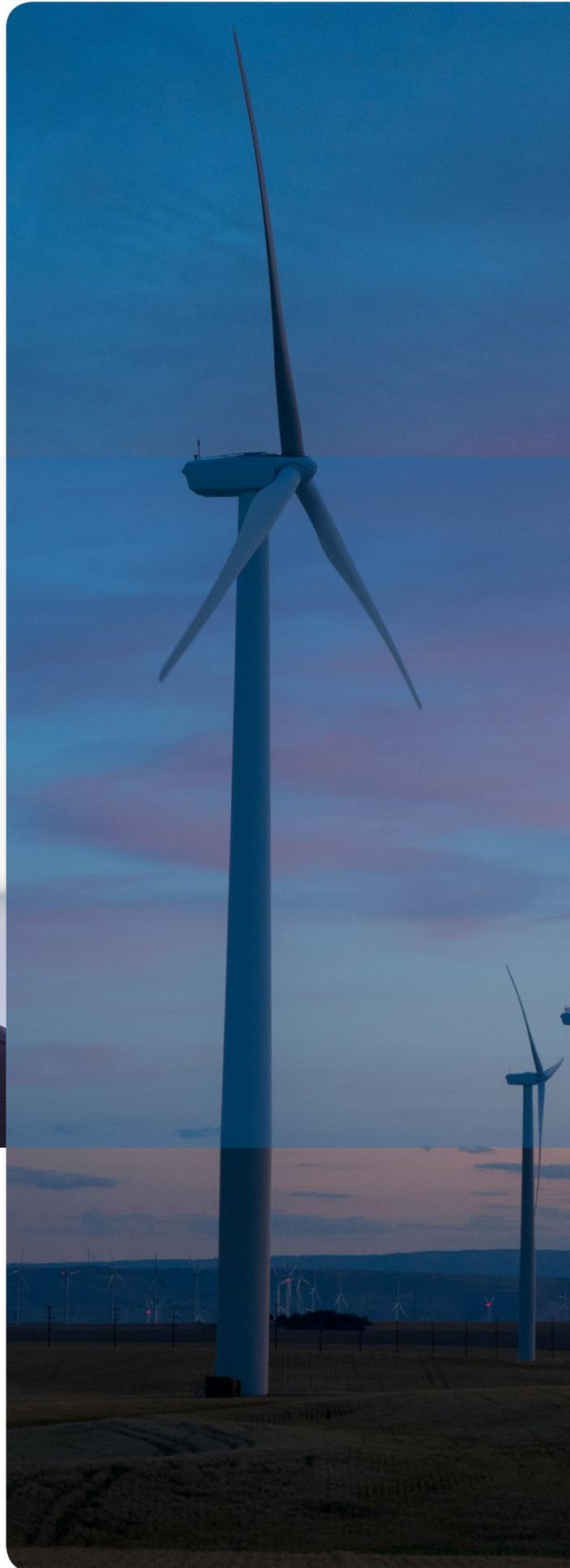
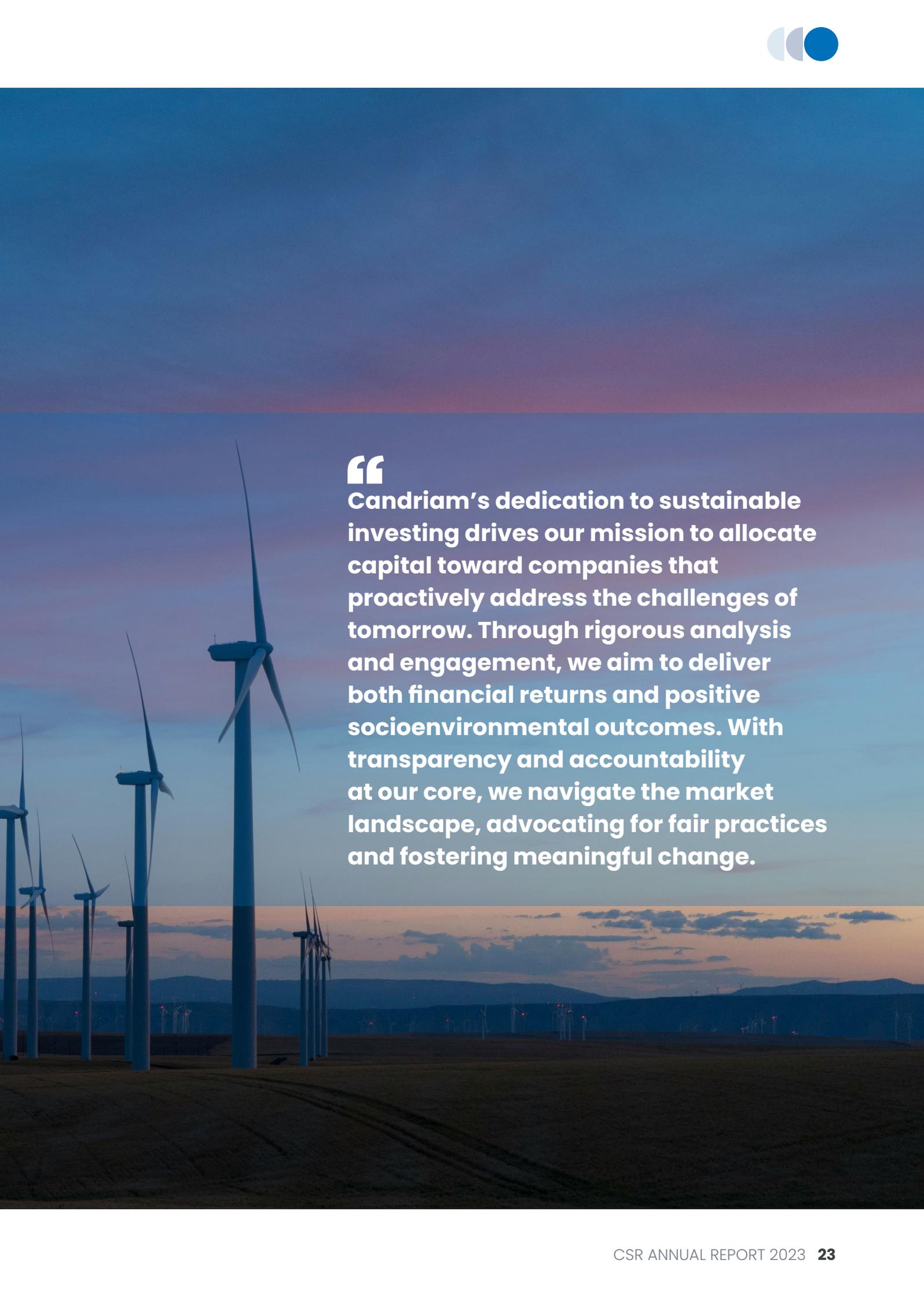


