

Principal Adverse Sustainability Impacts Statement

Contents

■ A. Introduction	2
■ B. Description of principal adverse sustainability impacts	3
■ C. Description of policies to identify and prioritise principal adverse sustainability impacts	11
I. Governance	11
II. Candriam’s Due Diligence process on E, S and G impacts, led by the ESG team	11
a. Corporate	12
b. Sovereign	13
■ D. Description of actions to address principal adverse sustainability impacts	14
I. Description of exclusion and esg scoring	14
II. Stewardship to reduce principal adverse impacts	15
III. Climate impact	17
■ E. Reference to international standards	19

A. INTRODUCTION

Sustainability is rooted in Candriam's operating model and forms a key part of our corporate culture. Candriam's sustainable development strategy leads us to incorporate sustainability trends shaping the world of tomorrow within the process of defining our firm's strategic orientations. Our philosophy is to establish and maintain a balance between responsible behaviour towards all stakeholders and the pursuit of sustainable financial performance. Candriam has been managing sustainable investments since 1996. As a responsible asset manager we are committed to the continuous development of its long-standing and holistic Environmental, Social, and Governance (ESG) philosophy and methodology, and to the ongoing expansion of our range of sustainable investment products. As a sustainable asset manager, Candriam recognizes the importance of taking into account sustainability risks and opportunities in the portfolios we manage and of carefully considering principal adverse sustainability impacts.

Investors may want to take into account ESG risks and opportunities because these are likely to influence the financial performance of their investments ("financial materiality"). On the other hand, investors increasingly also want to assess the impacts their investments have on the progress towards a sustainable society ("sustainable materiality").

Acknowledging this "double materiality", Candriam not only evaluates the financial impact of ESG criteria, it also seeks to measure the impact of the assets in which it invests on key sustainability factors.

In this document, Candriam describes the due diligence policies it has put in place to identify and mitigate the principal adverse impacts on sustainability factors caused by security issuers held in Candriam portfolios. Candriam considers the principal adverse impacts on sustainability factors (PAI) at the entity level, with the exception of certain assets. This policy is applicable to all funds for which Candriam has full discretion as management company and investment manager. Except if otherwise agreed between the relevant parties, the following portfolios are therefore excluded from the scope of this policy:

- Funds for which Candriam is the Management Company but for which it has delegated the investment management activity to another entity.
- Funds for which Candriam is not the Management Company but has received the investment management activity through delegation by another entity.

For third-party discretionary portfolio mandates, this policy is discussed case by case with the client in the pre-contractual phase.

This policy is applicable as of June 30th 2021. The Sustainability Risk Committee is in charge of validating this policy.

B. DESCRIPTION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

In its investment considerations, Candriam addresses adverse impacts through a wide range of methods ranging from ESG Scoring and Exclusions right through to Active Ownership. In line with the funds classification outlined in its SFDR disclosures, Candriam prioritizes PAI Indicators at the investment strategy level.

Greenhouse gas (GHG) emissions and violations of UN Global Compact principles are the two Key PAIs that Candriam considers as essentials at entity level. All sustainable investment products, whether classified as article 8 or article 9, exclude issuers deemed to be violating one or more of the UN Global Compact principles. Such violation is appreciated dynamically, based on well-documented evidence, and takes into account both the impact as well as the remediation measures adopted by the issuer. As for GHG emissions, Candriam monitors these across all article 8 and article 9 investment products. Furthermore, Candriam has defined the reduction of GHG emissions as a key objective for article 9 products, unless not relevant to the strategy.

The ESG Investments & Research Team has developed its own holistic ESG research methodology for both corporate and sovereign issuers. Each issuer is analysed from many environmental, social and governance perspectives leading to ESG recommendations and ESG scorings that consider the principal adverse impact of issuers on sustainability objectives. These are being used across Candriam in investment strategies in different ways.

SFDR Article 9 funds have clear sustainability targets and, as a consequence, align their investment strategies and portfolio with the final ESG recommendations of the ESG team. That is, portfolio managers select issuers from the ESG universe that are considered eligible and then apply their respective investment strategies and processes to construct the final portfolio.

SFDR Article 8 funds consider ESG risks and opportunities and principal adverse impacts by integrating the ESG team's recommendations and scorings on issuers into investment strategies and processes whenever sufficient and reliable sustainability data are available.

The ESG Analysts use internal and external research to feed their models.

