



Sustainable Development Goals @ Candriam

United Nations Sustainable Development Goals at a glance



HORIZON 2030

Adopted in 2015 by the **United Nations**, The 17 Sustainable Development Goals are a **call to action** to end poverty, protect the planet and ensure peace and prosperity by 2030.

INTEGRATED GOALS

Ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while **tackling climate change**.

A SHARED BLUEPRINT

Achieving the SDG requires the **partnerships of governments, private sector, civil society and citizens** alike to make sure we leave a better planet for future generations.

United Nations Sustainable Development Goals at a glance

SDG 14 – Life Below Water
Over **3 billion people** depend on marine and coastal **biodiversity** for their livelihood.

SDG 13 – Climate Action
To limit global to 1.5 C, as called for in the Paris Agreement **greenhouse gas emissions must begin falling by 7.5% each year.**

SDG 11 – Sustainable Cities and Communities
9 in 10 people living in urban areas worldwide were breathing air that did not meet the World Health Organization's air quality guidelines.

SDG 9 – Industry, Innovation and Infrastructure
Just **54% of the global population** use the internet. In the least developed countries, only 19% have online access.

SDG 3 – Good Health and Well-being
An additional 18 million health workers are needed primarily in low and lower middle income countries to achieve universal health coverage by 2030.

SDG 5 – Gender Equality
In 2019, women only held **28% of managerial positions** worldwide.

SDG 8 – Decent Work and Economic Growth
In 2019, **22% of the world's youth** were not engaged in either education, employment or training.



United Nations Sustainable Development Goals at Candriam

- Candriam’s ESG approach incorporates the **UN Sustainable Development Goals (SDG)**
 - ▶ 17 SDGs with 169 specific targets among which some have relevant investment implication
 - ▶ **Not all objectives & targets are actionable**
 - ▶ **Key Message – Address challenges to harness opportunities**

4. Impact Measurement



1. Company level

2. Bond level

3. Sovereign level





COMPANY LEVEL



BOND LEVEL



SOVEREIGN LEVEL



IMPACT MEASUREMENT

How to contribute to SDG at the company level?

Alignment with SDG



Impact on SDG

A close-up photograph of a vibrant green leaf, showing its intricate vein structure. Numerous clear, spherical water droplets of varying sizes are scattered across the leaf's surface, reflecting light and adding a fresh, natural feel to the background.

How the companies business activities contribute to SDG

The challenges impacting the business activities

5 global themes linked to the most significant macro trends

Every business is impacted by sustainability challenges



Climate Change



Resources & Waste



Digitalization & Innovation



Healthy Living & Wellbeing



Demographic Shifts

Examples

Decarbonize business activities across the board, focusing on the most CO2 intensive sectors

Deploy renewable energy as fossil energies are progressively phased out

Scale up waste recuperation and recycling capabilities to reduce resource extraction

Mitigate impact of business activities on ecosystems to preserve biodiversity

Harness the opportunities to drive higher industrial and resource efficiencies through digital technologies

Protect data privacy, build strong and resilient digital networks

Invest in human capital through job creation, gender equality and decent working conditions

Foster R&D in fatal and chronic diseases and support universal access to healthcare

Reduce impact of air pollution on human health through improved air quality

Prepare for the requirements arising from a Western aging society

Support the demographic boom in emerging countries through investment in infrastructure and the food supply chain

Indicative data which may change over time

What are the SDG aligned with the sustainable challenges ?

Sustainable Development Goals embedded within our analysis



Example: AUTOMOTIVE Sector

5 Themes

Climate Change

Resources &
Waste

Healthy Living &
Wellbeing

Digitalization &
innovation

Demographic
Shifts

17 UN Sustainable Development Goals

Strong Impact*



Positive contribution*



Focus on 3 themes

Climate change

Focus: Scope 1+2+3 CO₂/GHG emissions, real life fuel consumption

- Battery electric vehicles
- Fuel-cell electric vehicles
- Plug-in Hybrid electric vehicles
- Hybrid Electric vehicles
- EURO 6b petrol vehicles
- EURO 6b diesel vehicles

Health & Wellness

Focus: Fine particles emissions, No_x emission, vehicle road safety

- Euro NCAP, US NCAP safety standards
- Assessment of compliance with EURO 6b emissions limits based on multiple sources (WLTP, spritzmonitor, NEDC, etc)

Digitalisation

Focus: car driving automation, personal data collection

- Driver data collection from on-board GPS, vehicle driving logs
- Data use policy, communication to third parties, data storage security
- Vehicle driving automation NHTSA level 2-4 safety assessment

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How the way companies manage stakeholders contributes to SDG

What are the companies stakeholders?

