Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments
Nuclear Weapons	• Any involvement in nuclear weapons[4]
Conventional Armaments	• 5% revenue threshold[4]
Thermal Coal	• Companies directly involved in coal extraction (>0% revenues) • Companies with > 1% revenues from the value chain of thermal coal (including extraction and supporting products and services)[5] • Companies with >5% revenues threshold from the value chain including coal power generation[6] • Companies with expansion plans (new projects) in coal mining or coal-based power generation • Companies with a coal power generation capacity above 5 GW

[18] For Green Bonds the compliance to PAB principles is done at the use of proceeds level (issuance level)
[19] Controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.

	• Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[6]
Tobacco	• Production and cultivation: any involvement[2] • 5% revenue threshold
Electricity Generation	• Companies with new coal or nuclear-based projects • Carbon Intensity above 247gCO2/kWh • Companies deriving 50% or more of their revenues from electricity generation sources with a carbon intensity above 100 gCO2e/kWh[5]
Oil & Gas	Unconventional and conventional oil & gas: • Companies with >5% revenues from extraction, refining of conventional or unconventional O&G, and Pipeline & Transportation of oil. • Companies with >25% revenues from O&G related activities such as supporting products/services, petrochemicals, equipment, Gas Pipeline & transportation, and Oil Distribution & Retail. • Companies with expansion or exploration plans for new conventional or unconventional oil and gas projects. • Companies with >10% revenues from exploration, extraction, refining, or distribution of Oil[5]. • Companies with >50% revenues from exploration, extraction, refining, or distribution of Gas[5].
Corporate Activities in Oppressive Regimes	• 10% revenue threshold (unless a suspension of activities or plans to exit the country have been announced) • Engagement triggered for certain selected companies with 5 and 10% revenue exposure
Adult Content	• 5% revenue threshold
Alcohol	• 10% revenue threshold
Animal Testing	• No responsible policy and no legal requirement to test
Gambling	• 5% revenue threshold
GMO	• 1% revenue threshold
Pesticides	• 1% revenue threshold derived from pesticide production for the Agriculture sector
Nuclear Power	• 30% revenue threshold[7]

Palm Oil	**Producers/Distributors that:**
	• Derive >1% of their revenues from palm oil unless:
	  ○ They are RSPO[8] member; OR
	  ○ Have 50% of palm oil being RSPO-certified AND have a deforestation policy
	Buyers that:
	• Derive >10% of their revenues from palm oil unless:
	  ○ They are RSPO member; OR
	  ○ Have 50% of palm oil being RSPO-certified AND have a deforestation policy

Exclusion of sovereign issuers:	
Oppressive Regimes	Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List
Norms-based exclusions:	
Norms	Candriam's Red List: Companies with one or more Red Rating in areas covered by the relevant norms or conventions, including UNGC[9] pillars and the OECD[10] Guidelines for Multinational Enterprises[2,11]

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis.
[2] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[3] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam
[4] The threshold applies to companies headquartered both within and outside NATO countries
[5] The threshold aligns with the Paris-Aligned Benchmark (PAB) as per Article 12 of the Commission Delegated Regulation (EU) 2020/1818, as outlined below. For Green Bonds the compliance to PAB criteria is done at the use of proceeds level (issuance level)
[6] Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground
[7] Threshold applies regardless of carbon intensity
[8] RSPO: Roundtable on Sustainable Palm Oil
[9] UNGC: United Nations Global Compact
[10] The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
[11] The conventions of the International Labour Organisation and the International Bill of Human Rights are among the international references embedded in the normative analysis

Please, find below further details on Candriam's approach and exclusion thresholds applied to each of these controversial activities.

5.1. Armaments

Candriam's Approach

When assessing a company's involvement in armaments, Candriam's approach takes into account the type of armament. Candriam's approach thus distinguishes between **conventional armaments** and **controversial armaments.**

Under Candriam's current approach, controversial armaments[20] are: Anti-personnel landmines; cluster bombs; depleted uranium weapons & armor; chemical weapons; biological weapons; white phosphorus; blinding lasers and non-detectable fragments. These armaments have been identified as controversial armaments because they have faced considerable criticism with regards to three criteria:

- The indiscriminate nature of the weapons at the time of use: i.e., when the weapon used does not only strike military targets but is also likely to result in civilian casualties, in damages to civilian infrastructure and in other collateral damages.
- Being identified as weapons systems that cause both superfluous injury and unnecessary suffering.
- The potential long-term humanitarian impacts of these armaments, which can negatively impact human health and/or hinder the development and reconstruction of former war-torn regions.

Nuclear weapons are not considered as controversial weapons for the purpose of this policy although nuclear weapons share some characteristics with controversial weapons.

For further information on our methodology and data providers for armaments, please refer to the Appendix.

Please find below the applicable exclusion thresholds under Candriam's *Level 3 SRI Exclusion Policy* for each activity.

5.2. Controversial Armaments

Candriam Exclusion Thresholds

Candriam excludes all companies that are involved in the development, production, testing, maintenance and sale of one or more of the following controversial weapons anti-personnel landmines, cluster bombs, depleted uranium, chemical weapons, biological weapons; white phosphorous; blinding lasers and/or non-detectable fragments regardless of the sales/revenues.

[20] These controversial armaments include prohibited weapons, including anti-personnel mines, cluster munitions, biological and chemical weapons, as outlined in Commission Notice C/2025/4950 (OJ C, 30 December 2025) as well as other weapons considered controversial by Candriam

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:
12(1)(a): Companies involved in any activities related to controversial weapons.

