

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

YES

- It made **sustainable investments with an environmental objective**: ___%
- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It made **sustainable investments with a social objective**: ___%

NO

- It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 60.70% of sustainable investments
- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective
- It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The environmental and social characteristics promoted by the Sub-fund have been achieved by:

- avoiding exposure to companies that present structural risks that are both material and severe and are most seriously in breach of normative principles taking into account practices in environmental and social issues as well as compliance with standards such as the United Nations Global Compact and the 'OECD Guidelines for Business standards.
- avoiding exposure to companies that are significantly exposed to controversial activities such extraction, transportation or distribution of thermal coal, the manufacturing or retailing of Tobacco and production or sale of controversial weapons (anti-personnel mines, cluster bombs, chemical, biological, phosphorus weapons white and depleted uranium.
- achieving a lower carbon footprint than the benchmark
- integrating Candriam's ESG research methodology into the investment process and investing a proportion of its assets in Sustainable Investments.

How did the sustainability indicators perform?

For the selection of sustainable investments, the portfolio manager has taken into account ESG assessments of issuers, produced by Candriam's ESG analyst team.

For companies, these assessments are based on the analysis of the company's interactions with its key stakeholders and the analysis of its business activities and their impact, positive or negative, on key sustainability challenges such as climate change and resource depletion. In addition, Candriam's ESG analysis includes exclusion filters based on compliance with international standards and involvement in controversial activities.

For sovereign issuers, these assessments are based on the analysis of the countries' management of their natural, human, social and economic capital. In addition, exclusion filters are used to screen out issuers that do not meet democratic and governance standards.

Candriam's ESG research and analysis for sustainable investments also assesses the compliance of investments with the "do no harm" principle to a sustainable investment objective and with good governance practices for the corporates.

This integration of Candriam's ESG research methodology has enabled the Fund to meet the minimum proportion of sustainable investments defined in the prospectus (minimum 10%). The proportion of sustainable investments in the Fund was therefore above this minimum threshold, as detailed in the section "What was the proportion of sustainability-related investments?"

Sustainability KPI Name	Portfolio	Benchmark	New indicator
Carbon Footprint - Corporate - Scope 1&2 - Lower than bench	111.51	236.07	

● ... And compared to previous periods?

The sub-fund has also been managed in line with its sustainability indicators.

Sustainability KPI Name	Year	Portfolio	Benchmark
Carbon Footprint - Corporate - Scope 1&2 - Lower than bench	2022	112.36	202.47

The asset allocation of the financial product has evolved over the years.

Investment Category	Proportion of Investments	Proportion of Investments
	2023	2022
#1 Aligned with E/S characteristics	88.27%	85.52%
#2 Other	12.87%	15.43%
#1A Sustainable	60.70%	55.54%
#1B Other E/S characteristics	27.57%	29.99%
Taxonomy-aligned	0.00%	0.00%
Other environmental	25.18%	19.24%
Social	35.52%	36.29%

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objective?

The sustainable investments which the Sub-fund intended to achieve for a portion of the portfolio were to contribute to the reduction of greenhouse gas emissions by means of exclusions and the use of climate indicators in the analysis of companies, and to have a positive impact on environment and social domains in the long-term.

The proportion of sustainable investments was higher than the minimum defined in the prospectus (minimum 10%). It allowed the Sub-fund to exceed the objectives initially set.

However, the Sub-fund is not able to publish a percentage of alignment with the Taxonomy since a small number of companies at global level provide the data necessary for a rigorous assessment of their alignment with the Taxonomy.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Candriam ensured that those investments have not cause significant harm to any environmental and/or social sustainable investment objective by means of its ESG research and analysis of corporate and sovereign issuers.

Based on its exclusive ESG Ratings and Scorings, Candriam's ESG methodology sets criteria and minimum thresholds to identify those issuers that qualify as 'sustainable investment' and, in particular, have not cause significant harm to any environmental and/or social sustainable investment objective.

The 'Do not significant harm' principle, in particular, was assessed for corporates through:

- the consideration of "principal adverse impacts"
- the alignment with the OECD Guidelines for Multinational Enterprises and the UN Global Compact to ensure minimum environmental & social safeguards.

For more details, refer to the section below on the consideration of principal adverse impacts on sustainability factors.