The Team strives to draw information from diverse sources as we consider information from different providers to be complementary. This is as a result of providers' varying coverage and methodologies, as well as a culture that may ultimately lead to discrepancies in views and final ratings. These different assessments provide our ESG analysts more holistic view of a company.

Candriam's ESG research and screening methodology considers the principal adverse impact on sustainability in all steps of the process. The PAIs are integrated into the ESG analysis of issuers based on the materiality or likely materiality of each indicator for each specific industry/sector to which the issuer belongs. Given the granular nature of the information to be reported in the PAI statement, the 14 mandatory PAI indicators are measured, monitored and assessed employing varying degrees/levels of materiality. Materiality is dependent on several factors, such as type of information, data quality and breadth, applicability, relevance and geographical coverage (in respect of EU and non-EU investee companies that are not subject to any mandatory sustainability disclosure obligations such as those set down in the Non-Financial Reporting Directive).

Materiality of the 14 Mandatory PAIs in Candriam's ESG Screening Process and models

Materiality
High
Average
Low /No

Indicators Applicable to Investments in Investee Companies

Sustainability Theme	Adverse Sustainability Indicator	Explanation
----------------------	----------------------------------	-------------

CLIMATE AND OTHER ENVIRONMENT - RELATED INDICATORS

Contribute to Climate Change Mitigation - Greenhouse gas emissions	Carbon footprint (PAI2)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	GHG emissions (PAI1)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	GHG intensity of investee companies (PAI3)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	Energy consumption intensity per high impact climate sector (PAI6)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	Share of nonrenewable energy consumption and production (PAI5)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	Exposure to companies active in the fossil fuel sector (PAI4)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
Preserving Natural Environment and ecosystems	Activity negatively affecting biodiversity - sensitive areas (PAI7)	Data quality & coverage not always optimal; average materiality in Candriam's ESG analysis and scoring model
	Emissions in to water (PAI8)	Data quality & coverage not always optimal; average materiality in Candriam's ESG analysis and scoring model
	Hazardous waste ratio (PAI9)	Insufficient data quality/coverage; low materiality in Candriam's ESG analysis and scoring model

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Avoid Companies exposed to controversial or illegal practices	Exposure to controversial weapons (PAI 14)	Incorporated in Candriam's ESG analysis and ESG scoring model, Highest materiality
	Violations of UN GC principles and OECD (PAI 10)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
	Lack of processes and compliance mechanisms to monitor compliance with UN GC (PAI11)	Incorporated in Candriam's ESG analysis and ESG scoring model, High materiality
Promoting Gender Diversity	Board Gender Diversity (PAI13)	Average materiality in Candriam's ESG analysis and scoring model
	Unadjusted Pay Gap (PAI12)	Data quality & coverage not always optimal; average materiality in Candriam's ESG analysis and scoring model

INDICATORS APPLICABLE TO SOVEREIGNS & SUPRA-NATIONALS

Environmental	GHG intensity (PAI15)	Incorporated in Candriam's ESG analysis and ESG scoring model (natural capital), High materiality
Social	Investee countries subject to social violations (PAI16)	Incorporated in Candriam's ESG analysis and ESG scoring model (social and human capital), High materiality

For each sustainability theme, the indicators are ordered by decreasing priority.

A set of additional principal adverse impact indicators also measured and monitored in Candriam's ESG research and screening methodology. As clarified above, these additional PAIs have a varying and most often different impact on industries/sectors dependent on the ESG specificities of activities within that industry/sector. Again, data quality and breadth, applicability, relevance and geographical coverage are driven factors used in the assessment of the materiality of each individual PAI indicator.

Climate and other environment-related *(Indicators applicable to investments in investee companies)*

	PAI	UTILITIES	CHEMICALS	RETAILING	ELECTRICAL EQUIPMENT	MACHINERY	TMT	CONSTRUCTION	ENERGY	MINING	STEEL & ALU	BUILDING PRODUCTS	CONSTRUCTION MATERIALS	PAPER & FOREST	HEALTH CARE	AUTO	REAL ESTATE	BANK	INSURANCE
Emissions	1. Emissions of inorganic pollutants	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	2. Emissions of air pollutants	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Light Blue	Light Blue	Dark Grey	Dark Grey
	3. Emissions of ozone depletion substances	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	4. Investments in companies without carbon emission reduction initiatives	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue
Water, waste and material	6. Water usage and recycling	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	7. Investments in companies without water management policies	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	8. Exposure to areas of high water stress	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	9. Investments in companies producing chemicals	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	10. Land degradation, desertification, soil sealing	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Light Blue
	11. Investments in companies without sustainable land/agriculture practices	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue
	12. Investments in companies without sustainable ocean/sea practices	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	13. Non-recycled waste ratio	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Dark Grey	Dark Grey
	14. Natural species and protected areas	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue
	15. Deforestation	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue
Green securities	16. Share of securities not certified as green under a future EU legal act setting up an EU Green Bond Standard	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Grey	Dark Grey	Light Blue	Light Blue	Light Blue	