5.3. Nuclear weapons

Candriam Exclusion Thresholds

Candriam excludes all companies that are involved in the development, production, testing, maintenance and sale of nuclear weapons regardless of the sales/revenues.

5.4. Conventional Armaments

Candriam Exclusion Thresholds

Candriam excludes all companies that derive more than 5% of their total sales/revenues from the production, manufacturing, trade, testing or maintenance of conventional armaments and/or of critical components / services for conventional armaments.

5.5. Tobacco

Candriam's Approach

Candriam acknowledges that the consumption and use of tobacco products in any quantity results in negative societal and health problems and is a major cause of death.

Tobacco products manufactured and retailed by companies include cigarettes and cigars, e-cigarettes, e-vapes, as well as other related products such as chewing tobacco, creamy snuff and dipping tobacco. Cigarettes account for the largest share of manufactured tobacco products.

Candriam Exclusion Thresholds

Our policy excludes all companies directly involved in the tobacco industry that derive any revenues from the cultivation or manufacturing of tobacco products, as well as companies deriving more than 5% of their revenues from the retailing of tobacco products.

These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article *12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:*
Article 12(1)(b): Companies involved in the cultivation and production of tobacco.

5.6. Thermal Coal

Candriam's Approach

Thermal coal remains the largest emitter of energy-related CO2 emissions and one of the largest sources of energy generation. Any credible Net Zero transition pathway requires coal-related activities to be reduced drastically, starting with the use of coal in power generation where cleaner alternatives do exist.

When evaluating companies' involvement in thermal coal, it is essential to differentiate between the various levels of participation in the industry and the related environmental impacts.

Exploration, extraction, processing, transportation, and distribution are all considered direct involvement. We have adopted a stricter exclusion threshold for coal mining/extraction due to the significant and pervasive environmental impacts associated with this activity.

Given the absence of alternatives to metallurgical coal in the production of steel, metallurgical coal is not considered for exclusion. Synthesis of liquid or gasified fuel from coal is also excluded on a best-effort basis given the challenges related to the reliability of data.

Coal phase out

Candriam commits to phasing out investments in companies involved in coal extraction and coal-fired power generation by 2030 in OECD countries and 2040 in non-OECD countries[21].

Candriam Exclusion Thresholds

Candriam excludes from all its investments all companies that are directly involved in coal extraction regardless of the level of sales/revenues.

Candriam excludes from all investments any companies that derive more than 1% of their revenue from the value chain of thermal coal, including extraction and supporting products and services[22] supporting the coal industry.

Candriam excludes from investments all companies that derive more than 5% of their revenues from the value chain, including power generation[21].

Candriam excludes from all investments any company with an installed coal-fired power generation capacity of 5 GW or more.

The exclusion of companies with expansion plans (new projects) in coal mining or coal-based power generation is

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[21] *Case-by-case exceptions for transitioning companies where exposure is residual (<5% revenues, no new project) could be granted on "energy security" or "just transition" ground.*

[22] *These supporting products and services encompass the exploration, mining, distribution, and/or refining of thermal coal, excluding activities related with power generation.*

appreciated without a minimum revenue threshold.

New projects are considered effective when the final investment decision (FID) has been taken. Some situations before the effective commissioning (permitting, announcement) might also trigger exclusions on a case-by-case basis.

We recognise that the transition to Net Zero is a journey, with associated socio-economic challenges. While this reality must be taken into account, it should not be a reason to drift away from scientific Paris-aligned pathways. As such, companies that derive between 5% and 10% from coal power generation can be investable only if they meet the three conditions outlined below, which are paramount in demonstrating alignment with the Paris goals:

- Not developing new coal projects, and decreasing the share of coal in activities;
- Having committed to phase out coal totally by 2027 in developed economies, and by 2030 in developing economies;
- Having specific carbon emissions from generation in line with the IEA 1.5 Net Zero trajectory

The achievement of the above conditions has to be constantly monitored through dedicated engagement.

These exclusion criteria include those applied in accordance with the Paris-Aligned Benchmark (PAB) as outlined in Article 12 of the Commission Delegated Regulation (EU) 2020/1818, specifically:
Article 12(d): Companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite;

5.7. Adult Content

Candriam's Approach

We have chosen to extend the standard definition of 'adult content' to 'violent content' (portrayals of acts of physical aggression by one human being against another). Our definition thus includes any content that delivers material not appropriate for all audiences, i.e., that which appeals to primary violence drives or provides explicit portrayals of sexual subject matter.

Candriam Threshold Exclusion Level

Our policy excludes all pure players in the field of adult content as well as any company which derives more than 5% of its revenues from adult content, whether or not through shareholding.

5.8. Alcohol

Candriam's Approach

Candriam acknowledges that the excessive and chronic consumption and use of alcohol products can result in societal problems such as health problems and road accidents. Company exposure to the manufacture and/or sale of alcohol products is systematically assessed when a company is screened from an ESG perspective.

Candriam Exclusion Thresholds

Our policy excludes companies directly involved in alcohol – i.e. brewers, distillers, vintners, retailers, owners and operators of alcohol establishments, restaurants that serve alcohol – as well as alcohol retailers that derive more than 10% of their revenues from the manufacture or sale of alcoholic products.

