

Product name:

Candriam Sustainable - Equity US

Legal entity identifier

549300EGD72RL3SX9R17

Sustainable investment objective

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.

Does this financial product have a sustainable investment objective?

X Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: 0%

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 will make a minimum of **sustainable investments with a social objective**: 0%

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of _% 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 promotes E/S characteristics, but **will not make any sustainable investments**



What is the sustainable investment objective of this financial product?

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

The Sub-Fund aims to contribute to reducing greenhouse gas emissions through specific targets as well as the integration of climate related indicators in equity securities analysis and aims to have long-term positive impact on environment and social domains.

In respect of sustainable investments with environmental objectives, the Sub-Fund, through its sustainable investments that are defined by Candriam's proprietary ESG analysis, aims to contribute on the long term to one or more of the following environmental objectives set out in Article 9 of Regulation (EU) 2020/852:

- (a) climate change mitigation;
- (b) climate change adaptation;
- (c) the sustainable use and protection of water and marine resources;
- (d) the transition to a circular economy;
- (e) pollution prevention and control.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective of the Sub-Fund.

The Sub-Fund'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.

However, the Sub-Fund aims to have a carbon footprint that is at least 30% lower than the carbon footprint of the Sub-Fund's reference benchmark.

Moreover, Candriam being part of the Net Zero Asset Management initiative, the Sub-Fund aims to reduce greenhouse gas emissions in line with the objectives of the Paris Agreement

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The attainment of the sustainable objectives is measured through the following sustainability indicators:

- carbon footprint: the Sub-Fund aims to have a carbon footprint that is at least 30% lower than the carbon footprint of the Sub-Fund's reference benchmark;
- ESG score: the Sub-Fund aims to have a weighted average ESG score that is higher than the weighted average ESG score of the Sub-Fund's reference benchmark. The ESG Score is computed employing Candriam's proprietary ESG analysis methodology.

Moreover, the following indicators are monitored:

- to assure that there are no investments in companies that are in violation with the OECD Guidelines for Multinational Enterprises or the United Nations Global Compact (UNGC);
- to assure that there are no investments in companies that are on the Candriam's SRI exclusion list as a result of the application of Candriam's Exclusion Policy;
- number of holdings for which Candriam voted.

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 do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

Candriam ensures that its sustainable investments do 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 proprietary ESG Ratings and Scorings, Candriam's ESG methodology sets clear requirements and minimum thresholds to identify those issuers that qualify as 'sustainable investment' and, in particular, do not cause significant harm to any environmental and/or social sustainable investment objective.

The 'Do not significant harm' principle, in particular, is 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.

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The consideration of adverse impacts is central to Candriam's sustainable investment approach. Principal adverse impacts are 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;
- the 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 Candriam's engagement process, and vice versa.

The integration of the principal adverse impacts on sustainability factors is 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.

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The portfolio's investments 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 UNGC 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 Candriam's norms-based analysis and ESG model.

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

Details can be found via the links mentioned at the bottom of this Annex.



Does this financial product consider principal adverse impacts on sustainability factors?

X Yes, at Sub-Fund level, the principal adverse impacts (PAI) on sustainability factors are considered through one or several means (cfr. Candriam's PAI statement):

- Monitoring: calculation and evaluation of the principal adverse impact indicators including the reporting at Sub-Fund level. Some of these indicators may have explicit targets and can be used to measure the attainment of the sustainable investment objective of the Sub-Fund.

- Engagement and voting: in order to avoid and/or reduce the adverse impact on sustainable objectives, the Sub-Fund also considers the adverse impacts in its interactions with companies, through dialogue and voting. Candriam prioritises its engagement and voting activities according to an evaluation of the most material and relevant ESG challenges, facing industries and issuers, by considering both the financial and societal / stakeholder impacts. Therefore, the level of engagement with each company within the same product may vary and is subject to Candriam's prioritisation methodology.

- Exclusion: Candriam's negative screening of companies or countries aims to avoid investments in harmful activities or practices and may lead to exclusions linked to companies' or issuers' adverse impact.

The specific principal adverse impacts that are taken into consideration are subject to data availability and may evolve with improving data quality and availability.

For further information regarding which types of PAI that are taken into account, please consult the following link on Candriam's SFDR site:

<https://www.candriam.com/en/private/market-insights/sfdr/>

<https://www.candriam.com/en/professional/market-insights/sfdr/>

No

What investment strategy does this financial product follow?

The Sub-Fund's investment strategy is to invest mainly in equities of companies having their registered office or carrying out their primary economic activity in the United States of America, selected by the portfolio management team based on fundamental and technical characteristics, financial company fundamentals and risk metrics, as well as on a proprietary analysis of ESG criteria.

The investment strategy is implemented following a well-defined investment process and a strict risk framework. Respect of these elements are subject to Candriam risk monitoring.