Sustainable Investing.

Nicolas Forest

CIO,
Candriam

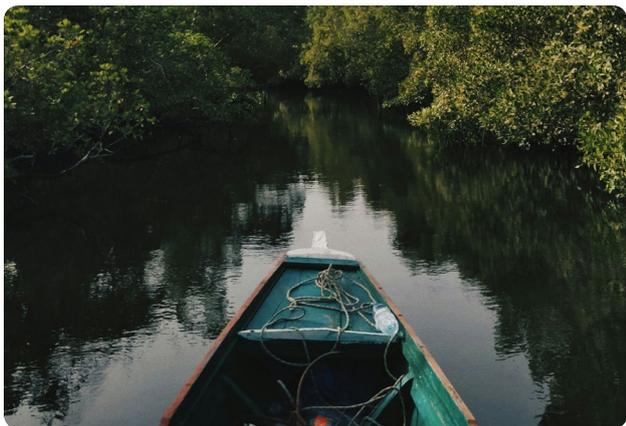




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Candriam’s dedication to sustainable investing drives our mission to allocate capital toward companies that proactively address the challenges of tomorrow. Through rigorous analysis and engagement, we aim to deliver both financial returns and positive socioenvironmental outcomes. With transparency and accountability at our core, we navigate the market landscape, advocating for fair practices and fostering meaningful change.

An Extensive Footprint in Responsible Investment.



Sustainability is at the core of Candriam's investment philosophy. The connection between ESG principles and the risk/return profiles of companies and bond and equity issuers is central to our long-term investment approach, one that focuses on helping clients meet their unique investment goals.

At Candriam, we have been involved in sustainable and responsible investment practices since 1996 and have a strong track record of using our proprietary ESG analytical frameworks to assess the sustainability of both corporate and sovereign issuers. These frameworks serve multiple objectives: we seek to identify and reduce the ESG risks to which our clients' portfolios are exposed, to capture sustainability-linked opportunities, to mitigate the negative impacts of investments on the environment and society, and to understand which issuers make positive contributions to sustainability objectives.

Candriam's proprietary ESG analytical frameworks are implemented by 23 experts within the ESG Investments & Research Department. Our corporate ESG analysts examine companies' stakeholder management practices and the

exposure of their business activities to key sustainability challenges. Further, they conduct norms-based and controversial activities analyses. Our sovereign ESG analysts, meanwhile, conduct country-by-country analyses of ESG risks and opportunities regarding sovereign issuers, using a nuanced sovereign model.

In addition, an important component of Candriam's sustainable investment process is the work of our engagement and voting analysts, who engage with issuers and exercise voting rights to foster better ESG practices, encourage ESG disclosures and gather information that enriches investment decision-making. Candriam's ESG expertise is further supported by a dedicated ESG Quantitative Analytics & Research Team and an ESG Client Portfolio Management Team.

In keeping with Candriam's ongoing commitment to sustainable investing, we have developed sustainable strategies across all major asset classes – equities, emerging market equities, bonds, high yield bonds, emerging market bonds, money markets, private equity impact funds and, through partners, real estate and private debt.

In 2023, we expanded our range of equity strategies, investing in sustainability-linked themes through the launch of a strategy focused on water. This strategy seeks to identify companies that facilitate solutions to water-related issues – for example, products and services that allow consumers and companies to access water according to their consumption needs, infrastructure and management solutions and innovations in areas such as water transport, storage and usage efficiency.



How we Approach Sustainable Investing.

Norms-based violations and controversial activities

Check violations of UN Global Compact principles/exposition to controversial activities

Business activities analysis

Assess how business activities contribute to sustainability challenges

Stakeholder analysis

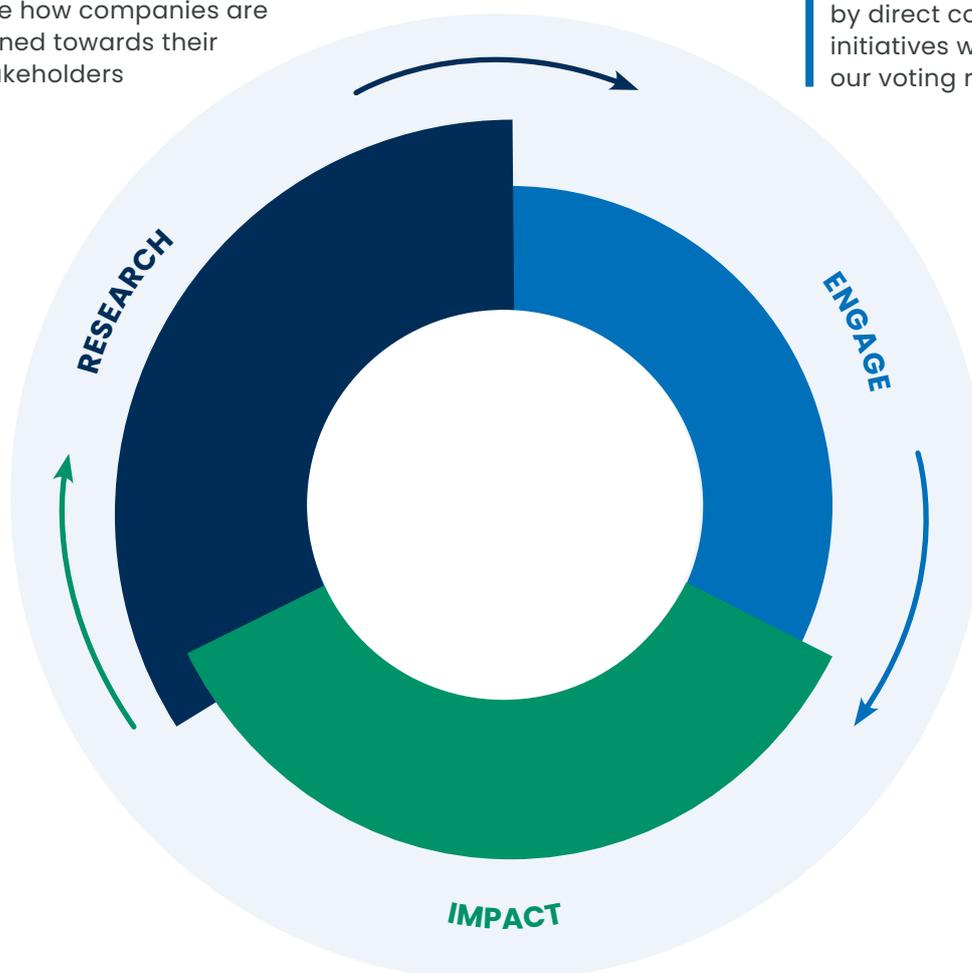
Analyse how companies are positioned towards their key stakeholders

Stewardship

Active ownership to encourage transparency, foster sustainable practices and support investment decisions

Dialogue and voting

Contacting companies by direct collaborative initiatives whilst exercising our voting rights



Transparency

Report on the impact of our investments in a transparent way: our investors know what their contribution is

Impact measurement

Develop and implement relevant indications to measure the contribution of our investment to sustainable challenges and SDGs

Leadership in Climate Change.

As the climate continues to shift, bringing our world closer to disastrous social and economic consequences each year, we maintain our commitment to taking part in the fight against climate change. We believe this is part of our responsibility as a global investor and key to protecting clients' investments in the long-term.

As a result, in 2020, Candriam set the objective for our sustainable investment strategies⁽⁸⁾ to reduce their carbon footprint by 30% compared to their benchmarks. In 2021, we committed to becoming net zero by 2050. To reach this goal, Candriam identified the scope of the commitment related to specific portfolios and mapped three methods for portfolio decarbonisation to suit the underlying investment strategies and asset classes: absolute contraction, temperature alignment and climate benchmark limit. These methods allow for a more targeted approach to decarbonisation, as needs can vary across thematic strategies and broad-based diversified strategies with an inherently low-carbon intensity.

In 2023, Candriam published an updated Climate Policy. This document details how Candriam's investment teams assess and manage climate risks and aim to create positive climate benefits.

The Climate Policy details our climate strategy which is based on four pillars:

1. Excluding activities that are deemed incompatible with reaching the Paris goals

Climate science and scenarios are very clear that there is no room for thermal coal if we want to achieve the goals of the Paris Agreement. Thus, we have excluded coal-focused companies from our investments since 2018.⁽⁹⁾ The exclusion applies to all companies that derive over 5% of revenue from coal-fired power generation or coal mining, as well as those that develop new thermal coal projects.

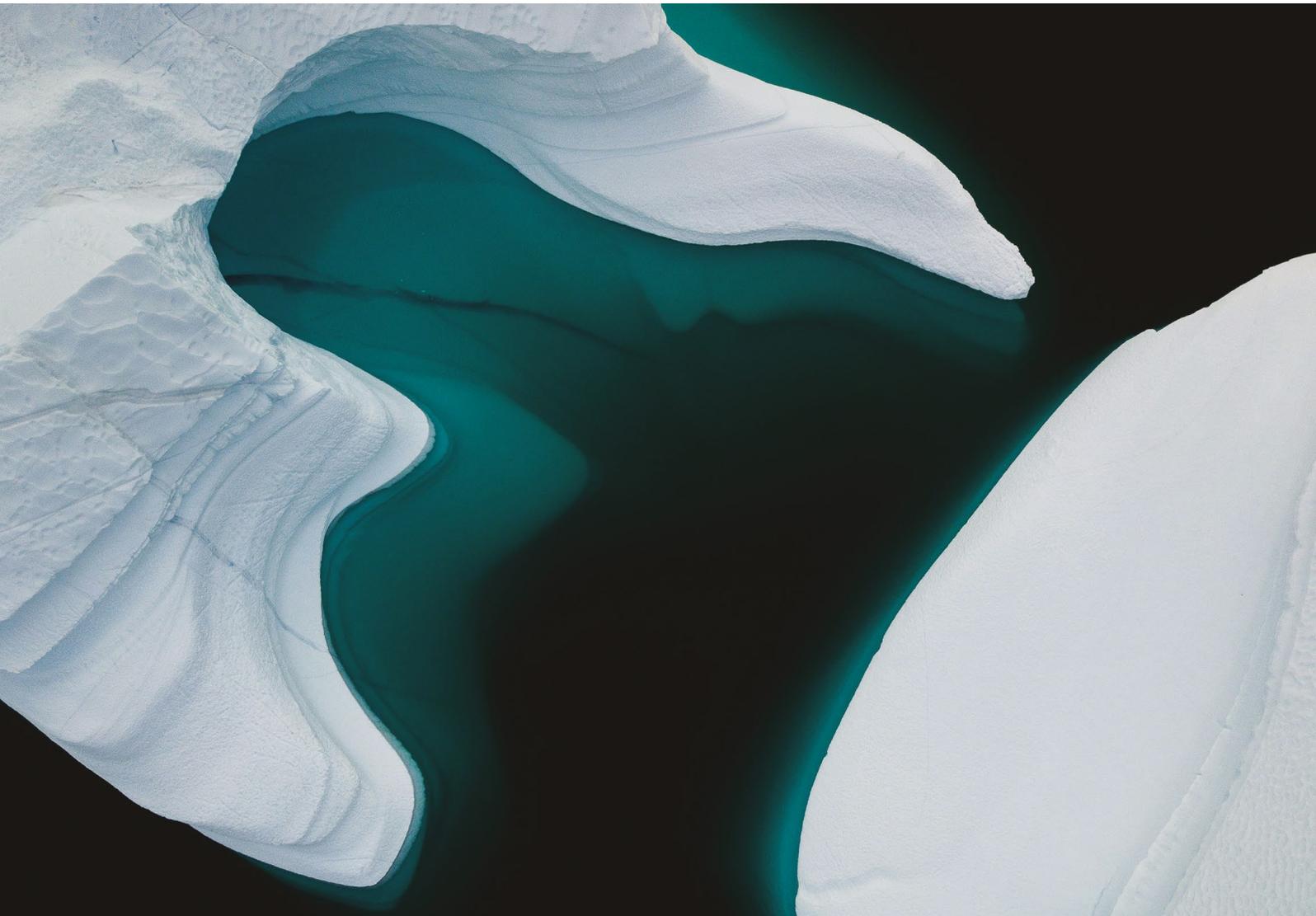
Our SRI strategies apply additional exclusions targeting the oil and gas sector. Companies deriving over 5% of revenues from the extraction, refining, transport and distribution of oil and gas, both conventional and unconventional, as well as companies deriving over 50% of revenues from the provision of equipment dedicated to the oil and gas industry, are excluded. Only those companies that demonstrate credible decarbonisation strategies in line with the goals of the Paris Agreement according to our net zero analysis are eligible for Candriam's SRI strategies.

2. Integrating climate risks and impacts in our investments

We have developed several tools to assess climate risks and associated impacts and have integrated these dimensions into our investments using carbon metrics, a transition risk analysis tool and an analysis of temperature alignment.

(8) Sustainable investment strategies where setting such an objective is possible and relevant, which excludes money market funds, green bonds and thematic funds. For environmental thematic funds, climate objectives have been set using a temperature metric.

(9) Candriam's Exclusions Policy applies to all investments made by Candriam via long positions in direct lines in corporate and sovereign issuers and single-name derivatives. A fund subject to Candriam's Exclusions Policy may have indirect exposure to some of the activities mentioned within the policy if investments in such activities are made through index derivatives or external funds/ETFs not managed by Candriam



3. Engaging with high-emitting companies to accelerate their transition strategy

Individual and collaborative dialogue, as well as active voting, are central to our investment approach. We believe in the power of dialogue and sharing best practices to help corporates improve. We are particularly committed to consistency between ESG opinion, outcome of dialogue and orientation of our votes.

4. Reporting on the climate impacts of our portfolio in a comprehensive and transparent manner

We have disclosed the carbon emissions of all our sustainable strategies since 2018,⁽¹⁰⁾ with the ambition to reduce these strategies' footprints year-on-year. Candriam defined specific indicators to assess the companies' performances regarding climate change mitigation and adaptation.

(10) At the exception of our emerging market bond and some asset allocation strategies due to methodological constraints.

For more detailed information, please refer to [Candriam's Climate Policy](#)

ESG Analysis: 2023 Case Study.

In 2023, Candriam undertook Phase II of our active engagement campaign pertaining to human capital in small- and mid-sized firms.

Candriam believes that it is critical for investors to understand the ability of companies to adapt their HR practices to suit their entrepreneurial ambitions and specific business challenges. This includes gaining an understanding of how small- and medium-sized companies track the efficiency of the HR measures in place, as well as sharing best practices. The highly competitive operating environments and typically rapid growth of small- and mid-cap firms can strain their employees. Meanwhile, competing in the same employment and talent market as larger firms, and facing the same disclosure expectations, means smaller companies can be more exposed to human capital risks, which in turn may have material consequences on their

operations and ultimately their value. Candriam's dedicated Engagement & Voting Team surveyed over 60 European small- and mid-sized companies during the year, gathering data on KPIs in areas such as workforce stability, workforce demographics, workforce development and employee engagement. This allowed the team to gain valuable insights into companies' human capital risks and opportunities and identify structural challenges as well as best practices.

The comparison of these findings to the results of a similar exercise conducted in 2020 (Phase I) allowed Candriam to distinguish trends in matters such as transparency, workforce size, turnover and absenteeism, as well as to understand the evolution of human capital management from the Covid-19 environment to the post-Covid-19 context.

Note:

Is there a campaign image Candriam can supply to tie in with this Case Study?

CANDRIAM ASKING INTERNALLY



Embedding Climate Change in the Core of our Investment Strategy.

At Candriam, we actively participate in the fight against climate change. As a global investor, we believe it is our responsibility to protect our clients' investments while also addressing the concerns of wider society for the long-term sustainability of our planet.

For over 15 years, Candriam's ESG analysis has embedded climate mitigation and adaptation across its sustainable investment strategies. In 2021, we committed to becoming net zero by 2050, which will redefine the way we invest, impact how our investment teams manage climate risks and ultimately create positive climate benefits. We also firmly believe that responsible investing is a key driver of social, economic and environmental progress, which benefits long term financial value creation for our clients.

This encompasses the following strategy:

- 1. Exclude** activities that are deemed incompatible with the objectives established by the Paris Agreement.
- 2. Integrate** climate risks and impacts in our investments.
- 3. Engage** with high emitting companies to accelerate their transition strategies.
- 4. Report** on the climate impacts of our portfolio in a comprehensive and transparent manner.

Candriam signed the Montreal Carbon Pledge in 2015 and has disclosed the carbon emissions of all our sustainable strategies (with the exception of our sovereign market bond strategy due to

methodological constraints) since 2016, with the overarching ambition to reduce the carbon footprint of these strategies year-on-year.

Candriam defined specific indicators to assess companies' performance towards climate change mitigation and adaptation, both at the operational and investment level. Candriam has a partnership with Carbon4Finance⁽¹⁾ which helps us value the temperature alignment of a portfolio, i.e. the climate trajectory with which it is aligned. This analysis is based on both historical and prospective data and allows us to assess the impact of each company and the whole portfolio in the pursuit of a decarbonisation trajectory that would hold the increase in global temperature "well below 2°C".

Our 2030 objectives:

- **Engagement:** We aim to engage with companies that account for at least 70% of our financed emissions.
- **Emissions reductions targets:** We strive to reduce our average Weighted Average Carbon Intensity (WACI, scope 1-2) by at least 50%.
- **Aligning our investments with net zero:** We plan to have at least 50% of our financed emissions coming from companies assessed as net zero or aligned to net zero pathways.
- **Financing the ecological transition:** We will measure and maximise the share of our investments contributing positively to the transition.

(1) Carbon4 Finance provides financial institutions with a complete set of climate and biodiversity data solutions, helping these institutions to be actors in a just transition.

Ensuring the Robustness of our Stewardship Policies.



Engagement and voting form the core of our investment strategy. We are dedicated to collaborating with our clients and investee companies, striving to maintain consistency on ESG strategies and actions. However, we firmly believe that progress is borne out of constant evolution. As such, we consistently seek to elevate not only our own ambitions but also those of our stakeholders.



Sophie Deleuze

Lead ESG Analyst, Stewardship,
Candriam

Stewardship, engagement and collaboration are essential components of ensuring progress on responsible investment.

Candriam has dedicated over two decades to engaging with companies on responsible investing through proxy voting, both direct and with collaborative dialogue, and the promotion of sustainable finance. Since 2015, Candriam has prioritised three main, long-term conviction topics:

- **Energy transition**
- **Fair working conditions**
- **Business ethics**



Ramping up our Engagement Activities.

We define engagement as interactions we have on ESG issues, not only with current or potential investees but also with entities which, through their competence and/or authorities, are able to initiate or influence change in the regulatory or market frameworks involving ESG aspects.

Engagement covers constructive individual/direct outreach as well as collaborative dialogues with companies on issues such as ESG and voting. As an extension, resolution co-filing, public statements and/or preannouncement of voting intentions also fall under this definition as such actions that may be considered as escalation measures.

Our scope of engagement covers the full range of companies, and regions, to address our complete investment universe, with priority given to issuers covered through our ESG analytical framework.

Because Candriam offers sustainable investment processes for all major asset classes, we engage across equity and bonds assets and across non-corporates and noncorporate issuers, including private equity. Our dedicated Engagement and Voting Team, created in 2016, includes five ESG analysts who specialise in engagement and voting.

The team coordinates dialogue and voting activities across Candriam. They work closely with the ESG research team and thematic specialists, and of course alongside the investment teams, who are regularly informed of engagement follow-up and often take part in the dialogues.

Consistency of ESG opinion, dialogue and voting is crucial in order for Candriam to speak with one voice and play a credible role in influencing investment strategies. ESG analysis and opinion feed the engagement design and process, while the outcomes of the engagements feed the ESG analysis and serve the investment strategies. Together, our teams create a common understanding of which concerns to pursue and which best practices we want to promote and defend. This requires close collaboration.

During 2023, we targeted 314 corporate issuers through our direct dialogue efforts, resulting in a total of 382 dialogues on a range of topics. These issuers account for 36% of Candriam's assets under management (AUM),⁽¹²⁾ based on corporate instruments (equity and bond instruments, direct lines) in funds or mandates for which Candriam ensures the management activity.

314

corporate issuers targeted in 2023 for a total of 382 dialogues

(12) Limiting the AUM scope to corporates invested in direct lines (both through equity and fixed income instruments) in funds or mandates for which Candriam ensures the management activity. All data is from Candriam, unless otherwise specified.

Ramping up our Engagement Activities.

(Continued)

While engagement may be prompted by exceptional events – such as an acquisition, a change in the issuer’s business model or a controversial event (accident, investigation announcement, charges laid down by stakeholders) – proactive engagement, such as thematic campaigns, remains the norm.

Based on our internal ESG analysis and materiality assessment, priorities and engagement timelines are defined and/or updated in light of Candriam’s level of exposure (assets), investment teams’ interest, trendsetter nature of the topic, engagement history and momentum. The pre-annual general meeting period appears to be the best time to influence issuers on their corporate governance practices.

“The team coordinates dialogue and voting activities across Candriam. They work closely with the ESG research team and thematic specialists, and of course alongside the investment teams, who are regularly informed of engagement follow-up and often take part in the dialogues.

We also prioritise engagement related to the three topics of conviction that Candriam has chosen to put at the forefront since 2015, namely: Energy transition, Fair working conditions and Business ethics.

Whether we use direct or collaborative dialogue, our contact point is chosen based on our history of contacts with the issuer in question and how well the position of our contact(s) matches the engagement topic. If relevant, we may also engage in dialogue with other stakeholders such as unions, industry or consumer federations, non-profits and academics to have a more precise and/or balanced approach.





Supporting Investees' ESG Programmes through Voting.

Voting is essential for clarifying our views on sustainable programmes and outlining what we expect of the companies in which we are invested. The cornerstones of Candriam's voting policy are:

- **Shareholder rights:** corporate governance structure and company practices should protect the rights of shareholders.
- **Equal treatment of shareholders:** all shareholders of the same class should be treated equally, following the "one share, one vote" principle.
- **Board accountability:** fully informed boards that act in the sustainable medium- and long-term interests of shareholders.
- **Transparency and integrity of financial statements:** accurate, transparent and independently audited financial information.

During 2023, we made our voice heard in 1,876 ordinary and extraordinary general meetings, voting on 24,917 resolutions for the firm's open-ended equity funds, dedicated funds and mandates under Candriam's voting policy. We opposed around 26% of management resolutions.

24 917
resolutions voted for the firm's
open-ended equity funds

Collaborative initiatives

Using Candriam's influence as a shareholder and, more broadly, as a recognised leader in sustainable investing is key to our approach.

In order to have a positive impact on the overall market and address systemic risks, such as climate change or human rights, we have found collaborative initiatives to be one of the most effective tools. When considering collaborative initiatives in which to participate, we select those where we believe our voice and organisation can be most impactful and then elect to lead the engagement.



Ensuring Oversight and Accountability.

We published our first engagement report in 2009 and since then have continuously aimed to increase not only our reporting transparency and market practices, but also – and primarily – to pay close attention to the expectations of our clients and of society.

For additional details about our Engagement activities, please read our 2023 annual [Engagement and Voting Report](#).