5.9. Animal Testing

Candriam's Approach

Candriam promotes the use of alternative methods to replace animal experimentation whenever the ability to assess a product's safety is not compromised. Nevertheless, Candriam also acknowledges that, whilst alternative methods can serve to assess whether a new compound has the desired effect on isolated cells or tissues and can be helpful for the screening and initial steps of hazard identification, they cannot systematically replace in vivo research. Hence, animal research can bridge the gap between non-animal methods and human tests.

Candriam therefore favours sustainable and responsible investment in companies involved in animal testing that comprehensively address (in a responsible policy) and comply with the "three R" principles of Replacement, Reduction and Refinement, which seek to use alternative methods, reduce the number of animals used and minimise the pain and distress experienced by animals.

Candriam Exclusion Thresholds

Our policy excludes all companies that perform animal tests on products for which:

- there is no legal obligation, and the company has no responsible policy (the three Rs policy); or
- animal testing is prohibited.

5.10. Gambling

Candriam's Approach

Candriam acknowledges the controversial nature of gambling as well the vulnerabilities of stakeholders who engage in this activity. For companies respecting the defined threshold mentioned below, but which are more actively involved in gambling and/or the manufacturing of gambling products (games), we assess if these companies comprehensively address product risks and monitor sales practices to protect vulnerable consumers, such as minors.

To this end, for companies that respect the determined threshold, we may also take into consideration if they have implemented a responsible policy as follows:

- For companies **directly involved** in gambling (machines or software manufacturers, casinos, lotteries, bookmakers, gambling websites, outlets with slot machines, gambling broadcasts), we verify whether they have policy that addresses design, behavioural transparency and customer support.
- For companies **indirectly involved** in gambling through intermediary gambling access services (e.g., online payment service providers, general retailers, airports hosting gambling products), we verify whether

they have policy which seeks to offer better consumer protection (e.g., limited access to “gambling channels” by password access).

The establishment of a policy is not a hard criterion but provides us with further insight into a company’s responsible practices.

Candriam Exclusion Thresholds

Our policy excludes directly or indirectly involved companies that derive more than 5% of their total revenues (even through shareholdings) from gambling activities.

5.11. Genetic Modification

Candriam’s Approach

A genetically modified organism (GMO) is an organism in which the genetic material has been altered in such a manner that does not occur naturally by mating and/or natural recombination.

The business models and practices associated with GMO production have resulted in the homogenisation of crops, creating a dependency on the providers of these genetically modified seeds. Moreover, the ecological impacts of this approach are significant and include the disruption of ecosystem dynamics, the promotion of monoculture practices, and adverse effects on species not targeted by the GMO traits. Similarly to pesticide production, issuers involved in the production of the GMO are excluded from sustainable investments.

Candriam considers that the GMO production is not compatible with a sustainable investment and producers are thus excluded from the sustainable investment universe.

Candriam Exclusion Thresholds

Candriam’s *Level 3 SRI Exclusion Policy* excludes all companies directly involved in GMOs that derive more than 1% of their revenues from GMO activities

5.12. Pesticides

Candriam’s Approach

The global use of pesticides is increasingly implicated in a range of ecological disasters. Assessing the full extent of these impacts is challenging, yet the evidence points towards significant and non-negligible consequences. These include the potential role of pesticides in the mass extinction of insects in Europe over the past 30 years, detrimental effects on workers' health, deterioration of water quality, and adverse impacts on communities adjacent to agricultural areas and end consumers. Within the broader agenda of agricultural reform, prioritising the reduction of pesticide use, and its associated risks is imperative.

Candriam Exclusion Thresholds

Our policy excludes all companies deriving more than 1% of their revenues from the production of pesticides for the Agriculture sector.

5.13. Oppressive regimes: Corporate activities and sovereign issuers

Candriam's Approach

Candriam's list of Oppressive Regimes is comprised of countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied, and the security of people is not guaranteed due to government failure and systematic ethical breaches. We also extremely carefully consider totalitarian states or those countries in which the government is involved in war against its own people. To establish the Oppressive Regimes list, we use data provided by external sources, such as the Freedom House's Freedom in the World Index, the World Bank Governance Indicators, and the Economist Intelligence Unit's Democracy Index, which inform our qualitative review of non-democratic countries.

For this list of countries, Candriam's analysts have developed processes which apply to sovereign and corporate investments. They include exclusion, mitigation, and engagement, depending on our risk assessment.

Candriam Exclusion Thresholds

Corporates:

We exclude companies from our ESG investment universe when we consider the human rights risks to be too high and improperly mitigated.

Our analysts carefully assess the potential benefits of business activities in listed oppressive regime countries compared to the risks of potentially supporting governments in their anti-democratic practices. In other words, they cautiously weigh the harm caused by a company operating in an oppressive regime against the benefits these operations bring to all stakeholders.

We analyse four key material pillars that enable the risk assessment of a company's presence in these identified oppressive regimes including:

- a company's level of exposure (for example, assets in the country, sales to the market, supply chain exposure, revenues, offices),
- the nature of products and/or services (e.g. whether surveillance technology, data management systems or mobile networks are utilised by the regime to impose its authority),
- counterparties (relationships with authorities, bribery and corruption risks, etc.), and
- safeguards (including those implemented by the company as well as those specific to the country).

For certain industries, including oil & gas, we will assess the type of contract (e.g. whether licences to explore natural resources benefit the state or local communities).

We exclude companies deriving more than 10% of their revenues from activities in oppressive regimes. Certain exceptions may apply. For example, companies may not be excluded if they have announced a suspension of activities in or plans to exit the country at hand.

Moreover, we engage with certain selected companies deriving between 5% and 10% of their revenues from these activities. For a few countries considered as highly oppressive regimes, we consider that any activity might bring negative impact.

Governments:

Debt issued by sovereign or quasi-sovereign entities that are on the Oppressive Regimes list is not eligible for investment in strategies subject to our *Level 3 SRI Exclusion Policy*.

5.14. Oil & gas

Candriam's Approach

In the assessment of energy sources, we believe that a distinction should be made between oil & gas supply originating from conventional and unconventional extraction. The main difference results from the techniques required for the extraction and the nature of the reservoir.

Conventional oil & gas are derived from formations that are simpler to extract compared to unconventional oil & gas which require complex extraction methods with negative impacts on the environment. The extraction of unconventional resources tends to require more energy as well as more water and chemical inputs in the case of hydraulic fracturing techniques. As such, unconventional methods are more carbon- and water-intensive than conventional projects. Depending on the type of resource, unconventional methods can also cause more land disturbance (including deforestation) and higher levels of wastewater.

We categorise the following activities and sources as follows:

- **Unconventional oil & gas extraction**: the extraction of tar/oil sands, shale gas/oil, tight gas/oil, coalbed methane and Arctic drilling, deep water drilling, extra heavy oil
- **Conventional oil & gas extraction**: prospecting, exploration and/or the extraction of conventional oil and conventional natural gas, including gas condensate.

Candriam acknowledges that transitioning into a low-carbon economy requires time. For this reason, our approach also takes into consideration the energy transition strategy of companies involved in the conventional oil & gas industry, with very clear and ambitious thresholds that are in line with Paris-aligned trajectories. Exposure to unconventional oil & gas, on the other hand, is considered incompatible with the energy transition given the associated negative environmental impacts.

Candriam Threshold Exclusion Level

Candriam excludes companies deriving more than 5% of their revenues from extraction, refining of conventional or unconventional Oil and Gas, and pipeline & transportation of oil.

Candriam also excludes companies generating over 25% of revenues from O&G related activities such as supporting products/services, petrochemicals, equipment, gas pipeline & transportation and oil distribution & retail.

Only companies assessed as “achieving net zero” or as “aligned with the Net Zero pathway” according to our Net Zero Alignment Framework may be eligible, if they derive more than 5% of revenues from unconventional or conventional oil & gas and meet the very strict expectations of our Net Zero Alignment Assessment. For more information about Candriam’s Net Zero Alignment framework, please refer to Candriam’s Climate Strategy.

Furthermore, in line with the Paris-Aligned Benchmark (PAB), Candriam excludes companies that:

- Derive more than 10% revenues from exploration, extraction, distribution, or refining of oil.
- Generate more than 50% revenues from exploration, extraction, refining, or distribution of Gas

The exclusion of companies with expansion or exploration plans in relation to fossil fuels is implemented without a minimum revenue threshold.

These exclusion criteria include those applied in accordance with the Paris-Aligned Benchmark (PAB) as outlined in Article 12 of the Commission Delegated Regulation (EU) 2020/1818, specifically:

Article 12(e): Companies that derive 10% or more of their revenues from the exploration, extraction, distribution, or refining of oil fuels;
Article (12)(f): Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels.

5.15. Electricity generation

Candriam’s Approach

As the level of emissions varies across electricity generation sources, it is important to assess the level of greenhouse gasses emitted per KWh to measure companies’ alignment with the SBTi 1.5°C trajectory for the power sector. For this reason, we incorporate the carbon intensity of power producers in our sustainability assessment.

As data on the carbon intensity of issuers is not always available, we have established other indicators demonstrating an issuer’s alignment with the Paris Agreement. Indeed, in the analysis of power producers, we also assess if they are on a transition path in line with the Paris Agreement goals and the SBTi 1.5-degree scenario based on other metrics such as investment plans and credibility of Net Zero targets. The metrics used are forward-looking and evolve over time to take into consideration the evolution of companies towards a transition path.

Candriam believes that an increasing use of coal in electricity generation is not aligned with the Paris Agreement. On the other hand, while Candriam considers nuclear energy to be an intermediary solution, we acknowledge the financial risks as well as the controversies surrounding it. In particular because of the very low probability but high impact potential of accidents and because of the issues pertaining to the long-term disposal on nuclear waste.

Candriam Exclusion Thresholds

Candriam excludes power-producing companies with a carbon intensity of over 247 gCO2/kWh for 2026, or with a trend towards increasing coal and nuclear power generation capacity.

Candriam also excludes companies that derive 50% or more of their revenues from electricity generation sources with a carbon intensity of more than 100 g sources CO2e/kWh are excluded.

In case no data on electricity power producers' carbon intensity is available, we seek alternative sources of information and demonstration of good practice. The energy mix is a meaningful but not sufficient indicator. It is necessary that the use of thermal coal power in electricity production does not increase, unlike the use of renewable energies, both in production and capacity.

These exclusion criteria include those applied in accordance with the Paris-Aligned Benchmark (PAB) as outlined in Article 12 of the Commission Delegated Regulation (EU) 2020/1818, specifically:
Article 12(g): d Companies that derive 50% or more of their revenues from electricity generation sources with a GHG intensity of more than 100 g CO2e/kWh

5.16. Palm oil

Candriam's Approach

Candriam acknowledges that the production, processing, sale, and/or use of palm oil has a very complex value chain and has been linked to deforestation (including land clearing activities, conversion of peatland areas) and biodiversity loss globally. Deforestation linked to palm oil supply chains results in devastating environmental impacts such as forest loss and the loss of animal habitats (e.g. Asian rhinos, elephants, tigers, and orangutans), particularly in Southeast Asian regions from which 85% of global palm oil production is derived. Various reports of forced labour and child labour cases tainting the palm oil value chains have also been prevalent from the level of plantations, mills, refineries to the manufacturing of food and/or non-food products.

Despite that, Candriam recognises that palm oil remains an invaluable ingredient in a variety of food and non-food items given its relatively high yields compared to any other oil crops. It can produce up to 20 times as much oil per hectare from palm versus other oil crop alternatives.[3] It accounts for around 40% of the current global annual demand for vegetable oil as food, animal feed and fuel.[4]

Candriam considers palm oil producers and distributers as companies whose business activities are primarily **producing, manufacturing, or distributing/selling** of oil palm products. All companies whose business activities primarily consume or use palm oil for production or for inclusion as **ingredients** in the end-products that these companies sell are considered palm oil buyers.

3https://ourworldindata.org/palm-oil
4https://publications.jrc.ec.europa.eu

Candriam Exclusion Thresholds

Companies' exposure to palm oil-related controversies linked to deforestation and/or biodiversity risks is systematically assessed based on various elements that provide assurances towards sustainable palm oil production and consumption practices. Such elements include:

1. the total revenues coming from palm oil production, distribution, or ingredients,
2. RSPO membership/affiliation,
3. Percentage of certified palm oil, and
4. The presence of a deforestation policy.

We acknowledge that the efficiency and credibility of palm oil sustainable certification have been debated by some stakeholders. Indeed, such certification only serves as a tool in the supply chain due diligence toolkit. Therefore, the above elements are primary criteria, however not exhaustive. **We also integrate additional checks based on a best effort approach in assessing the palm oil-tied company's exposures to controversies on land use and biodiversity and their overall due diligence.**

Our Level 3 SRI Exclusion Policy excludes:

Producers and Distributors:

Candriam excludes companies that derive more than 1% of their revenue from palm oil unless they:

- Are a member of the Roundtable on Sustainable Palm Oil (RSPO), or
- Have at least 50% of their palm oil RSPO-certified and have a deforestation policy.

Buyers:

Candriam excludes companies that derive more than 10% of their revenue from palm oil unless they:

- Are a member of the RSPO, or
- Have at least 50% of their palm oil RSPO-certified and have a deforestation policy.

Please, note that we systematically exclude companies with a clear tie to palm oil dependency but no disclosure of their dependent revenues and percentages of certified palm oil, nor evidence of a deforestation policy.
On top of this policy, a company's exposure to palm oil-related activities is also evaluated based on the relevant controversies that the company has been allegedly involved in, and the company's responsiveness in addressing, mitigating and remedying said controversies. All of this allows for an additional layer of screening for companies under the coverage of Candriam's activities.

Additionally, in our norms-based analysis, particular attention is given to possible breaches of the environmental and human rights principles of the Global Compact in relation to the activities of companies exposed to palm oil.

5.17. Nuclear power

Candriam's Approach

Despite the benefits of nuclear power as a low-carbon and low-marginal cost energy (compared to coal, for instance) that reduces supply-insecurity risk, there is significant controversy surrounding the use of nuclear power as

a viable and sustainable alternative to other forms of energy due to the significant environmental, safety and security risks and liabilities related to nuclear reaction, nuclear waste, power plant decommissioning and nuclear fuel proliferation.

Nuclear power, as long as it is operated under the highest safety/security conditions, is currently a proven and needed alternative to fossil fuels and will be part of this century's energy landscape. However, Candriam acknowledges that the benefits of nuclear power in terms of mitigation of climate change and security of supply are counterbalanced by significant safety, environmental and security risks.

Candriam Exclusion Thresholds

Candriam excludes all companies directly or indirectly, derive more than 30% of their revenues from the extraction, conversion and enrichment of uranium to produce nuclear fuel, the irradiation of the fuel in a nuclear reactor and/or the reprocessing/disposal of spent nuclear fuel and other nuclear waste.

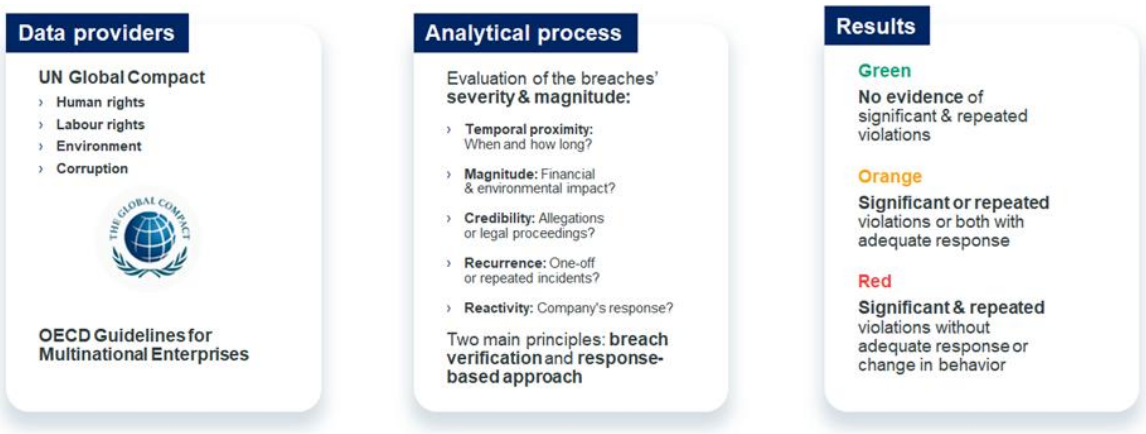
5.18. Norms-based analysis

The norms-based 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 (L), Environment (ENV) and Anti-Corruption (COR).** Additionally, Candriam assesses whether the company violates the principles of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

Candriam Level 3 SRI Exclusion Policy excludes companies with one or more Red Rating in areas covered by the relevant norms or conventions, including UNGC pillars and the OECD Guidelines for Multinational Enterprises, collectively referred to as Candriam's Red list.

Emphasis is placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

Breaches are assigned a colour code for each of the main principles categories. For an issuer to be able to successfully negotiate the norms-based analysis filter, it must not have been attributed a "red" rating in any area covered by the corresponding set of norms or conventions.



These exclusion criteria include those applied in accordance with the Climate Transition Benchmark (CTB) as outlined in Article 12(1)(a)-(c) of the Commission Delegated Regulation (EU) 2020/1818, specifically:

Article 12(1)(c): Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

6. Evaluation process and implementation

The research and evaluation process encompasses three main steps:

6.1. Identification of Company Involvement in Controversial Activities

Candriam's ESG team conducts in-house analysis to identify company involvement in controversial activities encompassed by our Policy. Our ESG Analysts use various sources to conduct their analysis including information provided by external research providers, media sources and NGOs to verify the involvement of companies.

6.2. Assessment of Company Involvement in Controversial Activities

Company involvement in any identified area of controversial activity is assessed on a number of parameters covering the following variables:

- **Type of Involvement**: for each company analysed, the type of involvement (direct or indirect) is considered (e.g., owners and operators, manufacturers/producers, retailers/providers, provision of supporting products or services);
- **Level of Involvement**: based on the threshold approach applied to every type of controversial activity, any revenues derived from, or the production capacities of, such activities are generally used as the main indicator of involvement;
- **Responsible Policy**: for some controversial activities, in addition to the type and level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities. Therefore, the presence (or absence) of a relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices undertaken to ensure that it operates in a responsible manner, are crucial elements in the assessment.

6.3. Final judgement of involvement

The goal of this last step is to decide, based on the three above-mentioned variables, on the acceptability of a company's involvement in one or more controversial activities. Companies that exceed the acceptable levels will be excluded from that portfolio's investment.

7. Additional Views

7.1. Biodiversity

In October 2024, Candriam published its biodiversity policy aimed at strengthening the integration of biodiversity considerations within its investment strategies. This approach is structured around four key steps. These steps include:

1. Excluding companies that are incompatible with biodiversity protection;
2. Integrating biodiversity analysis into our ESG framework and investment decisions;
3. Engaging with companies that represent the largest impacts, exposures, or controversies; and
4. Reporting and monitoring our impacts and dependencies through our investments.

Exclusion:

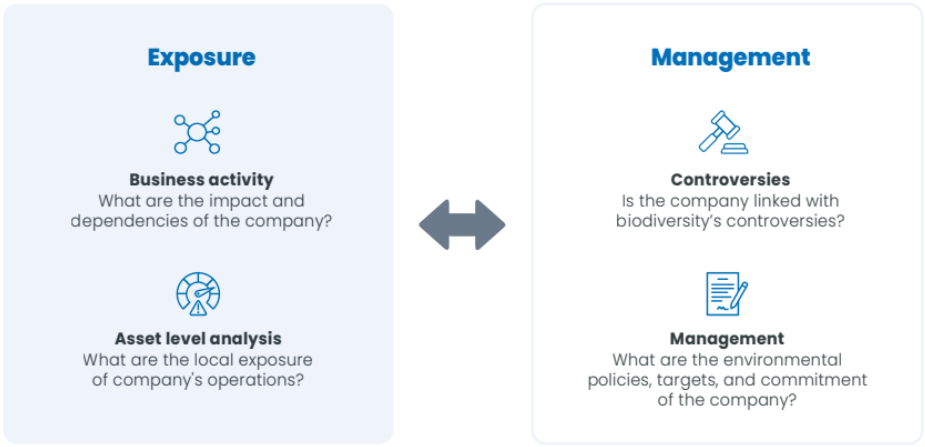
Certain activities are considered fundamentally incompatible with a world that respects biodiversity. This includes the production of pesticides for the agricultural sector, the development of genetically modified organisms (GMOs), and certain controversial mining practices, such as deep-sea mining. Additionally, companies that lack sufficiently advanced management practices on issues identified as critical by our biodiversity model are also excluded.

Integration:

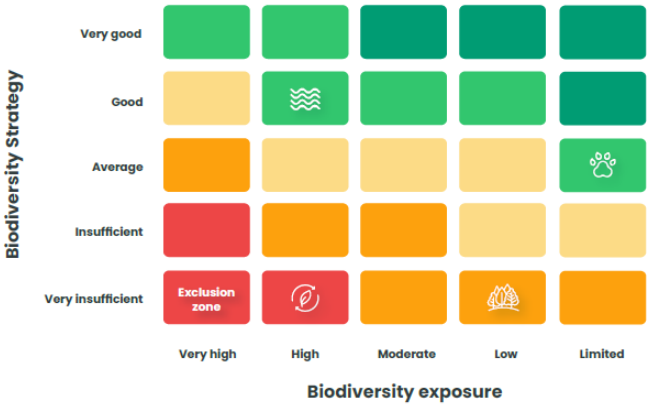
As a crucial environmental issue, biodiversity has always been part of Candriam's ESG framework. In order to strengthen our analytical capabilities and systematise the integration of biodiversity in investment decisions, we have developed a proprietary model that aims at addressing the specificities and challenges associated with the evaluation of biodiversity. In particular, the fact that biodiversity implies both impacts and dependencies and the fact that biodiversity needs to be analysed locally.