With regard to the environmental and social sustainability aspects of the investment strategy, Candriam's proprietary ESG analysis, leading to ESG rating and scoring, as well as the norms-based controversy assessment and controversial activities exclusion policy are implemented as they enable to define the investable universe for the Sub-Fund.

In addition, Candriam's ESG analysis, comprising an analysis of the business activities of an issuer and of its interactions with its key stakeholders, is integrated into the financial management of the portfolio to enable the fund manager to identify the risks as well as opportunities that arise from the major challenges of sustainable development.

Candriam as a management company has put in place a monitoring framework as described within the sustainability risk policy. Risk monitoring of the investment strategy of the Sub-Fund aims to ensure that investments are aligned with and take into account the environmental, social and governance indicators and sustainability thresholds as explained above.

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The binding elements of the investment strategy used to select the investments to attain the sustainable investment objectives are based on Candriam's ESG analysis



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

and the resulting ESG rating and scoring framework.

This analysis leads to ESG rating and scoring that determine the eligibility of issuers and serve as a binding element in the selection of issuers for the sustainable investments.

In addition, a negative screening of issuers is applied and comprises a normative assessment of controversies and an exclusion of issuers involved in controversial activities as described in Candriam's Exclusion Policy accessible on Candriam's website at: <https://www.candriam.com/siteassets/medias/publications/sri-publications--candriam-policies/exclusion-policy.pdf>.

Finally, the Sub-Fund's investment strategy has other sustainability binding elements. It aims to have:

- a minimum share of sustainable investments;
- a carbon footprint that is at least 30% lower than the carbon footprint of the Sub-Fund's reference benchmark.
- a weighted average ESG score that is higher than the weighted average ESG score of the Sub-Fund's reference benchmark. The ESG Score is computed employing Candriam's proprietary ESG analysis methodology.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Corporate governance is a key aspect of Candriam's Stakeholder analysis. It allows to assess:

- 1) how a company interacts with and manages its relevant stakeholders and;
- 2) 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, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance as defined by SFDR, Candriam's ESG analysis comprises, among others, 5 key governance pillars:

1. Strategic direction which assesses the independence, expertise and composition of the board and ensures that the board acts in the best interests of all shareholders and other stakeholders and can act as a counterbalance to management;
2. Audit committee and auditor independence evaluation to avoid conflicts of interests;
3. Transparency on executive remuneration, which enables executives and the remuneration committee to be held accountable by shareholders and helps align interests of both top executives and shareholders and focus on long term performance;
4. Share capital to ensure all shareholders have equal voting rights;
5. Financial conduct and transparency.

What is the asset allocation and the minimum share of sustainable investments?

At least 75% of the Sub-Fund's total net assets are considered as sustainable within the meaning of the SFDR regulation.

A maximum of 25% of "not sustainable investments" can be allocated.

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

Candriam's proprietary ESG research and analysis, including its ESG Rating framework enables to set clear requirements and minimum thresholds to identify the companies that qualify as 'sustainable investments'. We ensure that those 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 sustainable investment objective and in particular comply with minimum safeguards and
- respect good governance principles.

Candriam's ESG research and analysis allows us to identify and assess company ability to contribute to environmental and/or social sustainability objectives. Therefore, in order to define whether an company is a sustainable and meets the requirements and philosophy outlined in SFDR, Candriam:

- applies corporate exclusionary screenings based on a norms-based controversy and a 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.
- applies and integrates ESG research and analysis as a key component of its sustainability assessment of issuers. This enables Candriam to identify and assess sustainability related risks and opportunities, as well as issuers' contributions to sustainability objectives.

As a result of Candriam ESG research and Analysis, 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 an issuers interacts with and manages its key stakeholder.