How were the indicators for adverse impacts on sustainability factors taken into account?

The consideration of adverse impacts is central to Candriam's sustainable investment approach. Principal adverse impacts were taken into account throughout the entire ESG research and analysis process and through a wide range of methods:

1. ESG rating of corporates: the ESG research and screening methodology considers and assesses the principal adverse impact on sustainability from two distinct, but interlinked, angles:

- the company's issuers' 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 of companies, which includes a norms-based exclusion and an exclusion of companies involved in controversial activities.

3. Engagement activities with companies, through dialogue and voting activities, which contribute to avoiding or reducing the extent of the adverse impacts. The ESG analysis framework and its results feed our engagement process, and vice versa.

The integration of the principal adverse impacts on sustainability factors has been based on the materiality or likely materiality of each indicator for each specific industry / sector to which the company belongs. The materiality is dependent on several factors, such as: type of information, data quality and breadth, applicability, relevance, and geographical coverage.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The sustainable investments of the Sub-fund have been compliant with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

They are subject to a norms-based controversy analysis that considers the compliance with the international social, human, environmental and anti-corruption standards, as defined by the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. The International Labour Organisation and International Bill of Human Rights are part of the many international references integrated into our norms-based analysis and ESG model.

This analysis aimed to exclude companies that have significantly and repeatedly breached any of these principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



How did this financial product consider principal adverse impacts on sustainability factors?

At Financial Product level, the principal adverse impacts (PAI) on sustainability factors were considered through one or several means: voting, dialogue, exclusions and/or monitoring (cfr. Candriam's PAI statement: <https://www.candriam.com/en/private/sfdr/>)

ENGAGEMENT

Our engagement policy is available on Candriam website [\[https://www.candriam.com/en/professional/investment-solutions/sustainability-documents/#engagement-activities\]](https://www.candriam.com/en/professional/investment-solutions/sustainability-documents/#engagement-activities).

DIALOGUE with corporate issuers

This financial product is invested in corporate issuers. Below statistics refer to engagement activities we have performed with these corporate issuers.

Climate (PAI1 to PAI6) is obviously central in our exchanges with companies. Priorities of Climate-engagement on the corporate side are identified taking into account :

- issuers presenting a weak transition profile (proprietary risk transition model), and/or still highly carbon intensive (Scope 1-2) or with large Scope 3 emissions
- issuers from financial sectors still largely exposed to fossil fuel and with a key role in financing the transition
- relative exposure of managed portfolios to the above issuers.

Candriam has joined in November 2021 the Net Zero Asset Management Initiative [\[https://www.netzeroassetmanagers.org/signatories/candriam/\]](https://www.netzeroassetmanagers.org/signatories/candriam/). Through engagement, our objective is to encourage companies to publicly report on how they align with a 1.5D trajectory and to encourage such an alignment. We expect issuers in particular to explain how their strategy and capital expenditures plan serve their decarbonisation commitment. We usually combine individual and collaborative dialogue.

9 issuers in the financial product are actually part of the priority targets of Candriam Net Zero Engagement campaign.

In addition, we continue to actively support CDP Climate [\[https://www.cdp.net/en\]](https://www.cdp.net/en), a large transparency survey feeding our investment processes : out of the 41 financial product's issuers targeted, 95.12% have properly filled the last survey. Filled surveys give us access to updated and more accurate Scope 1-2-3 emissions' data.

Candriam also actively participate to several collaborative initiatives such as Climate Action 100+ or IIGCC & ShareAction Climate initiatives on Financials. Such initiatives targeted 7 issuer(s) of the financial product. These initiatives contribute not only to increase the level of transparency on Greenhouse gas emissions and related strategy, but also to gain fundamental leverage for supporting strategic changes. Outcomes of these engagements are detailed in our annual engagement & voting report, available on our public website (Publications | Candriam) [\[https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications\]](https://www.candriam.com/en/professional/insight-overview/publications/#sri-publications).

Given the geopolitical context and observed increase in inequalities, 31 issuer(s) with presence in the financial product have also been contacted in relation to the protection of fundamental human rights at direct or indirect workforce level (supply chain due diligence) (PAI10 PAI11).

Inclusion is not to be outdone, with 19 issuers, of the portfolio having been more specifically engaged on topics related to PAI 12 (Unadjusted gender pay gap) or PAI 13 (Board gender diversity).