Looking at every dimension of how businesses are run

“Analysing how each company manages its key stakeholders, with a sector based approach to focus on the most relevant factors”



Investors

- Quality of governance
- Business ethics
- Bribery & corruption
- Accounting standards



Environment

- Resource efficiency
- Pollution and local impact
- Raw materials sourcing
- Climate change



Employees

- Working conditions
- Employee training
- Retention policies
- Approach towards gender equality



Customers

- Product safety & recalls
- Marketing practices
- Client information
- Anti-competitive behaviours



Suppliers

- Environmental impact of supply chain
- Fair working conditions
- Respect of quality standards



Society

- Relationships with local communities
- Social stewardship and responsibility
- Lobbying practices and policies

Indicative data which may change over time

What is the SDG contribution of each stakeholder management?



Example: ENERGY Sector



Focus on Environment

➤ Environmental themes in our analysis

- Climate Change – Energy Use
- Air Pollution (NOx, ...)
- Water Consumption & Emissions
- ...

➤ Examples of Analysis Factor/Indicators

○ Strategy

- Energy Transition – Quantifiable Objectives
- Remuneration of the senior management depending on the “Environmental” performances
- Pre-start check: Environmental impact of future projects
- Research / CAPEX on Clean Technologies
-

○ Performance

- Hydrocarbon mix & GHG emissions
- Oil leakage rate (Technology and Prevention) < sector average
- Gas flaring rate (Technology and Prevention) < sector average
- ...

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How we contribute to SDG by avoiding controversies

How do we avoid controversies ?

A *negative screening* of issuers that do not embody sustainability

Activity Exclusions

- **Exclusion of socially and/or environmentally controversial activities** including:

- ▶ Armaments
- ▶ Adult Content
- ▶ Alcohol
- ▶ Animal Testing
- ▶ Gambling
- ▶ Genetic Modifications
- ▶ Nuclear
- ▶ Tobacco
- ▶ Thermal Coal
- ▶ Unconventional/ Conventional Oil & Gas
- ▶ Electricity Generation
- ▶ Oppressive Regimes

Norms-based Analysis

- The respect of the 10 principles **UN Global Compact** covering:



- ▶ **Human rights**
- ▶ **Labour rights**
- ▶ **Environment**
- ▶ **Corruption**

- **Two main principles:** a breach verification and response-based approach
- **Issuers excluded:** repeated and significant violations, lack of appropriate response or change in behavior

By excluding companies with exposure to controversial activities or directly facing controversies, Candriam avoid investing in companies with negative contribution to SDG

- **Norms-based Analysis - Compliance to International standards**
 - ▶ UN Global Compact Principles (Human & Labour rights, Environment, Corruption)

- **Focus on company-wide divestments**

Controversial Activities	SDG Impact
Armament	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Oppressive regimes	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Tobacco	3 GOOD HEALTH AND WELL-BEING
Thermal Coal	13 CLIMATE ACTION



A close-up photograph of green leaves with numerous water droplets of various sizes scattered across their surfaces. The leaves' veins are clearly visible, and the overall color is a vibrant green. An orange horizontal bar is positioned across the middle of the image, containing the main title.

How the stewardship activities impact SDG?

What is stewardship aiming for?

Stewardship belongs to the **Active ownership** concept as it calls on investors to use means at their disposal:

- to **create long-term value** for their clients and beneficiaries
- to **lead to sustainable benefits for the economy, the environment and society.**

Stewardship at Candriam **serves investors' ESG interest and enables them to exercise their power of influence** notably through:

- ▶ **Engagement:** Dialogues with issuers on ESG matters assumed to be material to future outlook
- ▶ **Proxy voting:** AGMs' **vote** cast

Engagement at Candriam

Two-way dialogue between CANDRIAM and a current / potential invested issuer, constructively addressing an ESG-related matter, material to issuer's future outlook.

Objectives

- Encouraging improved corporate ESG disclosure
- Supporting investment decision-making
- Influencing corporate practices on ESG issues

Type

- Direct
- Collaborative when appropriate

Structured Process

- Step 1: Identification of ESG Material Topics
- Step 2: Definition of the (a) Engagement type (b) Targets & objective (c) Priority level
- Step 3: Dialogue Initiation with simultaneous vote / Resolution co-filing
- Step 4: Follow up & Outcomes / Escalation option / Reporting

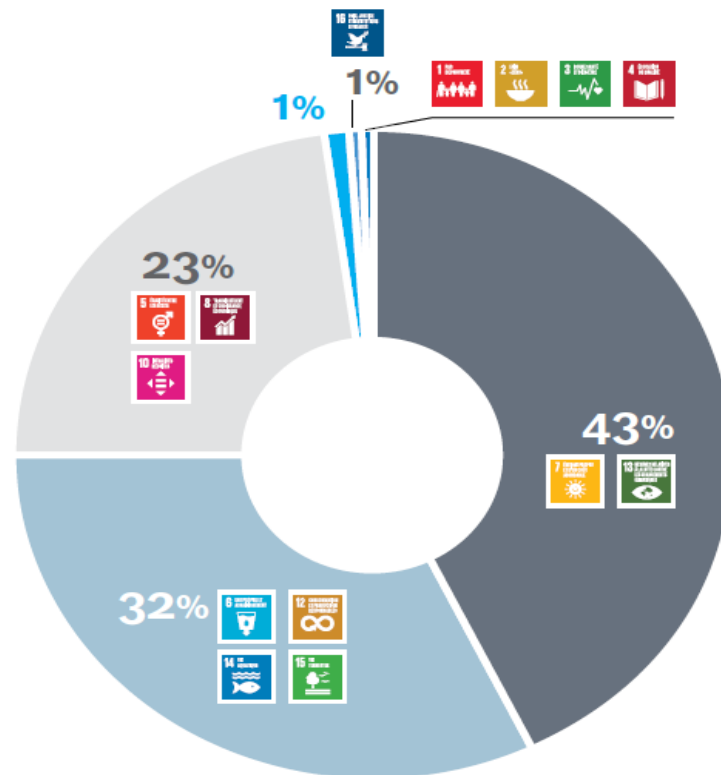
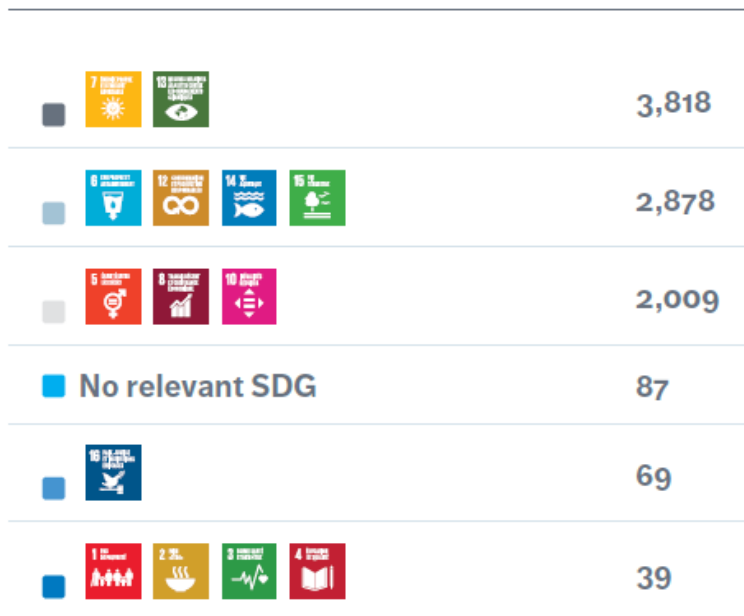
Identified priority topics (since 2014)



How Candriam engagement contributed to SDG in 2020

Topic breakdown

(in number of dialogues)



What SDG are the main 2020 Engagement initiatives impacting on?

Initiative name	2 FAIM «ZERO»	3 BONNE SANTÉ ET BIEN-ÊTRE	6 EAU PROPRE ET ASSAINISSEMENT	7 ÉNERGIE PROPRE ET D'UN COÛT ABORDABLE	8 TRAVAIL DÉCENT ET CROISSANCE ÉCONOMIQUE	9 INDUSTRIE, INNOVATION ET INFRASTRUCTURE	10 INÉGALITÉS RÉDUITES	12 CONSOMMATION ET PRODUCTION RESPONSABLES	13 MESURES RELATIVES À LA LUTTE CONTRE LES CHANGEMENTS CLIMATIQUES	15 VIE TERRESTRE	16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES
CDP Climate 2020				✓					✓		
Access to Nutrition Index	✓	✓									
2019 Global Investor Statement to Governments on Climate Change									✓		
Collaborative engagement on Uyghurs slave labour in the supply chain					✓						✓
Access to Medicine		✓					✓				
Climate Action 100+				✓					✓		
2019-2022 Initiative for Pesticide Use Reduction and Safer Chemicals Management - Grocery Retail		✓	✓					✓			
CDP Water 2020			✓								
Antibiotics' overuse in livestock supply chains		✓						✓			
Bangladesh Investor Initiative					✓						
Banking on a Low Carbon Future									✓		
BBFAW Investor Collaboration on Farm Animal Welfare						✓		✓			
CDP Forest 2020										✓	
CHRB - Investor statement calling on companies to improve Human Rights performance					✓						
Climate change transition for oil and gas				✓					✓		

Proxy voting at Candriam

Proxy voting service at Candriam:

- Initial set-up and follow-up of positions in systems, eventually with an exception list.
- Votes are exercised for all portfolio positions
 - ▶ Our aim is to **vote on all positions held** on portfolio on the best effort basis
 - ▶ Non-voted meeting must be seen as an exception and will be justified
- **Annual Reporting:** List of voted GMs will be made available on an annual basis. In particular, for resolutions flagged as sensitive by Candriam, voting rationale will be explained

Example of resolutions we co-filed in 2020



Resolution 2020 Appointment of independent directors, co-filed with Assogestioni

Context: 20% of production capacity is still based on coal. Without its strong commitment to carbon neutrality by 2050, Enel would be excluded from our investments on the basis of the Candriam coal policy. Active dialogue with the company via CA100+.

Objective: to ensure that CA has the necessary expertise (particularly in renewable energies) to meet these challenges and to implement and apply its energy transition strategy. The submitted resolution therefore proposes the appointment of three independent directors to the Board, one of whom has proven expertise in the renewable energy market.

Results: resolution supported by a majority of votes and adopted.



Resolution 2020 Alignment of activities with the objectives of the Paris Agreement, Scope 1 - 2 - 3. Co-sponsored.

Context: At the time of filing, Total SA is almost the only major company not to have committed to Scope 3 and to the decline of its GHG emissions in absolute terms.

Objective: to ensure that the company integrates the 1.5D / 2D scenarios into its short, medium and long-term strategy, not only to contribute positively to the achievement of these objectives but also to control the stranded assets risk as well as possible.

Results: New commitments published by Total SA but still insufficient, resolution maintained on the AGM agenda → supported by 16.9% of shareholders



- COMPANY LEVEL
- **BOND LEVEL**
- SOVEREIGN LEVEL
- IMPACT MEASUREMENT

Impact bonds – A direct way to contribute to SDGs

Alignment

01

Sustainability Linked Bonds

Strong commitment to achieve **Green or Social Key Performance Indicators Targets** with step up coupon in case of non respect.



Issuer KPI alignment with SDG

Impact

02

Green Bonds

Proceeds of the bonds are dedicated to specific predetermined **green projects**.



Use Of Proceeds Analysis

03

Social Bonds

Proceeds of the bonds are dedicated to specific predetermined **social projects**.



Issuers commit to using the actual funds raised in the bond offering to achieve certain SDG objectives.

04

Sustainability Bonds & SDG Bonds

Proceeds of the bonds are dedicated to **specific SDG** or a **mix of social and green projects**.

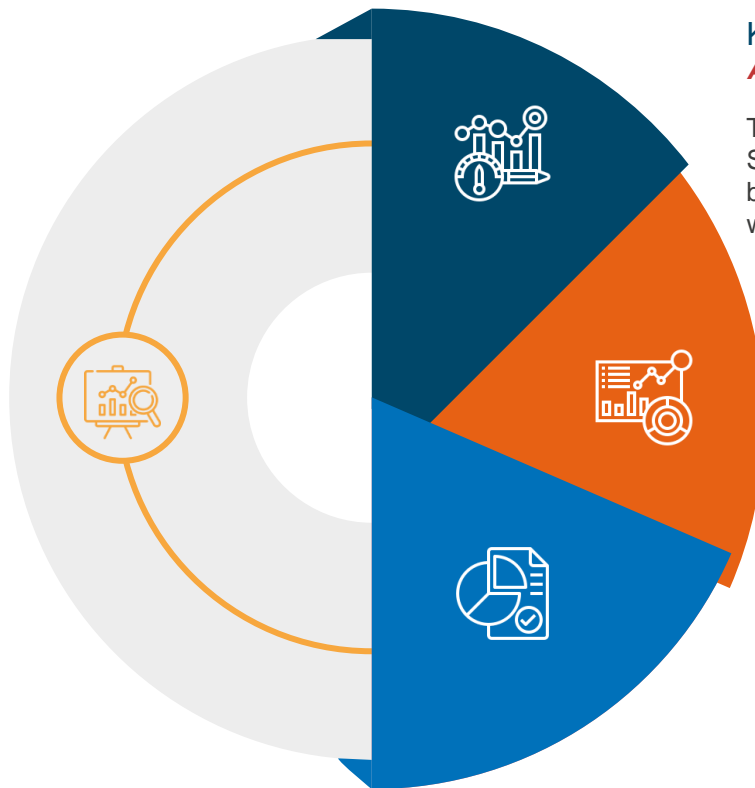


A close-up photograph of a vibrant green leaf, showing its intricate vein structure. Numerous clear, spherical water droplets of varying sizes are scattered across the leaf's surface, reflecting light and adding a fresh, natural feel to the background.

Sustainability Linked Bonds

How are Sustainability Linked Bonds aligned with SDG

Analysis of issuer KPIs related to the SDGs for Sustainability Linked Bonds



KPI selection and calibration

Added value of the ESG team

The chosen KPIs must be relevant, material, linked to the SDGs and follow a methodology. Performance targets must be benchmarked (min 3 years and vs. peers) and be consistent with the issuer's sustainability strategy.

Safety features

Statement of the mechanism applied to the structure of the bonds based on whether or not performance targets are met.

Report and Audit

Does the company have an external and independent auditor? Does the company report on the performance of key performance indicators on an annual basis?



Green Bonds



How do Green Bonds impact on SDG

Issuer Environmental Strategy

ESG Team Added Value

What is the environmental strategy of the company?
2Ds alignment, Company's objectives and strategy, Trends...

Proceeds Reporting & Impact

Does the issuer report annually the use of proceeds? What are the quantitative metrics? What is the ESG impact and SDG Target ?



Proceeds Allocation to Eligible Projects

ESG Team Added Value

Beyond the Green Bond Principles to favor EU Climate Bond Standards. To promote bonds which are aligned with EU taxonomy. Mapping of the financing objective with SDG Targets .

Proceeds of the Issuance to be Tracked

Does the company disclose the process of tracking the proceeds?
Does the company has an internal and external verification process? We favor bonds which contribute to min. 50% of new funding.



Social Bonds



How do Social Bonds impact on SDG

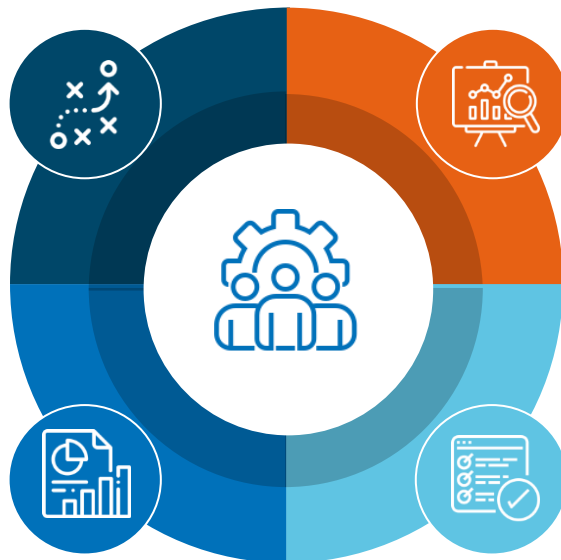
Issuer Social Strategy ESG Team Added Value

What is the social strategy of the company?