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

A company that is compliant with Candriam's corporate exclusionary screenings is

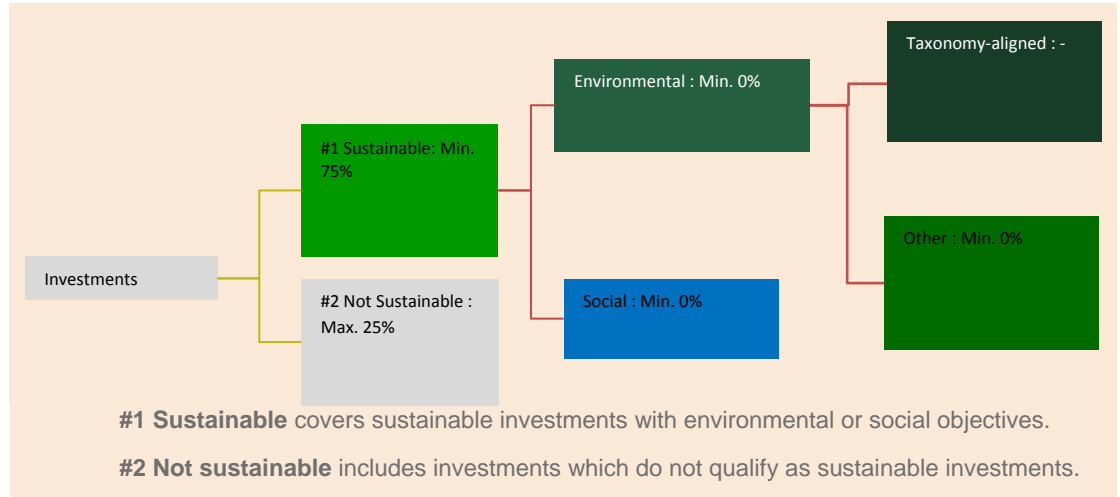


Asset allocation describes the share of investments in specific assets.

considered as sustainable investments on basis of its ESG rating. For more details regarding these methodology and definition please refer to Candriam website.

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 green operational activities of investee companies.



● **How does the use of derivatives attain the sustainable investment objective?**

Derivatives are not used to attain sustainable objectives.



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

The EU Taxonomy Regulation comprises six distinct but intertwined environmental objectives. Those environmental objectives form the core of Candriam's ESG research and analysis of issuers.

However, at present, only a small number of companies globally provide the data required for a rigorous evaluation of their alignment with the Taxonomy.

As a consequence, the Sub-Fund does not commit to any minimum of Taxonomy alignment and therefore, the minimum percentage of alignment has to be considered zero.

To determine the percentage of Taxonomy alignment of investments, Candriam relies on Candriam ESG Team that uses its own ESG research and analysis framework. It employs data provided by companies on their taxonomy aligned activities and/or information provided by third party data providers or any other source that, according to Candriam's ESG Team, reliably analyzes and distributes taxonomy aligned information on corporates. There is no review or audit of the calculation by an external party.

The methodology used to calculate the EU Taxonomy alignment of the investments is based on turnover/revenues of a company.

The Sub-Fund may have sustainable investments with environmental objectives that are not aligned with environmentally sustainable economic activities as covered under and defined by the EU Taxonomy. The environmental objectives of sustainable investments as defined in the Prospectus or Transparency Code pursue

not only climate objectives as defined by the European Taxonomy Regulation, but also other environmental objectives including alignment with a circular economy objective, a specific temperature target or sustainable objectives that partially integrate environmental measures such as a better overall ESG score relative to a benchmark or achieving a minimum absolute ESG score.

The two graphs below show in green the minimum percentage of investments that are 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.*

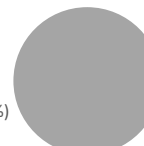
1. Taxonomy alignment of investments **including** sovereign bonds*

Taxonomy-aligned ■ (0%)
Other investments ■ (100%)



2. Taxonomy alignment of investments **excluding** sovereign bonds*

Taxonomy-aligned ■ (0%)
Other investments ■ (100%)



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

● **What is the minimum share of investments in transitional and enabling activities?**

No minimum share of investments in transitional and/or enabling activities has been fixed. However, Candriam's ESG research and analysis framework includes an assessment of transitional and/or enabling activities and how they contribute to sustainable objectives.

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.



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund does not commit to any minimum of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



What is the minimum share of sustainable investments with a social objective?

There is no prioritization of environmental or social objectives and therefore the strategy does not target or commit to any specific minimum share of sustainable investments with a social objective.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Not sustainable investments can be present in the Sub-Fund for a maximum of 25% of the total net assets. These not sustainable investments can be:

- Cash: cash at sight, reverse repo needed to manage the liquidity of the Sub-Fund following subscriptions/redemptions and/or being the result of the market exposure decision of the Sub-Fund;
- Issuers that are complying with the minimum environmental and social safeguards that can be purchased for diversification purposes;
- Issuers that were considered as sustainable investments at the moment of the investment and that are not fully aligned anymore with the Candriam sustainable investment criteria. These investments are planned to be sold;
- Non single name derivatives can be used for efficient portfolio management and/or for hedging purposes and/or temporarily following subscriptions/redemptions.

These investments do not affect the delivery of the sustainable investment objectives of the Sub-Fund as they represent a limited proportion of its assets.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No specific index is designated as a reference sustainable benchmark to meet the sustainable investment objectives.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

The Sub-Fund is actively managed and the investment approach implies a reference to a benchmark. The selected benchmark does not explicitly take into account sustainability objectives.

There is no EU reference index on Climate Transition or no index aligned with the Paris Agreement or any other sustainable benchmark that takes full account of the sustainability objectives and the investment strategy as described in the prospectus.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective



Where can I find more product specific information online?

More product-specific information can be found on:

<https://www.candriam.com/en/private/market-insights/sfdr/>

<https://www.candriam.com/en/professional/market-insights/sfdr/>