Our biodiversity analysis relies on the evaluation of two dimensions:

1. **The company's exposure to biodiversity impacts and dependencies**, based on two complementary levels: the evaluation of the impacts that companies' activities have on biodiversity, and a localised asset-level assessment of the companies' exposure to key biodiversity issues.
2. **The company's management of biodiversity** based on the assessment of the company's strategy and performance and the potential controversies it has faced.



Our biodiversity assessment comprises nine key biodiversity subtopics with specific assessment on each dimension. Based on this framework, we have built a **biodiversity matrix** aimed at assessing whether companies have put in place an adequate management of biodiversity based on their specific exposure to biodiversity risks and impacts. This biodiversity matrix is then converted into a score that is integrated into the global ESG score of the company.



As mentioned in the exclusion section, this assessment can result in the exclusion of a company, either by impacting its ESG score directly or by identifying one of our nine topics as having both very high exposure and very insufficient management.

7.2. Death Penalty

The punishment of crimes by the penalty of death is a controversial issue on a global scale. There are several conventions that deal with abolition of the practice, the major one being The Second Optional Protocol to the International Covenant on Civil and Political Rights, adopted by the General Assembly of the United Nations on 15 December 1989. The intention of the Protocol is to reflect that the death penalty encroaches on the right to life and to freedom from torture or cruel, inhumane or degrading treatment or punishment in accordance with the Universal Declaration of Human Rights, adopted by the UN in 1948. Furthermore, it is deemed that death penalty is irreversible, discriminatory, and sometimes applied within judicial systems that

do not guarantee fair trial and the primacy of the rule of law.

Candriam recognises the concerns expressed by the international community, and supports the letter and the spirit of the Second Optional Protocol to the International Covenant on Civil and Political Rights. Therefore, whether a country is a signatory to the Protocol is monitored as a part of the regular sustainability due diligence of countries.

Candriam does not apply an explicit exclusion based on a country's death penalty stance. Our approach takes into consideration whether a country has ratified The Second Optional Protocol to the International Covenant on Civil and Political Rights, and this forms a part of the score for the Basic Political/Civil Rights Theme within the Social Capital Pillar of Candriam's country evaluation methodology.

7.3. Fur

Candriam acknowledges that the fur industry is exposed to possible risks related to the protection of endangered species, animal welfare and environmental pollution.

Issues raised by the use of fur are taken into account in Candriam's Norms-Based and overall ESG assessment of a company when determined relevant and applicable.

Companies producing products using rare, endangered or vulnerable animal and plant species (including furs) are scored very negatively in Candriam's ESG framework. Identified breaches of the Global Compact, notably environmental breaches, are also sanctioned.

7.4. Land Grabbing

Land grabbing refers to the purchase or leasing of vast tracts of land, usually in developing countries, by investors (countries or corporations) to secure long-term food supplies, produce biofuels or for speculative purposes.

One of the most immediate consequences of land grabbing is decreased food security in the developing countries and the disruptive effect on local communities, in particular, on small-scale food producers, as research has shown that secure access to land can reduce poverty and hunger.

Candriam considers land grabbing a controversial issue due to its consequences on local communities in developing countries (access to land; poverty, hunger). Candriam already assesses "land grabbing" in the Human Rights part of its Norms-based analysis. It takes into consideration, amongst others, the presence of free, prior and informed consent of the affected land users, the absence of human rights violations and the transparency of contracts to assess the issue and the number of people affected.

In Candriam's ESG Norms-based analysis, a company is excluded from ESG investment if there is very strong evidence of repeated, significant and systematic violations of international standards and principles regarding the Human Rights principles associated with land grabbing.

7.5. Tax Evasion

Definition and General Context

Tax evasion is generally used to mean 'illegal arrangements where liability to tax is hidden or ignored, i.e. the taxpayer pays less tax than he is legally obligated to pay by hiding income or information from the tax authorities' (OECD definition). We assess that on average European SME pays around 23% corporate tax, while some multi-national companies pay less than 1%. This is possible because multi-national companies can use mechanisms between national tax systems when shifting their accounting from one country to the other. It is estimate that 40% of multinational companies' profits avoid taxation.

Over the last five past years, the fight against tax evasion came across as a result of the revelations of repeated leaks and related journalistic investigations into scandals such as Luxleaks or Panama Papers.

Candriam acknowledges that tax evasion is a key ESG issue which involves all sectors, with an emphasis to the financial sector, and expose companies to substantial consequences, such as fines or liabilities.

Tax evasion is taken into account in Candriam's Norms-Based analysis and overall ESG assessment of a company where relevant and applicable. Companies evading taxes are scored very negatively in Candriam's ESG analysis. Identified breaches of the Global Compact, notably corruption and governance breaches, are also sanctioned.

7.6. Toxic Substances for the Environment and Human Health

A "toxic substance" is defined as any chemical or mixture potentially harmful to the environment as well as to human health, given the high degree of interdependence between human health and the natural environment. The impact of toxic substances depends on dose and exposure.

Following the United Nations Environment Programme (UNEP) definition, toxic substances are harmful substances and hazardous waste that include:

- Persistent, bio-accumulative and toxic substances (PBTs);
- Chemicals that are carcinogens or mutagens or that adversely affect the reproductive, endocrine, immune, or nervous systems;
- Chemicals that have immediate hazards (acutely toxic, explosives, corrosives);
- Chemicals of global concern such as persistent organic pollutants (POPs), greenhouse gases and ozone-depleting substances (ODS);
- Healthcare waste;
- E- waste.

Candriam acknowledges that toxic substances are harmful to the environment and human health. Due to the wide variety of toxic substances used in company activities, Candriam takes into account their use and the impact of the risks associated with their use at all stages of the ESG company analysis process.

In the business model analysis of the ESG process, company activity exposure to toxic substances is assessed in three of the five key sustainable challenges analysed: Climate Change, Resource & Waste, and Health &

Wellness.

Businesses having a negative impact on Climate Change because of the emission of carbon – a greenhouse gas – are found across all sectors and are given a negative score.

Unlike Climate Change, pollution generated by the exploitation of natural resources is more sector-specific: businesses releasing various pollutants into the atmosphere, the soil, and the aquifer are more often penalised in sensitive sectors such as energy including, for instance, Shale Gas or Utilities.

The Healthy & Wellbeing sustainable challenge enables the listing and sanctioning of companies capable of contributing to an increase in the prevalence of disease because of the nature of their operations. Some companies in the Metal & Mining sector are particularly at risk regarding the extraction of toxic substances like Mercury or Chromium, which leads to serious health damage, and are consequently given a negative score in Healthy & Wellbeing.

In the stakeholder analysis of Candriam's proprietary ESG framework, a company's ability to manage its impact on the environment and on human health in its long-term strategy is evaluated. Candriam addresses the release of toxic substances into the environment through nitrates or heavy metal pollution in water as well as atmospheric emissions (including VOCs, So2 and Nox) and also through the disposal of hazardous waste. As a result, companies subject to the use and release of toxic substances are analysed according to their capacity to implement quality management focusing on this issue.

The energy sector, for example, faces toxic particle emissions such as SOx, NOx, VOCs and benzene, arising from the refining and chemical manufacturing processes. Companies involved in these activities are assessed according to their ability to mitigate these atmospheric emissions.

The impact on human health is addressed at the stage involving the analysis of product safety, when Candriam looks at the prevention or removal of serious threats to public health and safety deriving from the consumption/use or disposal of the sold product, e.g., Candriam identifies and negatively rates companies in the Chemicals sector whose revenues are derived from chemicals of concern such as bisphenol A, phthalates or fluorocarbons.

When performing a norms-based analysis of the company, Candriam filters out companies that have significantly and repeatedly breached environment-related principles of the United Nation's Global Compact, through, among others, the release of toxic substances. Candriam excludes companies having significantly and repeatedly been involved in:

- mismanagement of toxic chemicals;
- mismanagement of hazardous and radioactive waste;
- severe pollution of the air, water and soil;
- severe destruction of biodiversity.

Candriam Threshold Exclusion Level

Candriam addresses the risk related to the release of toxic substances at every stage of a company's ESG assessment as well in the Norms-based analysis used for ESG investments.

7.7. Water Use

Candriam acknowledges that environmental and community issues linked to heavy use of water should be considered in the sustainability analysis of companies. We assess a company's water intensity and water management systems as part of our ESG approach. As agriculture and intensive farming are responsible for 70% of the worlds' water consumption, we pay extra attention to water risks in agricultural supply chains. However, some industrial processes are also water intensive and require a strong water management approach.

As a commonly used resource across most economic sectors, water and its use are analysed similarly to GHG intensity emissions: we analyse both sector and company water intensity as well as a company's water use management systems, and its water use related risks. Companies with high water risk and poor water management systems score negatively in our proprietary ESG analytical framework, and other sustainable investment strategies we may develop.

When we identify water-intensive business activities, we also engage with companies to promote more sustainable business management strategies and improve water disclosure.

In the Norms-based analysis, particular attention is given to possible breaches of the environmental and human rights principles of the Global Compact. This includes activities of companies exposed to heavy water use in water scarce area, conflict with local communities on water access as well as water pollution.

8. Appendix

Controversial Armaments - Methodology and Data Providers

In order to identify the exposure of issuers to controversial weapons, Candriam closely collaborates with two external providers, ISS and MSCI ESG.

ISS provides Candriam with company exposure information for the majority of controversial weapons (anti-personnel landmines, cluster bombs, depleted uranium, white phosphorus), excluding blinding lasers, non-detectable fragments; chemical and biological weapons. ISS classifies company exposure into three color-coded categories:

Signal	Description
Red	• Verified involvement
Amber	• Strong indications of involvement • Fragmentary information about involvement
Green	• Past involvement • Involvement beyond the scope of applicable definitions • No involvement

Candriam automatically excludes all companies flagged as “Amber” and ‘Red’ by ISS. In the event of any category changes for companies which may have material impacts on our portfolios, the ESG Team will conduct additional analysis to gain further insight on the rating change. Subsequent to their analysis, the ESG Team will determine if the new rating decision should be applied across the firm’s portfolios. The controversial weapons exclusion list is updated twice a year.

In terms of chemicals, biological and nuclear weapons, Candriam uses the information provided by **MSCI ESG** for its exclusion filters. More specifically, Candriam takes the data provided by MSCI ESG, % revenues of companies in these activities, and applies it against the applicable thresholds.

If new exposure is identified for companies with material impacts on portfolios, the ESG Team may conduct additional analysis on the company before implementing the exclusion.

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