Indicators applicable to investments in sovereigns and supranationals

		Materiality for your sector :
Green securities	17. Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	
Social	18. Average income inequality score	
	19. Average freedom of expression score	
Human rights	20. Average human rights performance	
Governance	21. Average corruption score	
	22. Non-cooperative tax jurisdictions	
	23. Average political stability score	
	24. Average rule of law score	

Significant gaps still exist between the level and type of information currently provided by investee companies on sustainability issues and the information required for Candriam to comply with legal reporting obligations. In some areas, like financial reporting and the corporate social responsibility or CSR report, high-quality data usually available and subject to quality and accuracy checks by company auditors or regulators. However, for the principal adverse impact indicators, this type of audited and standardized reporting does not always exist. The materiality matrix displayed above considers the availability and quality of the information needed to measure and monitor the principal adverse impacts on sustainability.

The ESG Investment & Research team performs due diligence on each ESG data provider to ensure all material ESG issues are covered in the best way to ensure a high-quality sustainability assessment of investee companies. Data from ESG data providers that are integrated into Candriam's ESG research methodology and portfolio management systems are subject to several levels of control and monitoring to ensure that the ESG data in all Candriam's information systems (fund & risk management, reporting, ...) are adequate, sufficient and consistent.

Whenever new data sources are identified that could enable Candriam to better measure principle adverse impacts, the ESG Investments & Research Team will perform the required due diligence and analyse the added value in terms of monitoring and measuring these principal adverse impacts. As a final step in the due diligence process, the information is conveyed/submitted to the Sustainability Risk Committee for validation.

In complement to the information-gathering process based on ESG research and engagement, the ESG team and other stakeholders employ other information sources based on the benefits they bring to the ESG research and screening process and reporting. As at June 30th, 2021, the following external ESG data providers used:

Type of Screening	Rating Agency	Certification	Scope	Link
Gender equality criteria	Equileap	-	International Companies	https://equileap.org/
International standardized reporting and disclosure method for workplace gender data.	Bloomberg	Gender-Equality Index	International Companies	www.bloomberg.com/GEI
ESG Criteria – Controversial Activities – Norms-based Criteria	MSCI ESG Research	-	International Companies	https://www.msci.com/esg-integration
Norms-based Criteria	ISS-Ethix	-	Emerging Market Companies	https://www.issgovernance.com/
Screening criteria used to exclude the weapons industry			International Companies	
Environmental Data Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	S&P Trucost	-	International Companies	https://www.trucost.com/
ESG Criteria – Controversial Activities – Norms-based Criteria	Sustainalytics	-	International Companies	https://www.sustainalytics.com/
Energy and mining sector screening used to exclude unconventional extractions and thermal coal	Wood Mackenzie	-	International Companies	https://www.woodmac.com/
Sustainable Development Goals measurements	ISS-Oekom	-	International Companies	https://www.issgovernance.com/esg/
Country risk metrics and analysis	MapleCroft	Gender-Equality Index	International Companies	https://equileap.org/
ESG country risk metrics and analysis	RepRisk	-	Sovereign Issuers	https://www.maplecroft.com/
Country risk metrics and analysis Country energy data	EIU	-	Sovereign Issuers	https://www.reprisk.com/
Quantitative data, political risk and country risk ratings	PRS Group	-	Sovereign Issuers	https://www.eiu.com/n/
ESG performance of economies - Sovereign Credit risk – Climate Objectives Alignment	Beyond Ratings	-	Sovereign Issuers	https://www.beyond-ratings.com/
Environmental data based on energy transition & adaptation to climate change	Carbon4 Finance	-	International Companies	https://www.carbone4.com/

C. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITIZE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

I. Governance

Candriam has implemented a firm-wide ESG governance structure to ensure the proper oversight and information flow of ESG issues and impacts.

The **Sustainability Risk Committee**, co-led by Candriam's ESG and Risk management team, oversees the process of managing the principal adverse impact on sustainability of our investee companies & countries. The different steps are the following:

- Presentation of ESG analysis and Due Diligence with identification of the worst ESG performers, and proposals for appropriate action
- Review and validation of the process with final decision on actions
- Oversight of calculation and integration of PAIs into management systems

When any ESG weakness on an issuer is detected that could potentially lead to a major adverse impact on a sustainability factor, the ESG team proposes adequate action to the Sustainability Risk Committee for decision: Engage & initiate dialogue, Exclusion, No action.

II. Candriam's Due Diligence process on E, S & G impacts, led by the ESG team

Candriam aims to manage the risks and the potential adverse sustainability impacts from its investments in several ways, including the use of general screening criteria, surveillance of norms breaches and application of Candriam's proprietary ESG scoring system.

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

The ESG analysis conducted aims to assess how companies create value by integrating sustainability into their business activities and the interest of stakeholders within their operating and financial managerial processes.

Sustainability Challenges are analysed from two distinct, but interlinked, angles, **Business Activities** and **Stakeholder Management**. Candriam has developed a structured and consistent ESG analysis process enabling the selection of companies in accordance with the latter's ability to deal with these two sector-specific challenges.

a. Corporate

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



The **ESG ratings** are constructed using a proprietary ESG framework comprising the following pillars:

- **Controversial Activities:** exclusion of companies involved in selected activities that do not embody sustainability.
- **Norms-Based Analysis:** companies that do not uphold the principles of the UN Global Compact are excluded.
- **Business Activity Analysis:** Companies are exposed to major long-term ESG trends that can strongly influence the environment in which they operate and that may shape their future market challenges and long-term growth. We have identified five key sustainability trends: Climate Change, Resource & Waste, Healthy living & Well-being, Demographic Shifts and Digitalization & Innovation.
- **Stakeholder Analysis:** We evaluate the extent to which each company incorporates the interests of six stakeholders in its long-term strategy: Investors, Human Capital, Suppliers, Clients, Society and the Environment.
- **Stewardship:** Engagement, Dialogue, and Proxy Voting are central to our investment process in providing additional information on issuers and encouraging best practices.

b. Sovereign

Candriam's approach to ESG sovereign analysis is based on four sustainability pillars: Human Capital, Natural Capital, Social Capital, and Economic Capital. This analysis is coupled with exclusion rules relating to high-risk regimes and minimum standards of democracy. Please find below an overview of the sovereign framework:



The ESG sovereign rating assesses the extent to which countries perform well across four categories of sustainable development criteria: **Human Capital**, **Natural Capital**, **Social Capital** and **Economic Capital**. Environmental factors play a preponderant role in the model, affecting how well a country scores on the human, social and economic capital. Overweighting environmental aspects is justified by the fact that a country cannot perform well on any front if it faces serious and long-term environmental damages. Sooner or later, these environmental externalities will impact human health, social cohesion and economic capital criteria. The four capital domains incorporate a wide range of material ESG factors sourced from several specialised data providers.

As the ESG sovereign analysis also aims to set minimum standards in terms of democracy and transparency behaviour, we exclude highly oppressive regimes dictatorships and countries classified as "not free", based on the Freedom House Freedom in the World Index and the World Bank Voice & Accountability Index. We also exclude all countries on the Financial Action Task Force FATF List of High-Risk Jurisdictions subject to a Call for Action.

D. DESCRIPTION OF ACTIONS TO ADDRESS PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

In order to mitigate principal adverse impacts of securities issuers held in portfolio, a number of approaches are combined at an entity and a portfolio level. The initial step is to exclude issuers whose are deemed too acute to be addressed through engagement. Such exclusion can either result from issuer involvement in controversial activities, or be the result of Candriam's ESG analysis. Issuers where Candriam analysts have identified PAIs that present improvement potential will be addressed through engagement, either directly or through collaborative initiatives. Finally, a specific approach is dedicated to assessing and mitigating exposure to climate risk, considering the urgency and predominance of this PAI across all portfolios.

I. Description of exclusion and ESG scoring

One of the Candriam ESG investment frameworks, consisting of norms-based screening and/or exclusion lists, is implemented across our product range to ensure the portfolio respects a minimum ESG standard.

Depending on the investment strategy, the portfolio could, for example, exclude certain sectors and select securities with higher ESG standards.

For additional information on the [Exclusion policy](#).

An investee company is analysed using the Candriam ESG Model, which includes PAI indicator assessment. Issuers are ranked according to individual indicators as well as across indicators. The output of the total assessment and ranking results is a score indicating the performance of each company. The investee companies with the worst score are then analysed by Candriam's ESG team.

When an ESG weakness (potentially leading to a major adverse impact on a sustainability factor) on an issuer is detected, the ESG team proposes adequate action to the Sustainability Risk Committee for decision.

The range of possible actions consists of the following:

- **Engagement:** The investee company is identified as a candidate for an engagement case. This can be due to various reasons such as the issuer's PAI performance overall or on certain indicators. The Candriam ESG team engages with the investee company and follows the KPIs defined.
- **Exclusion:** The investee company is not eligible for investments across Candriam's portfolios, and is added to Candriam's exclusion list or excluded for only certain types of portfolio, depending on the SFDR classification.
- **No action:** The indicator level of the investee company is judged not to reflect the actual ongoing performance of the company, and no further action is needed at this point. The investee company will continue to be assessed on an ongoing basis.

II. Stewardship to reduce principal adverse impacts

Stewardship is a key part of our long-term investment process, given its potential impact on investor returns and its appropriateness as a channel to discuss sustainability impacts with investee companies. Candriam engages with the management teams of its investment candidates on a range of aspects. Stewardship takes the form of a direct and individual dialogue between ESG analysts and the representatives of the company and other stakeholders.

Our engagement activities have 3 main objectives that are directly linked to our ESG selection:

- encourage improved ESG disclosure;
- support investment decisions;
- influence corporate practices on ESG issues and impacts.

In particular, engagement activities related to the investment decision process occur:

- within our ESG analysis framework, when Candriam wants to inform issuers of the final opinion it has opted for, and the main elements underpinning its decision;
- systematically, following the occurrence of an event deemed controversial and/or material (e.g., breach of UN Global Compact principles), leading to the inclusion of the issuer's name on our watch list. In that sense, any company turning non-eligible on normative-analysis grounds is contacted.

In our [Candriam Engagement Policy](#), you can find additional information on engagement at Candriam.

Engagement aims at encouraging issuers to adopt/adhere to recognized standards/norms or more common practices, so that they can better anticipate and manage specific ESG risks and opportunities.

Such engagement activities occur when we estimate that the issuers in question may lose their competitive edge and/or jeopardize their mid-/long-term valuation through being unprepared for changing market conditions because they have not properly managed an ESG topic. Such a situation justifies our support of improved preventive or healing measures.

More specifically, engagement activities pre- or post-the Annual General Meetings (AGMs), as well as voting itself, belong to this pillar. When contacting issuers, Candriam presents its voting policy and the rationale behind specific controversial voting recommendations, advocating change in favour of best practices in the field.

Candriam's Proxy Voting policy favours resolutions that support sustainable development principles in accordance with its sustainable and responsible approach.

Proxy voting activities fall under the ultimate responsibility of the Candriam Group Strategic Committee as part of our investment process. The Candriam Proxy Voting Committee is the 'guardian' of our Voting Policy and responsible for its implementation. This Committee, dedicated to the responsible exercise of voting rights by Candriam, has a three-fold mission:

- define the general policy for the exercise of Candriam's voting rights and for the evolution of the policy;
- review voting proposals made by ESG analysts and assess the effectiveness of votes cast at shareholder meetings;
- ensure that the Candriam voting policy is properly implemented into operating procedures.

The Committee consists of internal representatives from the Management, Operations, Risk and ESG Research & Stewardship teams. Representatives of the Legal department may attend meetings upon request.

The Committee meets regularly during the AGM season.

For additional information, please find the [Candriam Proxy Voting Policy](#) as published on our website.

III. Climate impact

Amongst the several principal adverse impacts related to Candriam's activities, contribution to climate, as well as mitigation of GHG emissions and adaptation to climate change impact, deserve a special place. Indeed, global warming presents our societies with an existential threat, jeopardizing our ability to sustain our current development level over the medium-to-long term if we continue on the current warming path. Compared to those sustainability challenges for which some debate may still remain, the role of corporations in climate change mitigation and adaptation is clear. There is a robust body of scientific data which establishes the role of companies in CO₂ and other greenhouse gas emissions, and pathways for these companies to reduce emissions in a way compatible with a below-2-degrees global warming scenario.

As an asset management firm, Candriam has an important role to play in addressing climate change at two levels. First, we aim to reduce the principal adverse impact of greenhouse gas emissions from our own corporate activities, such as office heating travel, and to finance compensation projects with a result that carbon emissions reductions "offset" the remainder of our own emissions. Second, Candriam has developed a framework to integrate the impact on climate change within investment decisions and asset allocation across our portfolios. Candriam's Climate Policy defines how we articulate this dual aim in our activities as well as the governance to define, monitor and review Candriam's climate change strategy. This Climate Policy follows the recommendations the TCFD (Task Force on Climate-related Financial Disclosures) in structuring our approach to integrating climate change at all levels of activity. At the investment level, climate change represents one of the five global sustainability challenges on which we focus as part of our analysis of a company business activities. This analysis results in individual company scores integrating investee company impact, positive or negative, on climate change, based on a proprietary framework. All investment managers within Candriam have access to these scores and are able to leverage that knowledge when making capital allocation decisions.

Further, investment managers have access to data concerning the greenhouse gas emissions of companies they hold in portfolios, as well as to the overall portfolio emissions data versus benchmark. This enables them to see in real time the impact of investment decisions on the carbon footprint of their investments and over time to work towards reducing that footprint. This in-house research has led Candriam, based on scientific evidence, to define a company-wide investment exclusion policy targeting all thermal coal-related company activities. In line with this part of Candriam's Exclusion Policy, we do not invest in companies involved in thermal coal extraction or power generation if these activities represent a specified percentage of turnover, as defined within the Exclusion Policy.

As an active shareholder, Candriam also uses this research to better understand how companies can improve their practices to address climate change. We work with companies, through engagement and other initiatives, to deliver these changes. Such engagement can either be direct or through collaborative initiatives, provided that the goals are aligned with science-based climate targets. Candriam also uses our voting rights to enact change, initiating and supporting a growing number of climate-related resolutions at shareholder meetings to encourage companies to integrate climate-change risks at the heart of their strategies, in line with TCFD recommendations.

As already mentioned, one of the two sustainable investment objectives of the Candriam Sustainable SICAV investment vehicle is to address climate change objectives as defined by the Paris Agreement. Subfunds within that SICAV, where relevant for their strategies, aim for portfolio greenhouse gas emissions at least 30% below their respective benchmarks. This SICAV stands at the vanguard of Candriam's development of our innovative investment strategies across a broad range of asset classes and geographies designed to deliver positive, tangible and measurable contributions to addressing climate change. These developments can nourish investment decisions across Candriam and contribute to further progress towards the Paris Agreement objectives.

Climate Risks and impacts are analysed by the Sustainability Risk Committee, which assesses corporate reputational & financial risks.

E. REFERENCE TO INTERNATIONAL STANDARDS

The Candriam ESG due diligence process includes an assessment based on the UN Global Compact for investee companies and on the Gafi and the Freedom House index for countries.

As at June 30th 2021 Candriam was a signatory / member of the sustainability-oriented initiatives listed below. These initiatives seek to address specific principal adverse impacts through collaborative action and the advocacy of best practices.

Commitments	ESG	Joined in / Signed in
PRI - Principles for Responsible Investment	ESG	2006
Montreal Carton Pledge	E	2015
Paris Pledge for Action	E	2015
Adhesion to Green and Social Bond Principles	ES	2017
Tobacco-Free Finance Pledge	S	2018
The Investor Agenda	E	2018
Commitment to support a just transition on climate change	ESG	2018
TCFD supporter	E	2021

Collaborative Initiatives for a Call to Action	ESG	Joined in / Signed in
CDP - Carbon Disclosure Project (inc. Climate Change, Water and Forest programs)	E	2004
Access to Medicine (AtM)	S	2010
Access to Nutrition	S	2013
Decarbonisation Initiative (incl. RE100 & EP100 Engagement)	E	2017
Climate Action 100+	E	2017

Luxembourg - Brussels - Paris - London



Amsterdam - Dubai - Frankfurt - Geneva - Zurich - Madrid - Milan - New-York



140 bn €

AUM as at
30 June 2020



570

Experienced and
committed professionals



25 years

Leading the way in
sustainable investing

This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV) of the funds. This information is available either in English or in local languages for each country where the fund's marketing is approved.