Depending on the sectors, we will assess:
1/ Health & Safety, 2/ Human Rights,
3/ Consumer Protection 4/ Workforce
Management

Proceeds Reporting & Impact

Does the issuer report annually the use of
proceeds? SDG targets and social
Impact?



Proceeds Allocation to eligible projects ESG Team Added Value

Alignment with the Social Bond Principles.
When the EU Social Taxonomy will be
available, Social taxonomy alignment will be
integrated.

Proceeds of the issuance to be tracked

Does the company disclose the process of
tracking the proceeds?
Does the company has an internal and external
verification process? We favor bonds which
contribute to min. 50% of new funding.

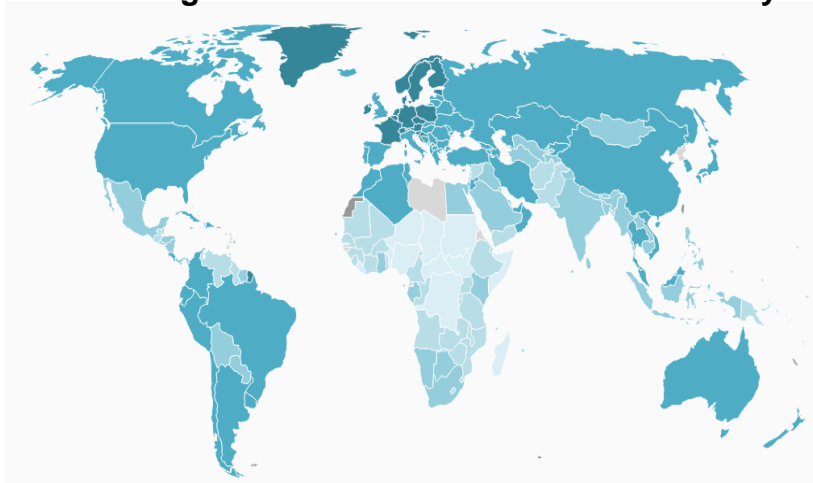


- > COMPANY LEVEL
- > BOND LEVEL
- > **SOVEREIGN LEVEL**
- > IMPACT MEASUREMENT

How can Sovereigns contribute to SDG?

“The Sustainable Development Goals are a **call for action by all countries** – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that **build economic growth** and address a range of **social needs** including education, health, social protection, and job opportunities, while **tackling climate change and environmental protection.**” - Sustainable Development Report 2021

2021 Sustainable Development Report on how Sovereigns contribute to SDG on their territory



Finland

Score: 85.90/100
Rank: 1/165

- > 80
- 70 - 80
- 60 - 70
- 50 - 60
- < 50
- Information unavailable

What about Candriam?

- ▶ A **4 pillar analysis** composed with around **500 factors per country** per year
- ▶ **Materiality** in the factors selected to motivate and enhance SDG contribution at each stage of a country development
- ▶ Ensuring comparable scores for **all countries**
- ▶ **Bottom 25%** of the countries are excluded

<https://dashboards.sdqindex.org/chapters>

Sovereign Sustainability Analysis

One global model covering all countries

Countries



4 Forms of Country Capital

- Human Capital
- Natural Capital
- Social Capital
- Economic Capital

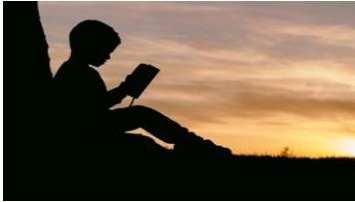
High-risk Regimes Filter

- Based on Candriam analysis of highly oppressive regimes
- Included in the country list established by the Financial Action Task Force

Minimum Standards of Democracy

What do we check?

The 4 Key Pillars of Country Analysis



Human Capital

Stock of human productivity potential of individual people based on their knowledge, skills, labor and health



Natural Capital

Stock of natural resources in the form of renewable and non-renewable resources and in the form of environmental services/processes



Social Capital

Refers to social interactions:
Stocks of trust, norms and institutions that people can rely on to solve common problems and create social cohesion



Economic Capital

Sustainability of the economic fundamentals
“To what extent is the current level of economic activity viable?”

Candriam’s *Country ESG analysis* covers the 17 UN Sustainable Development Goals through its four “Capital” screening building blocks

How is that aligned with SDG?

SDGs embedded within our analysis

Country Capital Pillars



Participation in international conventions is taken into account when discretionary decisions are made



- COMPANY LEVEL
- BOND LEVEL
- SOVEREIGN LEVEL
- **IMPACT MEASUREMENT**

Innovative Impact Measurements

Fund Factsheets - Enhanced ESG Reporting

ESG Reporting with Impact Factors

Environment



Carbon Emission



7

AFFORDABLE AND
CLEAN ENERGY



13

CLIMATE
ACTION



Energy Mix



Water Consumption



6

CLEAN WATER
AND SANITATION

Social



Employee Fatality Rate



3

GOOD HEALTH
AND WELL-BEING



Collective Labour
Agreement



1

NO
POVERTY



8

DECENT WORK AND
ECONOMIC GROWTH

Governance



Board Independence

Human Rights



Female Directors

Data as of 31/12/2020



5

GENDER
EQUALITY

UN Global Compact Compliance



Companies fully compliant
with the UN GC



Innovative Impact Measurements

Fund Factsheets - Enhanced ESG Reporting

Color

Funds

Benchmark



SDG Reporting – Business Activities only

Weighted Percentage of company revenues contributed to UN SDG on a net basis.

The contribution of companies to the SDGs through their business activities can be positive or negative.

Positive contribution:

- ✓ For instance, the contribution to Goal 3 on promoting Good Health & Well-Being is more likely to be realized when the companies offer high-quality unprocessed food.

Negative contribution:

- ✗ For instance, the contribution to goal 7 on Clean Energy can be negative when companies are exposed to fossil fuels.

Note: the net basis means that positive and negative contributions will be summed up.

Candriam Charity actions & SDGs

■ Examples of charity initiatives



- 2015 - Petites Sœurs des Pauvres
- 2015 - Solidarité au Sens Propre
- 2019 - Kinderfonds de Tonteldoos
- ShoeBox
- 2021 - Goods to Give



- 2015 - Fair Future Foundation
- 2016 - The Belgian Rett Syndrome Association
- 2016 - Téléthon
- 2019 - Bras dessus Bras dessous & Buurt Pensioen
- 2019 - CAF Onlus



- 2016 - Impulsion 75
- 2016 - Zaytawun
- Tounka Cono
- 2019 - Le Fonds Ngangi
- 2019 - Impulsion75
- 2021 - Démon program



- 2016 - Vierdewereldgroep - Mensen voor Mensen
- La Cravate Solidaire
- HandiForma Finance
- Ligue Braille
- 2020 - Close the Gap



- 2015 - Fundraiser for Shangrila Home
- 2016 - CEDRE
- 2016 - Zaytawun

Appendices

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Nombre de IIC	Num. Reg. CNMV	Domicilio de IIC		Forma Legal
Candriam Absolute Return	657	Luxembourg	UCITS	SICAV
Candriam Bonds	266	Luxembourg	UCITS	SICAV
Candriam Equities L	233	Luxembourg	UCITS	SICAV
Candriam GF	1392	Luxembourg	UCITS	SICAV
Candriam Money Market	644	Luxembourg	UCITS	SICAV
Candriam Quant	347	Luxembourg	UCITS	SICAV
Candriam SRI	1493	Luxembourg	UCITS	SICAV
Cleome Index	1275	Luxembourg	UCITS	SICAV

Nombre de IIC	Num. Reg. CNMV	Domicilio de IIC		Forma Legal
Candriam Diversified Futures	1532	France	UCITS	FCP
Candriam Global Alpha	1563	France	UCITS	FCP
Candriam Index Arbitrage	707	France	UCITS	FCP
Candriam Long Short Credit	798	France	UCITS	FCP
Candriam Monétaire SICAV	1472	France	UCITS	SICAV
Candriam Risk Arbitrage	711	France	UCITS	FCP
Candriam Sustainable	470	Belgium	UCITS	SICAV