While above mentioned PAI are prevalent when considering engagement performed for this financial product in 2023, other PAI such as biodiversity-related ones may also have been addressed in our dialogues with issuers. For more information, please refer to Candriam Engagement Annual review under Candriam website [\[https://www.candriam.com/en/professional/investment-solutions/sustainability-documents/#engagement-activities\]](https://www.candriam.com/en/professional/investment-solutions/sustainability-documents/#engagement-activities).

EXCLUSIONS

PAI10

In accordance with PAI10 Candriam's normative analysis determines whether a company complies with the 10 principles of the United Nations Global Compact for each of the main categories: Human Rights (HR), Labor Rights (LR), Environment (ENV) and Anti-Corruption (AC). Our norms based analysis incorporates various international references, including the United Nations Declaration of Human Rights, ILO Fundamental Conventions, and OECD Guidelines for Multinational Enterprises, ensuring comprehensive coverage of human rights, labor standards, corruption, and discrimination.

In Candriam's "Level 1" company exclusion policy, companies that have committed the most serious violations of the UN Global Compact principles are excluded. This list focuses on a strict interpretation of violations of the UN Global Compact, as assessed by Candriam's ESG analysts.

Over the reference period, no additional issuer(s) directly covered became ineligible for the financial product, in addition to those previously excluded, for significant and repeated breaches of international social, human, environmental and anti-corruption standards, as defined by the UN Global Compact and the OECD Guidelines for Multinational Enterprises. ,

PAI14

Candriam is firmly committed to excluding from all its investments companies directly involved in the development, production, testing, maintenance and sale of controversial weapons (anti-personnel landmines, cluster bombs, depleted uranium weapons and armor, chemical weapons, biological weapons and white phosphorus weapons). We consider these damaging activities to present systemic and reputational risks.

Over the reference period, no additional issuer(s) directly covered became ineligible for the financial product, in addition to those previously excluded, due to their involvement in these activities.

MONITORING: calculation and evaluation of the principal adverse impact indicators

Some of these indicators may have explicit targets and can be used to measure the attainment of the sustainable investment objective of the Financial Product. See below the results of the indicators of this Financial Product

PAI indicators	Value	Coverage (% rated / total assets)	Eligible assets (% eligible assets / total assets)
2 - Carbon Footprint	111.51	64.27%	81.30%
10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	88.95%	89.20%
14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	89.00%	89.20%



What were the top investments of this financial product?

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: 01/01/2023 - 31/12/2023.

Largest investments	Sector	% of Assets	Country
CANDRIAM MONÉTAIRE SICAV	Banks and other financial institutions	7.56%	FRA
TEVA PHARMACEUTICAL I 4.375 21-30 09/05S	Banks and other financial institutions	3.79%	ISR
REPSOL INTL FINANCE 2.5000 21-XX 22/03A	Banks and other financial institutions	2.29%	NLD
LORCA TELECOM BONDCO 4 20-27 30/09S	Communication	2.18%	LUX
NIDDA HEALTHCARE HOLDI 7.5 22-26 21/08S	Healthcare	1.81%	DEU
ELM BV FL.R 20-XX 03/09A	Banks and other financial institutions	1.78%	NLD
ILIAD SA 0.7500 21-24 11/02A	Internet and internet services	1.55%	FRA
ENERGIZER GAMMA ACQU 3.5 21-29 23/06S	Banks and other financial institutions	1.41%	NLD
ILIAD SA 5.625 23-30 15/02A	Internet and internet services	1.38%	FRA
TELEFONICA EUROPE BV FL.R 19-XX 14/03A	Communication	1.38%	NLD
TELECOM ITALIA SPA 4 19-24 11/04A	Communication	1.34%	ITA
ENEL SPA FL.R 23-XX 16/07A	Utilities	1.29%	ITA
PICARD GROUPE 3.875 21-26 07/07S	Foods and non alcoholic drinks	1.26%	FRA
STANDARD INDUSTRIES 2.25 19-26 21/11A	Textiles and garments	1.24%	USA
VERISURE HOLDING AB 7.125 23-28 01/02S	Banks and other financial institutions	1.19%	SWE

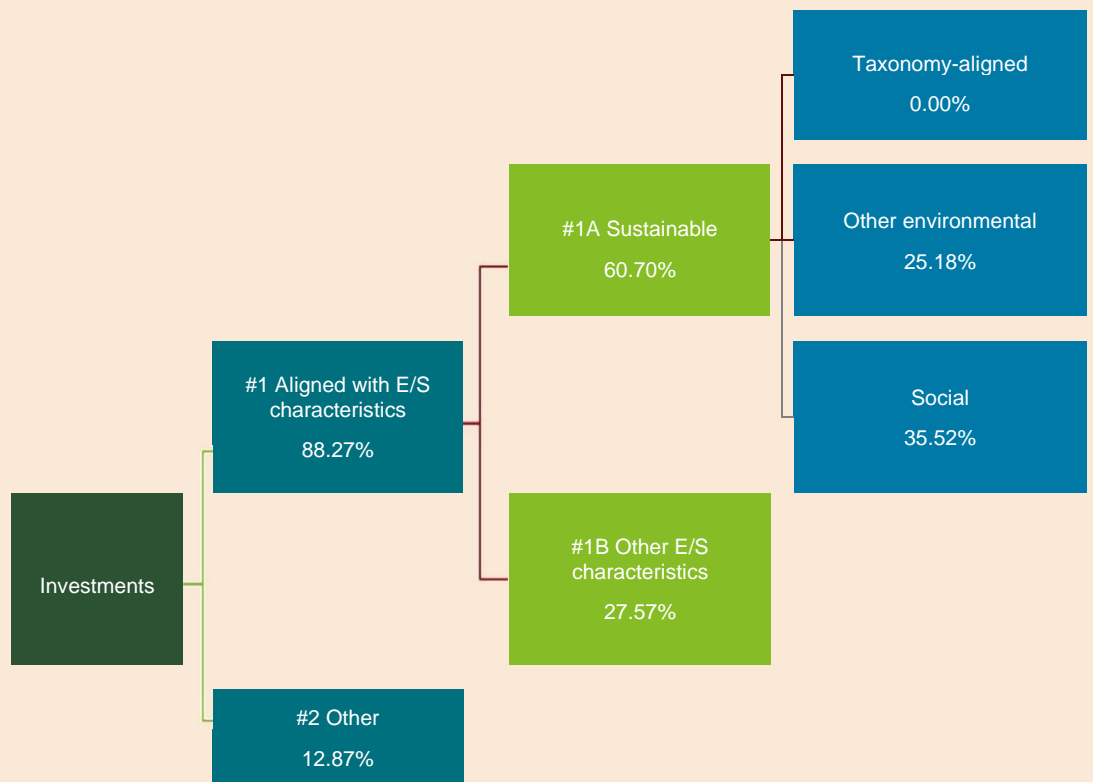
Data based on the main investments held on average during the reference period. This data is not comparable with those presented in the "Investment portfolio" section of the annual report.



What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

● What was the asset allocation?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● **In which economic sectors were the investments made?**

Top sector	% of Assets
Banks and other financial institutions	48.24%
Communication	12.03%
Utilities	9.66%
Internet and internet services	5.24%
Transportation	4.29%
Packaging industries	3.76%
Healthcare	2.58%
Aeronautic and astronautic Industry	1.51%
Pharmaceuticals	1.50%
Hotels and restaurants	1.31%
Miscellaneous services	1.30%
Foods and non alcoholic drinks	1.26%
Textiles and garments	1.24%
Biotechnology	1.20%
Various capital goods	1.18%

Data based on the main investments held on average during the reference period. This data is not comparable with those presented in the "Investment portfolio" section of the annual report.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting the green operational activities of investee companies.

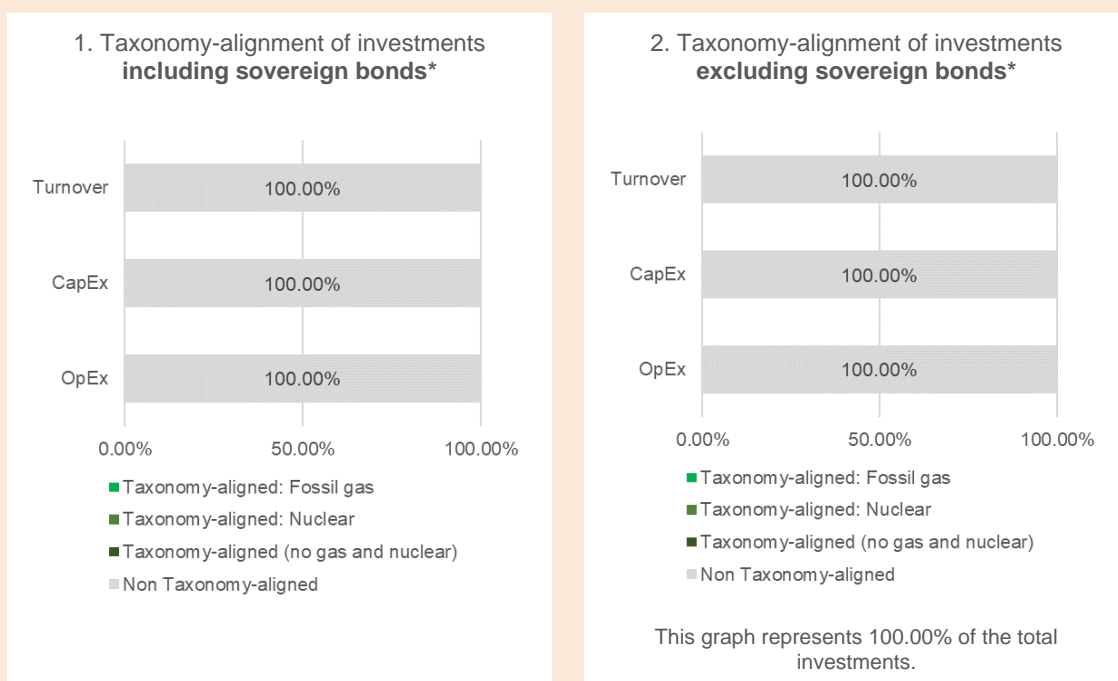


To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?¹

- Yes
- In fossil gas In nuclear energy
- No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What was the share of investments made in transitional and enabling activities?**

The Sub-Fund is unable to publish a percentage of alignment with the Taxonomy, nor on the transitional and enabling activities, as very few companies at global level provide the data necessary for a rigorous assessment of their alignment with the Taxonomy.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Year	% EU Taxonomy Aligned
2023	0.00%
2022	0.00%

● **What is the breakdown of the proportion of the investments per each of the EU Taxonomy to which those investments contributed?**

The Sub-Fund is unable to publish a percentage of alignment with the Taxonomy, as very few companies at global level provide the data necessary for a rigorous assessment of their alignment with the Taxonomy

Therefore, this percentage is considered as nul.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

 **What was the share of sustainable investments with an environmental objective not aligned with the EU taxonomy?**

The Sub-Fund had a share of 25.18% in sustainable investments on the environmental plan not aligned with the EU taxonomy.

Indeed to date, only two of the six objectives have entered into force in 2023 and very few companies at global level provide the data necessary for a rigorous assessment of their alignment with the Taxonomy.

 **What was the share of socially sustainable investments?**

The Sub-fund had a share of investments with a social objective of 35.52%

 **What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

The investments included under "Other" are present in the Sub-fund for 12.87% of the total net assets.

These investments include one or more of the following assets:

- Cash: Cash at sight, cash deposit, reverse repo needed to manage the liquidity of the Sub-fund following subscriptions/redemptions or being the result of the decision of market exposure of the Sub-Fund;
- Investments with issuers with E/S characteristics at the moment of the investment and are not fully aligned anymore with the Candriam investment with E/S criteria. These investments have been sold during the period or considered as other investments;
- Other investments (including single name derivatives) purchased for diversification purposes, which do not meet environmental or social characteristics or which may not be subject to an ESG screening or for which ESG data was not available. These investments have respected the good governance;
- Non single name derivatives used for exposition and hedging purposes.

 **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The financial product aims to achieve a carbon footprint that is lower than the Benchmark.

Over the reference period, the financial product emitted 111.51 Tons CO₂eq per million € invested, 52.77% lower than the benchmark.

Compared to the previous year, the financial product's carbon footprint has remained stable.

The financial product has achieved its objective by favouring issuers with lower carbon footprint.



How did this financial product perform compared to the reference benchmark?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund