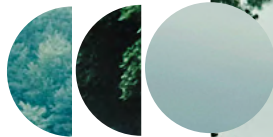


**Disclosures
pursuant
To article 10
of Regulation
2019/2088 on
Sustainability-
Related Disclosure
in the Financial
Services Sector
(SFDR)**



2022



Table of contents

Summary **2**

No sustainable investment objective **4**

2.1. How the indicators for adverse impacts are taken into account **4**

a. Summary **4**

b. Description of principal adverse sustainability impacts **4**

2.2. Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights **5**

Environmental or social characteristics of the financial product **6**

Investment strategy **7**

4.1. Investment strategy used to meet the environmental or social characteristics promoted by the financial product **7**

a. Description of the type of investment strategy used to meet the environmental or social characteristics promoted by the financial product; **7**

b. Binding elements of that strategy to meet the environmental or social characteristics **8**

c. How the strategy is implemented in the investment process on a continuous basis **8**

4.2. The policy to assess good governance practices of the investee companies **9**

Proportion of investments 10

5.1. A narrative explanation of the investments of the financial product **10**

a. For Corporates **10**

b. For Sovereign & supnationals **10**

5.2. Proportion of the investments of the financial product used to attain the environmental or social characteristics **11**

5.3. Purpose of the remaining proportion of the investments **11**

5.4. A description of the contribution and no significant harm of sustainable investments to the sustainable investment objectives **12**

Monitoring of environmental or social characteristics 13

Methodologies 14

Data sources and processing 14

8.1. Data sources used to attain each of the environmental or social characteristics promoted by the financial product **14**

8.2. Measures taken to ensure data quality **17**

8.3. How data are processed **17**

8.4. Proportion of data that is estimated **17**

Limitations to methodologies and data 18

9.1. Limitations to the methodologies **18**

9.2. How such limitations do not affect the environmental or social characteristics **19**

9.3. Actions taken to address such limitations **19**

Due diligence 20

Engagement policies 21

Attainment of the sustainable investment objective 22

Summary

Scope of application of this disclosure

The information presented in this disclosure applies to Candriam's Article 8 products in general.

While Candriam's Article 8 products share the common characteristics presented in this document, these products can have different investment strategies and different environmental or social focuses. As a result, in addition to the elements presented in this document, Candriam's Article 8 products may be subject to specific characteristics, methodologies and indicators that can vary from product to product.

For a detailed view of these product-specific elements, please refer to the dedicated webpages that are accessible via Candriam's website.

Implementation of the principle of Do No Significant Harm

The investments of Candriam's Article 8 products do not significantly harm any of the sustainable investment objectives.

The principle of 'do no significant harm' (DNSH) under European Union's Sustainable Finance Disclosure Regulation (SFDR) is linked to the consideration of "principal adverse impacts" and alignment of the investments with the so-called 'minimum safeguards'.

PAIs are embedded in Candriam's sustainable investment approach to both corporate and sovereign ESG analysis. PAIs are considered at multiple steps of our ESG process and through our proprietary ESG analysis / ESG rating, our negative screening and our engagement & voting activities.

This allows us to conduct an in-depth assessment of the risks and opportunities linked to PAIs.

Moreover, the investments made via Candriam's Article 8 products are subject to an in-depth norms-based analysis, which examines issuers' compliance with international social, human, environmental and anti-corruption standards.

Environmental and social characteristics

Article 8 products covered by this disclosure aim at promoting environmental and social characteristics. All these Article 8 products seek to invest a minimum proportion of their assets in sustainable investments.

For corporate issuers held in Article 8 products, Candriam aims at avoiding exposure to companies that present both significant and serious structural risks and are most strongly in breach of normative principles, taking into account practices regarding environmental and social issues as well as compliance with standards such as the UN Global Compact and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development. Moreover, Candriam aims at avoiding exposure to companies that are heavily exposed to controversial activities.

For sovereign issuers held in Article 8 products, Candriam aims at avoiding exposure to countries considered oppressive regimes.

Investment strategy used to attain the environmental and social characteristics

In order to meet the environmental or social characteristics, Candriam's Article 8 products use an investment strategy that aims at reducing ESG risks as well as PAIs and at assessing the contribution of issuers to sustainability-related goals. To achieve this, the investment strategy employs a disciplined and comprehensive ESG framework.

Candriam's proprietary ESG analytical framework for **corporates** sets clear requirements and minimum thresholds to identify the companies that allow the products to meet the environmental or social characteristics. We assess a company's ability to meet the environmental or social characteristics through the application of two negative screens consisting of norms-based and controversial activities analysis and two positive screens: stakeholder analysis and business activities analysis, which together form the overall ESG Rating.

The business activities analysis assesses the contribution to major sustainability challenges defined as climate change, resource depletion, health & wellness, digitalization and demographic evolution. Candriam monitors, among other things, social and employee issues, respect for human rights, the fight against corruption and bribery through the analysis of companies' stakeholders management.

Candriam uses 5 key pillars to ensure the soundness of a company's governance: Strategic direction, Audit committee & auditor independence, Transparency on executive remuneration, Share capital and Financial conduct and transparency.

A **sovereign** issuer that allows the products to meet the environmental or social characteristics is not oppressive according to Candriam's Oppressive Regime Analysis and meets our criteria for ESG eligibility across Natural Capital, Human Capital, Social Capital and Economic Capital. Here, Candriam applies the concept of 'Environmental Efficiency'. Countries are evaluated on the efficiency with which they create well-being in the form of Human, Social, and Economic Capitals, accounting for potential depletion of or damage to the natural environment in the process of creating this well-being.

A **supranational** issuer that allows the products to meet the environmental or social characteristics is a supranational that makes a positive contribution to sustainable economic and social development through its mission, and that has not committed any major systematic breaches of the principles of the United Nations (UN) Global Compact, according to our norms-based analysis.

Proportion of sustainable investments

Between 51 to 75% of the total net assets of Article 8 products are invested in investments with environmental and social characteristics. A minimum percentage between 10 and 33% of these investments with environmental and social characteristics will consist of sustainable investments. A maximum percentage between 49 and 25% of the products'

total net assets can be allocated to other assets as defined below. These investments comply with minimum E and S safeguards. Moreover, derivatives are not used to attain environmental or social characteristics.

Monitoring and due diligence

The continued monitoring of sustainable investments is crucial, and is ensured by an ESG investment policy, Committees and independent compliance checks. In case of breaches, these are reviewed by a Sustainable Risk Committee which decides on suitable actions.

The due diligence on the underlying assets of the financial product is carried out by portfolio management and risk management teams. It is supported by a tool that contains regulatory and contractual constraints and limits to prevent errors.

Sustainability indicators, data sources and correction of data-related issues

In order to attain the environmental or social characteristics of the financial product, Candriam implements climate-related or social Sustainability indicators in directly managed investment strategies.

An end-to-end data processing pipeline has been implemented in order to collect, transform, aggregate, exploit and visualize data.

Candriam's ESG Investment & Research Team carries out ongoing, rigorous screening of ESG data providers and data quality checks. Furthermore, data quality controls are performed at several levels during each integration and aggregation of ESG data.

Candriam sources information from diverse sources, allowing us to compare, evaluate and use the most relevant data as a basis to our ESG analysis. This data provider selection partially overcomes the ESG data management limits, including data coverage and granularity.

No sustainable investment objective

Candriam's Article 8 products covered by this disclosure promote environmental or social characteristics, but do not have sustainable investment as their objective.

The sustainable investments of Candriam's Article 8 products do not significantly harm any of the sustainable investment objectives. The sections that follow provide detailed explanations of how the principle of doing no significant harm is implemented in our investments via the consideration of principal adverse impacts (PAIs) and the alignment with international norms.

2.1 How the indicators for adverse impacts are taken into account

PAIs are embedded in Candriam's sustainable investment approach to both corporate and sovereign ESG analysis. PAIs are considered at multiple steps of our ESG process and through several different means. This allows us to conduct an in-depth assessment of the risks and opportunities linked to PAIs.

a. Summary

As an integral part of its sustainable investment approach, Candriam considers the PAIs of its investment decisions on sustainability factors. The paragraphs that follow present a consolidated view of Candriam's Principal Adverse Sustainability Impacts Statement.

b. Description of principal adverse sustainability impacts

PAIs are defined as negative, material - or likely to be material - effects on sustainability factors (such as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity, i.e., Candriam.

At Candriam, the consideration of such potential negative effects is central to our sustainable investment approach. Accordingly, we take into account PAIs at different steps of our ESG analytical process and through three methods:

- 1. Proprietary ESG analysis / ESG rating**
- 2. Negative screening**
- 3. Engagement & voting**

These three methods for integrating PAIs into our sustainable investment approach are described in further detail below.

1. Proprietary ESG analysis / ESG rating

Candriam's ESG Investments & Research Team has developed a holistic ESG analytical framework for both corporate and sovereign issuers. Issuers are analysed from an environmental, social and governance perspective, leading to ESG ratings that consider the PAIs of these issuers both directly and indirectly.

For corporate issuers, Candriam's analytical framework is composed of a business activities analysis and a stakeholder analysis. This dual approach allows us to examine the risks and opportunities that stem from the economic activities and operations of each issuer as well as from its approach to managing its stakeholders. This, in turn, provides us with a comprehensive view of each issuer's potential PAIs.

For sovereign issuers, Candriam's analytical framework is structured around four categories of sustainable development criteria: Human Capital, Natural Capital, Social Capital and Economic Capital. Through the analysis of these four forms of sovereign capital, our analysis covers the PAIs defined by the regulation for sovereign issuers.

2. Negative screening

PAIs are also taken into consideration and integrated into investment decisions via negative screening.

For corporate issuers, there are two negative screening approaches: a norms-based analysis, referring to the principles of the UN Global Compact, and an analysis of controversial activities based on Candriam's exclusion policy for sustainable products.

With regards to sovereign issuers, we apply exclusions for:

- severe human rights violators (Candriam's Highly Oppressive Regimes List);
- state sponsors of terrorism (Financial Action Task Force's Call for Action List);
- states that are considered 'Not Free' (Freedom House's Freedom in the World Index).

3. Engagement & voting

The third means by which PAIs are taken into account is Candriam's engagement & voting activity. This activity plays an important role in avoiding or reducing the potential PAIs. Candriam's engagement policy, which defines our approach to dialogue and voting, is reviewed annually and validated by our Global Strategic Committee.

2.2 Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

The alignment with international principles is implemented via our norms-based analysis, which is an integral part of Candriam's ESG analytical framework.

The investments made via Candriam's Article 8 products are subject to an in-depth norms-based analysis, which examines issuers' compliance with international social, human, environmental and anti-corruption standards.

These norms include the UN Global Compact and the Guidelines for Multinational Enterprises of the OECD. Moreover, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and International Bill of Human Rights are part of the many international references integrated into our analysis.

Environmental or social characteristics of the financial product

Article 8 products covered by this disclosure aim to promote environmental and social characteristics.

Promoting environmental and social characteristics - Corporate issuers

For corporate issuers held in Article 8 products, Candriam aims at:

- avoiding exposure to companies that present both significant and serious structural risks and are most strongly in breach of normative principles, including practices related to environmental and social issues as well as compliance with standards such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises;
- avoiding exposure to companies that are heavily exposed to controversial activities such as mining, transport or distribution of thermal coal, manufacture or retail sale of tobacco and production or sale of controversial weapons (landmines, cluster bombs, chemical, biological, white phosphorus and depleted uranium).

Promoting environmental and social characteristics - Sovereign issuers

For sovereign issuers in Article 8 products, Candriam aims at avoiding exposure to countries considered to be oppressive regimes.

Finally, all article 8 products seek to invest a minimum proportion of their assets in sustainable investments.

Investment strategy

4.1 Investment strategy used to meet the environmental or social characteristics promoted by the financial product

In order to meet the environmental or social characteristics, Candriam's Article 8 products use an investment strategy that aims at reducing ESG risks as well as PAIs and at assessing the contribution of issuers to sustainability-related goals. To achieve this, the investment strategy employs a disciplined and comprehensive ESG framework, described in further detail below.

a. Description of the type of investment strategy used to meet the environmental or social characteristics promoted by the financial product;

Candriam's Article 8 products use an investment strategy that incorporates thorough ESG analysis. In fact, each issuer in the potential investment universe is analysed through our ESG framework. This analysis results in the identification of issuers that allow the products to meet the environmental or social characteristics.

The cornerstones of this ESG analysis are presented below, first for corporate issuers, then for sovereign issuers.

Please note that strategies described below are those that apply to Candriam's Article 8 products in general. In addition, specific investment strategies can be applied to certain products on a case-by-case basis. Such ad-hoc investment strategies are described in the product-specific pre-contractual documentation and fund information table.

Investment strategy used for corporate issuers to meet the environmental or social characteristics.

In order to assess the environmental or social characteristics of a corporate issuer, we apply a multi-dimensional analysis that consists of:

■ Two negative screens:

- Norms-based analysis
- Controversial activities analysis

■ Two positive screens:

- Stakeholder analysis
- Business activities analysis

In addition, our dedicated Engagement & Voting Team conducts dialogue with issuers and oversees the exercise of voting rights. Both engagement and voting contribute to meeting the environmental or social characteristics.

These elements are described in more detail in what follows.

Norms-based analysis:

With the purpose of reducing ESG-associated risks and in order to take account of far-reaching societal changes, Candriam Article 8 products apply a norms-based analysis, excluding companies that have significantly and repeatedly breached one of the ten principles of the UN Global Compact or the Guidelines for Multinational Enterprises defined by the OECD, gathered into the four following pillars: Human Rights, Labour Rights, Environment and Corruption. When companies face particularly severe controversies in term of impact, duration, frequency and/or lack of response from the management of the company, they become part of Candriam's Out List, which focuses on a strict interpretation of UN Global Compact violations, as assessed by Candriam's ESG analysts.

Controversial activities:

Candriam's Article 8 products apply our company-wide exclusion policy, excluding companies that are significantly exposed to controversial activities such as tobacco, thermal coal and controversial weapons.

For a detailed description of the Exclusion Policy, please refer to Candriam's website.

Stakeholder analysis

During the stakeholder analysis, we examine companies' ability to sustainably manage their relationships with 6 types of stakeholders: the environment, society, as well as their human capital, clients, suppliers, and investors. Relationships with stakeholders give rise to sustainability-related risks and opportunities. Therefore, a thorough understanding of stakeholder management is important to assess a company's contribution to sustainability objectives.

Business activities analysis

The objective of our business activities analysis is to evaluate companies' underlying economic activities and how these activities are exposed to Key Sustainability Challenges. Key Sustainability Challenges are long-term trends that influence companies' sustainability risks, sustainability impacts, environment, and future sustainability-related challenges. Thus, through this analysis, we evaluate companies' positive or negative contributions to the challenges of climate change, resource depletion, digitalization, healthy living and wellness and demographic evolution.

Engagement and voting

Engagement and voting are a key part of Candriam's investment process, given its potential impact on investment returns and its appropriateness as a channel to discuss sustainability impacts with investee companies. Candriam engages with the management of investee companies 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.

Investment strategy used for sovereign issuers to meet the environmental or social characteristics.

For sovereign issuers, Candriam's ESG materiality framework is designed to assess countries' ability to manage sustainability-related challenges in their development of four forms of sovereign capitals. The Environmental, Social and Governance (ESG) factors used in this ESG sovereign framework are then taken into account in our sovereign bond selection process.

Any country with severe violations of human rights perpetrated by the state, and thus on Candriam's Highly Oppressive Regimes List, is excluded.

Investment strategy used for supranational issuers to meet the environmental or social characteristics.

For supranational issuer, Candriam's ESG materiality framework is designed to assess if the mission of the supranational issuer makes a positive contribution to the economic and social development of regions and countries and if it has not committed any major systematic breaches of the principles of the UN Global Compact, according to Candriam's norms-based analysis.

Please note that these definitions of sustainable sovereign and supranational issuers could evolve in function of further regulatory clarifications.

b. Binding elements of that strategy to meet the environmental or social characteristics

The binding elements of the strategy used to meet the environmental or social characteristics promoted by Candriam's Article 8 products are an exclusion policy including a normative filter as well as the exclusion of certain controversial activities.

Moreover, the portfolio is constructed in order to reach or comply with:

- the defined minimum of investments with environmental and social characteristics;
- the defined minimum sustainable investments.

In addition, as described in the fund information table, the products may comply with sustainability indicator targets or minimum rates of reduction of the investment universe.

c. How the strategy is implemented in the investment process on a continuous basis

The investment strategy is implemented on a continuous basis following a well-defined investment process and a strict risk management framework. The risk management framework is described within our Sustainability Risk Policy. Risk monitoring of the investment strategy of the financial product aims to ensure that investments are aligned with and take into account the environmental, social and governance objectives and sustainability thresholds defined for the product.

Compliance with the investment process and the risk management framework is monitored through the constraint servers managed by Candriam's Risk Management Department. Moreover, in the case of rules that cannot be subject to regular controls by the Risk Management Department due to technical reasons, the Sustainability Risk Committee is informed.

Any detected breaches are directly communicated to the concerned portfolio manager and corrective action is requested. This communication is shared to the (Global)

Head of the concerned portfolio manager and to the Global Head of ESG Investment & Research. Where pertinent, the portfolio manager will be asked to provide an explanation for the breach.

Moreover, breaches of the eligible ESG universe are reviewed by Candriam's Sustainability Risk Committee. This Committee may decide additional actions, such as communication to Portfolio Management teams in general, modification of internal rules, information of the Executive Committee etc.

4.2 The policy to assess good governance practices of the investee companies

Good governance practices are pivotal to a sustainable future. Candriam uses 5 key pillars to ensure the soundness of a company's governance.

Corporate governance is a key aspect of Candriam's stakeholder analysis. In this respect, our ESG Analysts assess:

- how a company interacts with and manages its relevant stakeholders, and
- how a company's board fulfils its governance and management duties with respect to disclosure and transparency as well as the consideration of sustainability objectives.

To assess a company's governance practices with respect to sound management structures, employee relations, remuneration of staff and tax compliance as defined by SFDR, we evaluate companies on 5 key governance pillars (amongst other criteria):

- 1.** Strategic direction: an assessment of the independence, expertise and composition of the board, to ensure that the board acts in the best interests of all shareholders and other stakeholders and as a counterbalance to management;
- 2.** Audit committee & auditor independence: an evaluation to avoid any conflicts of interests;
- 3.** Transparency on executive remuneration: an analysis of how executives and the remuneration committee can be held accountable by shareholders, as well as an evaluation of the alignment of interests between top executives and shareholders and the latter's incentive to focus on long-term performance;
- 4.** Share capital: an examination of whether all shareholders have equal voting rights and are treated fairly;
- 5.** Financial conduct and transparency.

Proportion of investments

5.1 A narrative explanation of the investments of the financial product

In line with SFDR requirements, and using our proprietary ESG analytical framework, we determine an issuer's compliance with the characteristics of a "sustainable investment". The sections that follow provide further explanations on how we apply the notion of sustainable investment.

a. For Corporates

Candriam's proprietary ESG analytical framework for corporates enables to set clear requirements and minimum thresholds to identify the companies that qualify as sustainable investments. We ensure that these companies:

- engage in economic activities that contribute to an environmental objective or to a social objective,
- do not cause significant harm to any environmental and/or social objective and comply with minimum safeguards, and
- respect good governance principles.

Through our ESG analytical framework for corporates, we assess a company's ability to contribute to environmental and/or social objectives. In order to evaluate whether a company meets the requirements of SFDR for sustainable investments, we:

- apply two negative screens, consisting of norms-based analysis and controversial activities analysis. These include minimum safeguards with respect to international norms and conventions and allow for the exclusion of activities that Candriam deems harmful to environmental and/or social sustainability objectives.
- Integrated two positive screens into our investment decisions: Stakeholder analysis and business activities analysis. This enables Candriam to identify and assess sustainability-related risks and opportunities, as well as issuers' contributions to sustainability objectives.

As a result of this ESG analytical framework for corporates, each issuer is assigned:

- a Business Activity Score that gauges how an issuer's business activities contribute to key sustainable challenges, and
- a Stakeholder Score that measures how sustainably an issuer interacts with and manages its key stakeholders.

Together, these Scores determine an overall ESG Rating for each issuer.

For more details regarding these methodology and definition please refer to Candriam website.

b. For Sovereign & supranationals

Candriam's ESG analytical framework for sovereigns and supranationals, enables to set clear requirements and minimum thresholds to identify issuers that qualify as sustainable investments.

Sovereigns

A sovereign issuer is considered a sustainable investment if the country:

- is not considered oppressive according to Candriam's Oppressive Regime Analysis,
- is not on the Financial Action Task Force Call for Action list,
- is not identified as not free by Freedom House, and
- Meets our criteria for ESG eligibility across Natural Capital, Human Capital, Social Capital and Economic Capital.

For more details regarding these methodologies and definitions please refer to the SFDR section on the Candriam website.

Supranationals

A supranational issuer is considered as sustainable investment if its mission makes a positive contribution to the economic and social development of regions and countries, and if it has not committed any major systematic breaches of the principles of the UN Global Compact, according to Candriam's norms-based analysis.

Please note that these definitions of sustainable Sovereign and Supranational issuers could evolve in function of further regulatory clarifications.

5.2 Proportion of the investments of the financial product used to attain the environmental or social characteristics

In accordance with SFDR, Candriam has defined a minimum proportion of investments used to attain the environmental or social characteristics for its Article 8 products.

Article 8 products aim to invest a minimum percentage between 51 and 75% of their total net assets in investments with environmental and social characteristics. A minimum percentage between 10 and 33% of these investments with environmental and social characteristics will consist of sustainable investments. A maximum percentage between 49 and 25% of the products' total net assets can be allocated to other assets as defined below.

For more details about the minimum proportion of sustainable investments and investments with environmental and social characteristics, please refer to the products' webpages.

Investment with environmental and social characteristics are investments which have been subject Candriam's proprietary ESG analysis. In addition, such investments will need to comply with Candriam's Company-Wide exclusion policy on both controversial activities and normative screening. Investments with E/S characteristics must display good governance practices.

The definition of Sustainable Investments is based on Candriam proprietary ESG Analysis.

5.3 Purpose of the remaining proportion of the investments

Investments that are neither aligned with environmental or social characteristics nor considered as sustainable investments can be present in the Sub-Fund for a maximum of 49% of the total net assets. These investments comply with minimum E and S safeguards. These investments can be:

- Cash: Cash at sight, reverse repo needed to manage the liquidity of the financial product following subscriptions/ redemptions, and/or being an investment decision due to market conditions that can be purchased for diversification purposes.
- Other investments (including derivatives) which may be purchased for diversification purposes, are not subject to E/S screening, or for which E/S data is not available.

5.4 A description of the contribution and no significant harm of sustainable investments to the sustainable investment objectives

In our examination of how issuers contribute to sustainable investment objectives, we ensure that issuers do no significant harm and integrate PAIs into our analysis through several methods, described below.

The consideration of adverse impacts is central to Candriam's sustainable investment approach. Accordingly, PAIs are taken into account throughout the entire ESG analytical process and factor into investment decisions through the following means.

For corporate issuers

For corporate issuers, PAIs as well as companies' potential positive contributions and negative effects on the issues represented by the PAIs, are integrated by means of:

1. Proprietary ESG analysis / ESG rating

Our ESG analytical framework considers and assesses PAIs from two distinct, but interlinked, angles:

- the company's business activities and how they impact, either positively or negatively, key sustainable challenges such as climate change and resource depletion;
- company's interactions with key stakeholders.

2. Negative screening

By excluding companies based on a norms-based analysis and due to their involvement in controversial activities, we cover various PAIs.

3. Engagement & voting

Through dialogue and voting activities, Candriam further covers PAIs and avoids or reduces the extent of adverse impacts. The ESG analytical framework and its results feed our engagement process, and vice versa.

For sovereign issuers

For the analysis of sovereign issuers, we integrate PAIs and ensure compliance with the do no significant harm principle and the criteria for sustainable investment by means of:

1. Country ESG Scores: we assess key negative sustainability impacts around four sustainability dimensions: Natural capital, Human capital, Social capital, and Economic capital.

2. Negative Country Screening, which includes:

- Candriam's list of highly oppressive regimes - States with serious human rights violations;
- Freedom House's World Freedom Index - states considered «not free».

The integration of PAIs on sustainability factors is based on the materiality or likely materiality of each indicator for:

- the specific industry / sector, in the case of companies,
- the specific country, to ensure that a country's score adequately reflects the short, medium and long-term problems, challenges and/or opportunities that matter for that country's future development.

Monitoring of environmental or social characteristics

The continued monitoring of environmental or social characteristics is crucial, and is ensured by an ESG investment policy, Committees and independent compliance check. In case of breaches, these are reviewed by a Sustainable Risk Committee which will decide on suitable actions. Detailed of these monitoring mechanisms are provided in the next paragraphs.

Candriam's ESG investment process is a two-step process that first of all calls for the definition of the ESG-eligible investment universe. Candriam's ESG Analysts provide views on issuers that determine the eligibility and, as a consequence, the ESG investment universe for the portfolio manager teams. Any investment outside the ESG universe is prohibited.

In a second step, selection is carried out within this universe using a combination of financial and ESG considerations. Portfolio managers apply their respective investment processes and select issuers from the ESG-eligible universe.

For specific thematic strategies, the eligibility of issuers is determined by the ESG team in conjunction with the investment teams during dedicated committees.

All portfolio managers of Article 8 products have to respect Candriam's ESG investment policy.

Candriam's ESG Analysts are responsible for the sustainability analysis of companies and countries. The details of this ESG analysis, including conclusions and ratings are archived in the ESG database, which is used to create the ESG Universe. Each Analyst is responsible for specific sectors. This means they are responsible for the relevant sector-specific models and for the ESG ratings/ conclusions and SRI Alerts for the companies in those sectors.

It is the responsibility of the ESG Team to alert Portfolio Management Teams and Risk Management if sector models, rules or principles change over time.

Similarly, it is the responsibility of ESG Team to alert Portfolio Management Teams and Risk Management if the list of controversial activities, including thresholds, changes.

Apart from the Portfolio Management teams, Risk Management is responsible for second-line-of-defense controls.

Compliance conducts independent verifications of the alignment of portfolios with internal rules. This is realized through the constraint servers managed by Risk Management (new ESG universes are automatically uploaded when ESG Team archive them on the drive). The Sustainability Risk Committee is informed of the rules that are not controllable by Risk Management due to technical reasons.

Any detected breaches are directly communicated to the concerned portfolio manager and a correction is requested. This communication is also shared with the (Global) Head responsible for the portfolio manager and with the Global Head of ESG Investment & Research. When relevant, the portfolio manager will be asked to provide an explanation for the breach

Detected breaches of the ESG-eligible universe are also reviewed by the Sustainability Risk Committee. This committee decides on necessary actions, such as communication to all portfolio managers, impacts on internal rules, information of the Executive Committee, etc.

ESG Sustainability indicators defined in the prospectus of Article 8 funds (such as ESG score, carbon footprint, temperature etc.) are monitored by Risk Management.

Methodologies

Article 8 products covered by this disclosure aim to promote environmental and social characteristics and strive to exceed benchmark averages on verifiable impact indicators.

For corporate issuers, the ESG quality of the fund is assessed through internally developed ESG scores which are measured against the fund's benchmark. We track the ESG quality using an overall ESG score as well as E, S and G scores. The ESG scores are measured through the Business Activities and Stakeholder analysis and measure both the positive and negative contributions companies make to Key Sustainable Challenges and the steps they take to avoid that their Business Activities cause significant harm to the material Stakeholders issues including employees, clients, society, suppliers and environment.

For Sovereign issuers, Candriam aspires to obtain a better Freedom House and Environmental Performance indexes score compared to their respective benchmarks.

In addition, for their portfolio exposure to corporate issuers, the article 8 products aim to reduce their carbon emissions either relative to their benchmarks or below an absolute threshold. As a reminder, Candriam implements across all directly managed investment portfolios an exclusion policy targeting thermal coal extraction.

Data sources and processing

8.1 Data sources used to attain each of the environmental or social characteristics promoted by the financial product

In order to attain each of the environmental or social characteristics promoted by the financial product, Candriam implements climate-related or social Sustainability indicators in directly managed investment strategies. These can vary depending on the product. Please find below a non-exhaustive list of Sustainability indicators monitored by Candriam in Article 8 products.

For more details on Sustainability indicators, please refer to our policy on "ESG and Impact Indicators - Definitions and Methodology", available on our website.

Metric	Definition	Source
GHG emissions	<p>Company's carbon emissions measured in tons of carbon dioxide equivalent (tCO₂-eq). Three scopes of carbon emissions can be distinguished:</p> <ul style="list-style-type: none"> • Scope 1 emissions are direct emissions from owned or controlled sources • Scope 2 emissions are indirect emissions from the generation of purchased energy • Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions <p>Candriam includes scope 1 and 2 GHG emissions in published figures. Scope 3 will be included as soon as we consider the data accurate and stable.</p> <p>Green bonds are excluded from calculations. They will be integrated once accurate and stable instrument level data is available regarding use of proceeds.</p>	Trucost
Green Bond	Reflects issuer's intended use of the capital raised by the offering to finance clean energy plants and projects such as wind and solar	Bloomberg
High Stake	Sectors listed in Article 3 of EU Climate Transition and EU Paris-aligned Benchmark regulation	Delegated regulation (EU) C(2020) 4757
Carbon Impact Analysis (CIA) Overall rating	<p>Rating that seeks to assess the company's impact on climate change and its contribution to reducing GHG emissions, while taking into account induced emissions, emissions savings, and a forward-looking analysis.</p> <p>It takes into account quantitative as well as qualitative information specific to the underlying corporate</p>	Carbon4Finance
ESG score	<p>Score resulting from Candriam internal ESG analysis:</p> <ul style="list-style-type: none"> • For corporate issuers, analysis is done from two angles: analysis of the impacts of business activities (products and services) and management of companies' key stakeholders. • For sovereign issuers, it incorporates the 4 essential dimensions of sustainability: human capital, natural capital, social capital and economic capital. <p>More details on Candriam's ESG analysis methodology are available in the transparency code.</p>	Candriam
Freedom House Index (FHI)	<p>"Freedom in the World is an annual global report on political rights and civil liberties, composed of numerical ratings and descriptive texts for each country and a select group of territories. The 2021 edition covers developments in 195 countries and 15 territories.</p> <p>The report's methodology is derived in large measure from the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948."</p>	Freedom House
R&D expenditure	Research and development expenditure as a proportion of the company's market capitalization	Bloomberg
% Doctorates	Percentage of senior executives of the issuing company holding a doctorate	Bloomberg
% Women Board	Percentage of female board members at the issuer company	ISS-Oekom
Gender Diversity Score	<p>Score determined by Candriam internal analysis, based on 4 underlying categories of factors:</p> <ul style="list-style-type: none"> • Gender parity within the company and at management level • Equal pay and professional-private life balance • Policies to promote gender equality • Engagement, transparency and responsibility 	Equileap, Candriam

Controversial activities are also used to attain each of the environmental or social characteristics and are assigned different degrees of significance through the thresholds applied according to their materiality, geographical scope, or sector of activity. In addition, some of them are included in the mandatory PAIs.

Controversial Activities exclusion source:

Exclusion ¹	Definition ²	Source
Controversial Armaments³	Covers companies directly involved in (1) Anti-personnel landmines, (2) Cluster bombs, (3) Nuclear weapons, (4) Depleted uranium weapons & armour, (5) Chemical weapons or (6) Biological weapons or (7) white phosphorus.	Candriam, ISS OEKOM
Thermal Coal³	Covers companies directly involved in the thermal coal industry and developing new projects through exploration, extraction, processing, transportation, and distribution.	Candriam, Trucost
Tobacco	Covers companies directly involved in the tobacco industry from the manufacturing or retailing of tobacco products.	MSCI, Sustainalytics
Armaments	Covers companies directly involved in nuclear weapons and conventional armaments and/or critical components / services of nuclear weapons and conventional armaments.	MSCI
Electricity Generation³	Covers power producing companies with carbon intensity and increasing coal and nuclear power generation capacity.	Candriam, MSCI, Trucost
Oil & Gas³	Covers companies directly and indirectly involved in conventional and unconventional oil & gas through exploration, extraction, transportation and refining, and developing new projects.	Candriam, MSCI
Oppressive Regimes	Covers 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 and companies with business activities in these countries.	Candriam
Adult Content	Covers companies involved in 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.	MSCI, Sustainalytics
Alcohol	Covers companies involved in the manufacture and/or sale of alcohol products – i.e. brewers, distillers, vintners, retailers, owners & operators of alcohol establishments, restaurants that serve alcohol – as well as alcohol retailers.	MSCI, Sustainalytics
Animal Testing	Covers companies that perform animal tests on products for which animal testing is prohibited or where there is no legal obligation and there is no responsible policy.	MSCI, Sustainalytics
Gambling	Covers companies directly involved in gambling (machines or software manufacturers, casinos, lotteries, bookmakers, gambling websites, outlets with slot machines, gambling broadcasts) and indirectly involved in gambling through intermediary gambling access services (e.g., online payment service providers, general retailers, airports hosting gambling products).	MSCI, Sustainalytics
GMO	Covers companies in the food, beverage & tobacco or food & staples retailing, chemical, pharmaceuticals, agricultural, biotechnology or healthcare sectors without the presence of an applicable responsible policy or subject to significant, systematic and repeated breaches of international conventions regarding GMOs.	MSCI, Sustainalytics
Nuclear Power	Covers companies involved in 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.	MSCI, Sustainalytics
Palm Oil	Covers companies involved in the production, processing, sale, and/or use of palm oil.	MSCI
Norms-based³	Covers companies uncompliant with the 10 principles of the United Nations Global Compact for each of the main categories: Human Rights (HR), Labour (L), Environment (ENV) and Anti-Corruption (COR).	MSCI, Sustainalytics

Legende :

Climate related activity
Other

Notes :

- (1) Candriam's exclusion policy is subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Therefore, thresholds are analysed and implemented on a best-effort basis.
- (2) Thresholds of these controversial activities are available in our Exclusion Policy.
- (3) Controversial activities part of the DNSH verification and contribute to the management of PAIs.

8.2 Measures taken to ensure data quality

Candriam's ESG Investment & Research Team carries out ongoing, rigorous screening of ESG data providers. In particular, our ESG Analysts check data quality and compare indicators and their materiality. Through their due diligence and monitoring of ESG data providers, they analyse the relevance of existing ESG data sources and identify additional ESG data needs and data sources.

Furthermore, data quality controls are performed at several levels during each integration and aggregation of ESG data:

- **Data integration in Candriam's systems:** data quality controls, defined according to the data catalogue provided by external data providers, are installed to check data format validity and ensure data completeness, e.g. file import exhaustivity, issuer coverage variation.

- **Data coherence at both issuer and portfolio level:** close monitoring of a set of key sustainable indicators' variation, e.g. carbon footprint, temperature, with respect to predefined thresholds in order to detect outliers in a timely manner.

All the spotted anomalies, e.g. missing data or data inconsistencies, are investigated internally and then escalated to the source vendor if necessary. An internal process has been set up as well to overwrite a data point in case we do not agree with external data provider's value.

8.3 How data are processed

An end-to-end data processing pipeline has been implemented in order to collect, transform, aggregate, exploit and visualize data.

- **Data acquisition:** ESG data contains both external providers' raw data and internal data which consist of an aggregated file with exclusion information and additional external providers data.

ESG raw data are updated at least four times a year. Internal data are updated on a more regular basis. Those processes are mostly automated. Focus is put on further automation.

- **Mapping and transformation:** the provider-specific identifiers are mapped using predefined methodology thus enabling the retrieving of associated data. Raw data from external providers are then enriched and aggregated for further analysis.
- **Exploitation and Visualization:** Data is disseminated to portfolio managers in internal tools and to clients via Candriam's regular reporting.

Candriam is constantly looking to improve its processes and is assessing the use of a central ESG aggregator to enhance data quality in the coming years.

8.4 Proportion of data that is estimated

Sourcing information from diverse sources and methodologies complicates the retrieval of estimated data. Many data providers do not note the difference. Accordingly, they disclose data that is both estimated and reported by an issuer in the same criterion, making it impossible to crystalize the estimated data with precision.

Limitations to methodologies and data

9.1 Limitations to the methodologies

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

Data Coverage

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

Product Eligibility

Sustainability indicators calculations are computed on relevant products, meaning products where a single-name issuer can be identified (e.g. stocks, bonds, single name CDS, single name equity derivative). Therefore products such as cash, FX forwards, products linked to indexes, interest rate derivatives are excluded. Certain sub-sovereign issuer categories, being equivalent to neither sovereign nor corporate issuers, are excluded. Supra-national issuers are also excluded.

Data granularity

For certain types of data, the necessary level of granularity is not always readily available. Data is generally available at issuer level but not always at instrument level. For example, at this stage this is the case for carbon data on green bonds, where project-specific data is not yet readily available; this situation is addressed by excluding the green bonds from the Sustainability indicators calculation (both in the numerator and the denominator) rather than assigning issuer level data or a zero carbon value to the green bond.

Issuer mapping

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

Harmonized methodology

For certain indicators such as temperature, the absence at this stage of common or harmonized definitions and hypothesis can make figures based on one provider's methodology hard to compare to figures based on other provider's methodologies. Thus, on the same portfolio, the temperature via one provider's methodology could differ from the temperature via another provider's methodology.

9.2 How such limitations do not affect the environmental or social characteristics

Limitations from the previous section do not materially affect our assessment because we are using various data providers to compare, evaluate and use the most relevant data as a basis to our ESG analysis/convictions.

The ESG Investments & Research Team strives to source information from diverse sources as we consider information from different providers to be complementary. This is the result of providers' varying coverage, methodologies, as well as culture which may ultimately lead to discrepancies in views and final ratings. ESG Analysts use internal and external research to feed their models with 14 private providers and various academic experts, sector federations, media and NGOs. These different assessments enable our ESG analysts to have a more holistic view of issuers.

New data sources and providers are subject to a rigorous selection and due diligence process. The results of due diligence process along with the application of the data to Candriam portfolios and Benchmarks are presented to the Sustainability Risk Committee.

The sustainability indicators used for the measurement of the portfolio's sustainable objectives are subject to our conviction that the underlying data are sufficient mature, and that sufficient data coverage and quality are available. The choice of the sustainability indicators is validated by committees (Clients Solution Committee and Product Range Committee).

Calculation methodologies and evolutions in the methodologies are reviewed by the Sustainability Risk Committee.

9.3 Actions taken to address such limitations

Our proprietary analysis, using multiple data providers, allows us to control the limitations by selecting the most relevant data in terms of sustainability.

We address such limitations through our "ESG Conviction Analysis" and by constantly monitoring potential new relevant data sets from providers to achieve the best tracking practices.

ESG Conviction analysis applies Candriam's ESG analytical framework to fundamental research that uses a materiality-based approach. ESG Conviction analysis is applied as a complement to our current process to enrich certain fundamental and active ESG investment strategies.

The analysis focuses on the most relevant ESG risks and opportunities to which issuers are exposed in order to select those best-positioned in terms of sustainability. Issuers are scored against material Sustainability indicators to determine the final ESG Rating and eligibility.

With regards to sovereign issuers, methodological limitations and attribution pitfalls have led Candriam to broaden the sustainability objective for sovereign issuers to encompass a wider range of sustainability considerations than solely those relating to climate change. Depending on product, the sustainability objective will be achieved through a combination of an overall sustainability score measurement and/or a specific country sustainability indicator relevant for the universe of sovereign issuers at stake.

Due diligence

The due diligence on the underlying assets of the financial product is carried out by portfolio management and risk management teams. It is supported by a tool that contains regulatory and contractual constraints and limits to prevent errors. The tool helps the Portfolio Manager to automatically check the order before it is sent to the market. Please find further details below.

IN addition to the portfolio management teams, risk management is in charge of second line of defense control.

This department is independent of the Portfolio Management Department and is placed directly under the authority of Candriam's Group Strategic Committee.

The risk management department ensures that the securities making up the strategies, classified as Article 8 according to the SFDR, comply with the company-wide exclusion policy.

One of the tools used by this department is the constraints server, a tool that combines all the constraints and limits required to manage the investment funds. It contains regulatory and contractual constraints as well as internal limits and constraints used to prevent operational errors. Constraints are applied, for example, to the:

1. list of authorised investments;
2. potential ratios (liquidity, dispersion) defined;
3. main regulatory constraints applicable to the fund;
4. «list of credit warnings» and «list of equity warnings»

Once the constraints have been configured in the constraints server, any order entered by the portfolio manager is immediately checked against them before the order is sent to the markets (ex-ante control). The portfolio manager is alerted in the event of a breach of constraint.

Engagement policies

Candriam believes that engagement is key for a sustainable future and that there are multiple ways to be engaged (dialogue, voting, collaborative initiatives...).

Stewardship is a key part of Candriam's investment process, given its potential impact on investment returns and its appropriateness as a channel to discuss sustainability impacts with investee companies.

Candriam engages with the management of investee companies 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.

Candriam has established an Engagement policy in the form of direct dialogues with issuers, an active voting policy, joining collaborative initiatives and promoting sustainable development. We consider engagement activities as integral parts of our fiduciary duty, as they contribute to a better assessment of ESG risks and opportunities faced by issuers, prompting improvement in the way they manage them.

Since 2015, the prevalent topics of engagement have been:

- **Energy Transition:** Candriam believes that responsible investors have a major role to play in the transition to a low-carbon economy,
- **Fair Work Conditions:** Candriam believes that focusing on well-being at work can benefit companies when individuals feel happy, competent and satisfied in their roles. Evidence shows that that enhanced well-being at work makes individuals likely to be more creative, more loyal and more productive, and to provide a better level of customer satisfaction than those whose personal and professional well-being in the workplace is somewhat neglected,
- **Business Ethics and Anti-Corruption:** Candriam strongly believes that weak anti-corruption practices may limit or threaten the creation of value at company level in the medium/long term.

Encouraging improved ESG disclosure is the first step in our engagement action, supporting internal ESG research and analysis, and performed at the beginning of the sustainability analysis process or research project. This step is triggered either by the lack of public disclosure on ESG-

relevant topics or by a specific event requiring a response/ statement from the issuer involved.

When relevant with the product strategies, Candriam exercises its voting rights as active shareholders.

The general principles of proxy voting policy are the following:

- One share, one vote, one dividend – The corporate governance framework must protect shareholder rights, in accordance with the golden rule: "One share, one vote",
- Equal treatment of all shareholders – The corporate governance framework must ensure that all shareholders, including foreign and minority shareholders, are treated fairly. All shareholders must be able to obtain effective compensation for any violation of their rights,
- Accurate and transparent financial information – The corporate governance framework must ensure the accurate and timely dissemination of all information on the company, including its financial situation, its earnings, shareholders and the way in which it is governed,
- Board responsibility and independence – The corporate governance framework must guarantee the company's strategic guidance, effective control of management by the board and the board's responsibility towards the company and its shareholders.

Our Engagement policy can be found under the following link:

https://www.candriam.com/4b0e56/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-policy/candriam_engagement_policy.pdf

Our proxy-voting policy is available under the following link:

https://www.candriam.com/48f4fo/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en_web.pdf

Attainment of the sustainable investment objective

Having a proprietary methodology concede to encourage diversification and compare our products against the state of the economy that we use as a benchmark.

The article 8's reference benchmark does not qualify as an EU Climate Transition Benchmark or an EU Paris-Aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011.

Candriam has elected to use traditional, non ESG focused, benchmarks for all article 8 products. These benchmarks represent the state of the overall economy Candriam aims to compare its products against. Existing indices that explicitly take into account sustainability objectives are not deemed suitable for most strategies and their sustainability objectives. These sustainability focused benchmarks are based on ESG data from specific ESG data providers, with their own methodologies and scoring system that might differ from Candriam's approach to ESG. Candriam believes that, whilst such comparison might be interesting to investors, adopting these external ESG benchmark could lead to a loss of diversification by encouraging all Candriam products to track external ESG scores rather than Candriam's own ESG scores.



€143B

**AUM at end
June 2022**



600

**Experienced and
committed professionals**



25 years

**Leading the way in
sustainable investing**

For more information:
www.candriam.com

This marketing communication 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 carefully selects its data and sources, errors and omissions cannot be ruled out. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. Candriam's intellectual property rights must be respected at all times. The contents of this document may not be reproduced without prior approval in writing. This document does not constitute an investment analysis as defined by Article 36 (1) of the Delegated Regulation (EU) 2017/565. Candriam advises investors to consult the Key Investor Information Document, the prospectus and all other relevant information available on its website www.candriam.com before investing in any of its funds. This information is available either in English or in local languages for each country where the fund's marketing is approved.

CANDRIAM. INVESTING FOR TOMORROW.

CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY