



LEA 02	Disclosures	Monetary	Principles
<p>By providing investors the most up-to-date and comprehensive information for use in their investment decisions, we are committed to transparency and accountability. We will disclose the following information:</p> <p>1. The nature and extent of our engagement activities, including the number of companies engaged, the number of issues identified, and the number of companies that have responded to our engagement activities.</p> <p>2. The results of our engagement activities, including the number of companies that have improved their ESG practices, the number of companies that have adopted our recommendations, and the number of companies that have been removed from our investment portfolio.</p>	<p>LEA 02</p>	<p>Monetary</p>	<p>Principles</p> <p>PRI 1, 2, 3</p>
<p>Type of engagement</p> <p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p>Reason for interaction</p> <p><input checked="" type="checkbox"/> To support investment decision-making in & company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional action</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage: do internal staff</p> <p><input type="checkbox"/> To support investment decision-making in & company's interests</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for additional action</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage: do collaborative engagements</p> <p><input type="checkbox"/> To support investment decision-making in & company's interests</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for additional action</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage: do service provider engagements</p>		

RI TRANSPARENCY REPORT

2016

Candriam Investors Group

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	✓	Private							✓
OO 09	Breakdown of AUM by market	✓	Private							✓
OO 10	Additional information about organisation	✓	Public							✓
OO 11	RI activities for listed equities	✓	Public							✓
OO 12	RI activities in other asset classes	✓	Public							✓
OO 13	Modules and sections required to complete	✓	n/a							✓

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04	RI goals and objectives	✓	Public							✓
SG 05	Main goals/objectives this year	✓	Private							✓
SG 06	RI roles and responsibilities	✓	Public							✓
SG 07	RI in performance management, reward and/or personal development	✓	Private							✓
SG 08	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09	Promoting RI independently	✓	Public				✓			
SG 10	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 11	ESG issues in strategic asset allocation	✓	Private	✓						
SG 12	Long term investment risks and opportunity	✓	Private	✓						
SG 13	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 14	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 15	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 16	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
SG 17	Innovative features of approach to RI	✓	Public							✓
SG 18	Internal and external review and assurance of responses	✓	Private							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private							✓
LEI 02	Reporting on strategies that are <10% of actively managed listed equities	⚙	n/a							✓
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 11	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 12	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 13	ESG issues in index construction	✓	Private	✓						
LEI 14	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 15	Measurement of financial and ESG outcomes of ESG incorporation	✓	Private	✓						
LEI 16	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI 17	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagement methods	✓	Private		✓					
LEA 13	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 14	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 15	Examples of ESG engagements	✓	Private		✓					
LEA 16	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	✓	Public		✓					
LEA 20	Confirmation of votes	✓	Public		✓					
LEA 21	Securities lending programme	✓	Private		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 25	Shareholder resolutions	✓	Private		✓					
LEA 26	Examples of (proxy) voting activities	✓	Private		✓					
LEA 27	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive,active strategies	✓	Private							✓
FI 02	Option to report on <10% assets	●	n/a							✓
FI 03	Breakdown by market and credit quality	✓	Private							✓
FI 04	Incorporation strategies applied	✓	Public	✓						
FI 05	ESG issues and issuer research	✓	Private	✓						
FI 06	Processes to ensure analysis is robust	✓	Public	✓						
FI 07	Types of screening applied	✓	Public	✓						
FI 08	Negative screening - overview and rationale	✓	Public	✓						
FI 09	Examples of ESG factors in screening process	✓	Private	✓						
FI 10	Screening - ensuring criteria are met	✓	Public	✓						
FI 11	Thematic investing - overview	✓	Public	✓						
FI 12	Thematic investing - themed bond processes	✓	Public	✓						
FI 13	Thematic investing - assessing impact	✓	Public	✓						
FI 14	Integration overview	✓	Public	✓						
FI 15	Integration - ESG information in investment processes	✓	Public	✓						
FI 16	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 17	ESG incorporation in passive funds	✓	Private	✓						
FI 18	Engagement overview and coverage	✓	Public		✓					
FI 19	Engagement method	✓	Private	✓	✓					
FI 20	Engagement policy disclosure	✓	Private	✓	✓					
FI 21	Financial/ESG performance	✓	Private							✓
FI 22	Examples - ESG incorporation or engagement	✓	Private	✓	✓					
FI 23	Communications	✓	Public		✓				✓	

Candriam Investors Group

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Other, specify

Execution and advisory services

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Luxembourg

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

484

OO 02.4

Additional information. [Optional]

Countries in which we have offices:

Belgium, France, Germany, Italy, Luxembourg, The Netherlands, Spain, Switzerland, United Arab Emirates, United Kingdom.

OO 03

Mandatory

Descriptive

General

OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

OO 03.2

List your subsidiaries that are separate PRI signatories and indicate if you would like to report their RI activities in your organisation's consolidated report.

Name of PRI signatory subsidiary (Up to six subsidiaries may be reported)	RI implementation reported here on a consolidated basis
Candriam Belgium	<input checked="" type="radio"/> Yes <input type="radio"/> No
Candriam France	<input checked="" type="radio"/> Yes <input type="radio"/> No
Candriam Luxembourg	<input checked="" type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No

No

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2015

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		94	078	100	000
Currency	EUR				
Assets in USD		102	564	492	234

OO 06	Mandatory	Descriptive	General
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OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income	>50%	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	<10%	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	<10%
Other (2), specify	0	0

'Other (1)' specified

Multi-management, all asset classes

OO 06.2

Publish our asset class mix as per attached image [Optional].

OO 10

Voluntary

Descriptive

General

OO 10.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

While business is, of course, all about value creation, Candriam has always believed it is sustainable value creation that makes the difference. Economic growth and profits can only be sustainable when businesses behave responsibly and look beyond the immediate present by giving appropriate consideration to social, environmental and governance aspects. As we rebranded to Candriam we consciously chose a name that is a partial acronym of our key corporate values: **Conviction and Responsibility in Asset Management**.

Candriam is a pioneer in the realm of Sustainable and Responsible Investment (SRI) since 1996 and we are committed to being a responsible financial asset manager by investing for the long term. SRI is one of Candriam's key strategic businesses. Over 21.4% of our assets under management (EUR 20.1 billion at end of December 2015) involves sustainable and responsible approaches in all asset classes (equity, bond, balanced, money market, structured products) and in all geographical regions (Europe, North America, Asia Pacific, Emerging Markets, Global). We also have one of the largest SRI teams in continental Europe composed of about 20 SRI experts (half of whom are sustainability analysts, specialized by sector or sustainability themes) which have longstanding experience and come from different professional domains.

Candriam's SRI philosophy is based on the idea that a company's long-term value is not purely affected by financial criteria such as revenues, margin growth, etc... By taking into account environmental, social and governance (ESG) criteria, we identify additional factors that affect a company's long-term value and competitiveness but that are not always apparent in traditional financial analysis. Our proprietary rigorous SRI investment process ensures sustainable and financial risks and opportunities in the short, medium and long term are integrated into investment decisions.

As a responsible asset manager, our commitment to our clients is to continuously further develop our leadership in SRI and enhance our large range of SRI products which is based on several SRI approaches (Best-in-Class, thematic, norms-based...).

We try to continuously push further the integration of ESG criteria into our investment process: in 2010 we decided to apply an SRI screening to our Indexed funds range, Candriam's financial analysts take into account governance aspect during their financial stock selection and our active engagement and proxy voting policies contribute to promote best practices among companies.

Moreover to enhance sustainable investments' visibility we try to always offer our clients and prospective clients an SRI solution alongside the traditional investment solution.

Detailed information regarding our SRI activity and the way we actively promote and advocate SRI in the investment industry can be obtained on our website: www.candriam.com.

This belief relates not only to our Sustainable& Responsible Investment policies: we also practice what we preach. Candriam's commitment to being a responsible asset manager has deep roots in our corporate culture and business model. We believe that this innate responsible and sustainable perspective constitutes a valuable distinguishing edge. It makes us steer clear of risky short-term behavior and helps us anticipate influential trends; most of all, however, it strengthens our position as a reliable, trustworthy partner, capable of creating sustainable value for clients in a rapidly changing world. This commitment to sustainability is driven from the top and shared at all levels of our organization.

We continuously set CSR priorities and goals for improvement in five areas:

- Responsibility towards our clients - by engaging with clients in long-term partnerships, and meeting their needs better, faster, more completely, and more uniquely than anyone else. By committing to a sustainable sales process fully aligned with client needs, offering deeper and greater transparency on our solutions and investment decisions.
- Responsibility in our investments - by offering regulated and transparent investment solutions based on renowned expertise and governed by rigorous risk management and strict compliance procedures. By remaining at the forefront of Sustainable and Responsible Investment. By making our traditional investments benefit from the relevant sustainability insights that impact companies' long-term results. By being an active owner, engaging with companies to promote sustainable behavior.

- Responsibility towards our employees - by fostering a desirable workplace and welcoming diversity. By investing in training and empowering employees to develop their talents and contribute to the kind of creativity and long-term commitment that thrive in a responsible corporate culture in which people feel valued and inspired to excellence.
- Responsibility towards the community - by building on our long tradition of responsible citizenship, particularly in the area of community service, where we encourage staff and give them time off to do voluntary work.
- Responsibility towards the environment - by practicing environmental stewardship all along the value chain.

Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
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OO 11.1	Select your direct or indirect ESG incorporation activities your organisation implemented, for listed equities in the reporting year.
<input checked="" type="checkbox"/> We incorporate ESG in our investment decisions on our internally managed assets <input type="checkbox"/> We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.	

OO 11.2	Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.
<input checked="" type="checkbox"/> We engage with companies on ESG issues via our staff, collaborations or service providers <input type="checkbox"/> We do not engage directly and do not require external managers to engage with companies on ESG factors.	

OO 11.3	Select your direct or indirect voting activities your organisation implemented for listed equity in the reporting year
<input checked="" type="checkbox"/> We cast our (proxy) votes directly or via dedicated voting providers <input type="checkbox"/> We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf	

OO 12	Mandatory	Gateway	General
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OO 12.1	Select internally managed asset classes where you implemented responsible investment into your investment decisions and/or your active ownership practices (during the reporting year)
<input checked="" type="checkbox"/> Fixed income – SSA <input checked="" type="checkbox"/> Fixed income – corporate (financial) <input checked="" type="checkbox"/> Fixed income – corporate (non-financial) <input checked="" type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Hedge funds <input checked="" type="checkbox"/> Cash <input type="checkbox"/> None of the above	

OO 12.2

Select externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)

- Other (1)
- None of the above

'Other (1)' [as defined in OO 05]

Multi-management used to address specific needs in terms of investments for which ESG incorporation except legally excluded controversial weapons is difficult to implement.

Candriam Investors Group

Reported Information

Public version

Strategy and Governance

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Responsible investment policy

SG 01

Mandatory

Core Assessed

General

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate what norms have you used to develop your RI policy.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

SG 01.4

Provide a brief description of the key elements of your investment policy that covers your responsible investment approach [Optional].

While business is, of course, all about value creation, Candriam has always believed it is **sustainable value creation** that makes the difference. Economic growth and profits can only be sustainable when businesses behave responsibly and look beyond the immediate present by giving appropriate consideration to ESG aspects. **As a responsible asset manager**, our commitment to our clients is to continuously further develop our leadership in SRI and enhance our large range of SRI products which is based on several SRI approaches (Best-in-Class, thematic, norms-based...). **We continuously push further the integration of ESG criteria** into our investment processes and our **active engagement** and **proxy voting policies** contribute to promote ESG best practices among companies. Moreover to enhance sustainable investments' visibility we try to always offer our clients and prospective clients an SRI solution alongside the traditional investment solution. This is made possible as our SRI expertise covers all asset classes and regions.

Our dedicated SRI analysis team continuously tracks new ESG trends and makes our ESG approach forward-looking. All ESG researches and results are shared with portfolio managers.

Our Responsible investment policy is approved by Candriam's Executive Committee and by the CSR Steering committee. It is reviewed on a yearly basis.

No

SG 01.5

Additional information [Optional].

While our commitment to promote responsible investments is motivated by sustainable financial performances, we have developed different approaches to ESG integration. Promotion of ethical standards and good corporate practices are the cornerstones of our ESG integration promotion policy in all our investments processes.

Since 2009, we apply a controversial armament exclusion to all Candriam's investments. All our Index funds range excludes since 2010 companies that are not compliant to the UN Global Compact principles. Since 2012 we extended it to the European Fundamental Equity processes and Candriam's financial analysts take into account governance aspect during their financial stock selection. In 2014 our bond and money markets processes also started integrating ESG factors in the financial selection.

Our SRI product range exists since early 2000 and the dedicated SRI analysts team has developed a unique framework for assessing companies and countries from a ESG perspective. This framework combines an assessment of companies exposure to global sustainability trends and of companies behaviour in the management of stakeholders. The selection resulting from this approach is completed by a final check of the compliance of companies to the UN Global Compact principles and of the compliance to our controversial activities policy. We have developed in 2008 a specific assessment framework for emerging markets companies that is integrating progressively -in function of ESG reliable data available- additional ESG criteria in order to make our selection taking into account the available ESG criteria.

We also act as a responsible owner. We apply our own proxy voting policy since 2003 and have developed our engagement activities since 2005.

Policy

We initially used our proxy voting rights for European companies but progressively extended the scope to other regions. Since 2015, our proxy voting policy covers all regions, inclusive the emerging markets one. Our policy covers all our funds and AUM except hedge funds management.

The Eurosif Transparency Codes describing our SRI methodology and approach applied to all SRI funds (incl. the indexed funds).

All our funds and AUM except hedge funds management are covered by our active engagement activities.

Coverage by AUM

At Candriam our responsible investment policy covers not only our core SRI funds but we continuously try to further develop our leadership in SRI and to extend the integration of ESG factors to other investment products/processes. In addition to the controversial armament exclusion filter which applies to all our assets under management we offer **5 different types of screening taking** into account ESG factors :

1.SRI Best-in-Class screening - applied to all SRI AUM

Candriam Core SRI funds only invest in companies managing at best their sector-specific sustainability-related challenges. Our proprietary Best-in-Class analysis is designed to assess companies' ability to manage sustainability-related challenges from two distinguishable but interlinked angles during the Macro and Micro analysis. The Macro analysis assesses a company's exposure to long-term trends (such as climate change,

demographic evolution ...) that may strongly influence the business environment in which companies operate and may shape future market challenges and long-term growth opportunities. The Micro analysis evaluates a company's ability to take the interests of stakeholders (customers, employees ...) into account in their long-term strategies as they represents both risk and opportunity for businesses.

The Best-in-Class analysis is followed by a norms-based check designed to exclude those companies for which there is definite proof of systematic breaches of one or more of the ten principles set out in the United Nations Global Compact that covers human rights, labour standards, the respect for the environment and anti-corruption. Finally, the last step of our SRI analysis consists in excluding all companies involved in the armament industry and checks others controversial activities' exposure.

Note for Emerging markets company's analysis : the lack of transparency, lower standards in terms of disclosure, language barriers and limited access to unbiased information are source of incomplete or insufficient data for our micro analysis. This has been compensated by stricter screenings in the Norms-based and Controversial activities assessment of companies and a specific corporate governance screening.

2.Integration approach -- applied to all our European Fundamental Equity AUM (with or without SRI Best-in-class screening)

This approach combines the norms-based and the exposure to (controversial and conventional) armament screenings and takes systematically into account governance aspects (quality of management) during the financial analysis of issuers.

3. Armament and norms-based filter- applied to some World fundamental Equity funds

This screening combines an armament filter (exposure to controversial and conventional weapons) with the norms-based check.

4.Norms-based filter only -- applied to all passive management AUM (Equity and Fixed Income)

5. Integration approach - applied to all active managed funds invested in corporate bonds (with or without SRI Best-in-class screening)

This approach takes systematically into account Governance factors in the financial selection process as well as ESG issues in the business profile of the corporate issuers.

SG 02	Mandatory	Core Assessed	PRI 6
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SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document.
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- Policy setting out your overall approach

URL

https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/csr-report/can_csr2014_eng.pdf

- Formalised guidelines on environmental factors

URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-core-sri-funds-2015-en.pdf>

- Formalised guidelines on social factors

URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-core-sri-funds-2015-en.pdf>

Formalised guidelines on corporate governance factors

URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-core-sri-funds-2015-en.pdf>

Asset class-specific guidelines

URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-emerging-markets-sri-funds-2015-en.pdf>

Screening / exclusions policy

URL

https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/controversial-activity/controversialactivitypolicy_en.pdf

Engagement policy

URL

https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-report/engagement-activities_annual-report_def.pdf

(Proxy) voting policy

URL

https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy-voting-policy_2015.pdf

We do not publicly disclose our investment policy documents

SG 03	Mandatory	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

Candriam has put in place a code of ethics, a policy for identifying, preventing and managing conflicts of interest and has created an independent compliance department. Candriam staff may not, as part of their business activities, manage portfolios for their own account or for the account of members of their family, unless authorization from the compliance officer. For such transactions, they must go through the appropriate channels available to clients.

As a general rule, operators of Candriam shall avoid any situation in which a conflict of interest arises between the management of their private assets and their business activities. Account managers and asset managers must carry out their activities exclusively in the interests of their clients or the investment funds. They may not carry out on behalf of their customers transactions in which they have a personal interest. If they find themselves in a situation in which there might be a potential conflict of interest, they must refuse to carry out the transaction and, before the situation arises, inform the management board and the compliance officer of Candriam about it in writing.

No

SG 03.3

Additional information. [Optional]

In all circumstances Candriam employees shall be required to behave in a responsible manner as though they were managing their own investments.

Regarding sustainable investing any potential conflict of interest is avoided thanks to a two-step investment process that first of all calls for the definition of the eligible investment universe, followed by a financial selection from within this eligible universe. The eligible universe is delivered each month by Candriam's independent and dedicated SRI analysis team. Any investment outside the SRI universe is prohibited.

As far as **svoting activities** are concerned, in case a potential conflict of interest is identified, the Candriam's voting guidelines will be applied without possible intervention from the analyst in charge of the voting activities.

The Candriam's policy for identifying, preventing and managing conflicts of interest revolves around the following principles:

- identifying and preventing conflicts of interest;
- managing conflicts of interest;
- drafting, implementing and maintaining an effective conflict-of-interest management policy;
- keeping a register of potential conflict-of-interest situations;
- informing clients of conflicts of interest not "managed"/manageable by Candriam

At Candriam, each individual department is responsible for detecting and preventing the conflicts of interest inherent to its particular activity.

Any potential conflicts of interest identified are consolidated by Compliance in register, where they are listed by category. This register is reviewed at least every two years.

Any new conflict-of-interest situation is brought to the attention of the management bodies (Management Committees,...); in cases where Candriam is unable to manage a conflict-of-interest situation, investors will be duly informed.

Potential conflict-of-interest situations are described, analysed and drafted by all the departments concerned, with (if necessary) the help of Compliance.

The conclusions of the analysis are then submitted to Compliance.

The final decision regarding the inclusion in (or exclusion from) the register will be taken by Compliance.

To manage these potential conflict-of-interest situations, Candriam has implemented a series of structural measures for the processing of specific conflict-of-interest situations.

The practical drafting, implementation and application of these measures is the responsibility of the business line/department in question.

Compliance is responsible for monitoring and controlling their implementation, application and effectiveness.

Should Candriam fail to manage a specific conflict of interest, it will inform investors accordingly in a durable material, in compliance with the applicable regulations.

Structural measures in place

1. The Code of Ethics imposes obligations of discretion and confidentiality with respect to any and all information related to client transactions. It also imposes the need to demonstrate fairness and loyalty in dealings with stakeholders (clients, external counterparties, suppliers).

Integrity, loyalty, impartiality, the observance of professional secrecy and the safeguarding of clients' interests are vital elements in the list of rules that staff are obliged to respect.

Two measures mentioned in The Code of Ethics should be particularly monitored:

- the need for staff to always act in the best interests of the client and to preserve market integrity;
- the need to respect their obligations in relation to information concerning their clients. Such information is not to be used in staff's own interests or for the benefit of any of their clients. Due to the private nature of this information, it has to be governed by measures imposed at entity and at group level, to prevent its widespread circulation. It is incumbent upon staff members to adhere to these rules wholeheartedly.

2. Any confidential (or private) information flows likely to generate conflicts of interest are forbidden. CANDRIAM has implemented a series of measures designed to prevent the inappropriate exchange or use of information . Accordingly, information flows have to be managed.

These rules are summarised both in the data protection policy and in the operational procedures applicable to the entities (in particular, with respect to electronic and physical access).

3. Similarly, entities have to be organised in such a way as to prevent undue influence.

The entity, its constituent departments and the clients have to be able to take decisions with the requisite level of autonomy. Consequently, each member of staff has to be sure that he is fully independent in his dealings with clients or counterparties and does not run the risk of influence or conflict-of-interest. Any persons involved in activities subject to potential conflicts of interest should exercise these activities independently of one another. Each manipulation or attempt to influence them should be avoided.

4. Candriam provides staff with regular training on Compliance matters, particularly with respect to the prevention of conflicts of interest. General information on conflicts of interest and global instructions are available to staff and to management (definition of conflicts of interest, ways of detecting conflicts of interest, management of conflicts of interest, ...) via Candriam intranet .

5. Compensation of employees is in line with Candriam's compensation policy.

6. A Candriam procedure describes the conditions and requirements to be fulfilled by salaried officers for them to be able to occupy positions or engage in any subsidiary activities.

Indeed, particular attention has to be paid to the strict separation of Candriam interests and the private interests of company staff, in order to avoid situations in which the staff member agrees to undertake a subsidiary activity or to exercise a profession that could lead to conflict of interest.

Objectives and strategies

SG 04	Mandatory	Gateway/Core Assessed	General
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SG 04.1	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
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- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

At Candriam, we have a longstanding culture of sustainability. Since 1996, we have been working on SRI, building up a dedicated team of investment managers, an in-house analysis department and an adapted management process. SRI, we say, is in our DNA. However, the acquisition of a leading position in SRI is, of course, not Candriam's sole commitment as a responsible asset manager. To ensure the successful realisation of the various objectives we defined in our corporate social responsibility action plan, we have embedded sustainability into our uniquely client-centred business model, focused on balancing responsible behaviour towards our stakeholders with the synergies between our SRI and our traditional investment activities, and with environmental and societal stewardship. We commit to taking into account, in our strategic business choices, the global trends shaping tomorrow's world. We are well aware that commitment at all levels of Candriam, from the top down, is essential. Hence our Executive Committee regularly assesses the relevant sustainability challenges to determine how Candriam should manage its stakeholder relations and how it should attune its business model and practices to global long-term challenges. This has led, for instance, to the development of pension fund solutions, duly incorporating ALM and LDI considerations, to meet the long-term trends of ageing populations and developing populations. We have also set out a clear corporate social responsibility guidance procedure: - a quarterly CSR Steering Committee pilots Candriam's corporate social responsibility action plan; - an annual comparison, based on publicly available information, of Candriam's sustainability policies and performances vis-à-vis its peers, allows us to put our own CSR efforts in perspective. Additionally, our SRI analysts also calculate Candriam's own SRI score based on Candriam in-house methodology like for other sector's companies. - an annual Sustainability report, published in June, outlines the efforts and initiatives deployed by Candriam in the course of the year.

Each year the SRI analyst team presents a Business plan to the Executive Committee covering the year's achievements (SRI funds performances, scope of screenings, AUM,...) and the new projects/objectives for the next year related to SRI screening methodology, scope of application, engagement and proxy voting activities, communication plan (incl.the SRI events organized for clients and participation to external events) and in-house training about SRI approaches/specific ESG topics.

Governance and human resources

SG 06

Mandatory

Core Assessed

General

SG 06.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
Heads of different asset classes

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
- Investor relations
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify

Proxy voting committee and execution

Other description (1)

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify

Other description (2)

Risk management department

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

SG 06.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Candriam is functionally organized as follows: • The Executive Committee is in charge of the company's global strategy, inclusive the responsible investment one; • The investment management (traditional management) and alternative management departments are in charge of managing all funds and clients assets; • The Client Relations and Solution department manages the relationship with all clients and is in charge of bringing the best solutions to their needs • Five business units act as support centers for the previously mentioned departments: (1) Finance, Secretary General and Product Range Management; (2) Global Risk Management; (3) Operations, Client Servicing and IT; (4) Human Resources Management (5) Audit and compliance. The communication department makes sure that the company's strategy is properly communicated internally and externally.

The SRI team is within the traditional investment department. The department is headed by Isabelle Cabie, Global Head of SRI. With her team of analysts, they are responsible for implementing our SRI analysis, engagement activities and voting policy, determine the SRI universe in all asset classes and take actions to promote SRI.

The portfolio managers are responsible to apply ESG selection to the funds and portfolios they manage. Heads of units and dedicated SRI portfolio managers are also responsible for the promotion of the SRI processes.

The Proxy voting committee and the 2 SRI analysts who are members of it are monitoring and developing Candriam's Proxy voting policy, they also are responsible for the implementation of its principles. An operational unit and the external service provider ensure that Candriam's votes are exercised.

The Risk management department ensures that portfolio managers only invest in SRI 'compliant' issuers.

SG 06.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

20

Promoting responsible investment

SG 08

Mandatory

Core Assessed

PRI 4,5

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 08.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Moderate

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

signatory

- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

signatory

- CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

signatory

- CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

signatory

- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

signatory

- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
 - Eurosif - Belsif- VBDO - RIAA - Italian SIF - Nachhaltige Forum- French SIF FIR- Swiss Sustainable Finance

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our organisation's role is:

- "Moderate" for VBDO and Italian SIF
- "Basic" for the others.

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

signatory

- Other collaborative organisation/initiative, specify

Investor sign-on letter on Bangladesh

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

signatory

- Other collaborative organisation/initiative, specify

Collaborative engagement on labour standards in the agricultural supply chain

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

signatory

- Other collaborative organisation/initiative, specify

Collaborative engagement on anti-corruption

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
 Moderate
 Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

signatory

- Other collaborative organisation/initiative, specify

Access to Nutrition Index

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
 Moderate
 Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

signatory

SG 08.2 Additional information. [Optional]

We are also member/participant of the following collaborative organisation or initiatives that promote responsible investment:

- PRI Rio Initiative (organisation's role: basic - involvement: signatory)
- ISOS Investors statement on Oil Sands (organisation's role: basic - involvement: signatory)
- Investors engagement on Environmental Risks of Shale Oil/Tigh Oil (organisation's role: basic - involvement: signatory)
- HFIG Hydraulic Fracturing Investor Guide (organisation's role: basic - involvement: signatory)
- GISCC Global Investors Statement on Climate Change (organisation's role: basic - involvement: signatory)
- LSSC Labour Standards in the Supply Chain (organisation's role: basic - involvement: signatory)
- ISCC Investors Statement on Climate Change (Cancun) (organisation's role: basic - involvement: signatory)
- AtM Index Investors Statement on Access to Medicine (organisation's role: basic - involvement: signatory)
- SSE Sustainable Stock Exchange (organisation's role: basic - involvement: signatory)
- ISSWC Investors Statement regarding Suicides and Working Conditions at electronics manufacturing facilities (organisation's role: basic - involvement: signatory)

- CDP LI Carbon Disclosure Project Leadership Index (organisation's role: basic - involvement: signatory)
- ISGACC Investors Statement on a Global Agreement on Climate Change (organisation's role: basic - involvement: signatory)
- CCCC The Copenhagen Communique on Climate Change (organisation's role: basic - involvement: signatory)
- ISSR EM Investors Statement on Sustainability Reporting in Emerging Markets (organisation's role: basic - involvement: signatory)
- ICOS Investors Collaboration on Oil Sands (organisation's role: basic - involvement: signatory)
- Call for Action - Global Banks & Climate Change (organisation's role: basic - involvement: signatory)
- 2014 Global Investor Statement on Climate Change (organisation's role: basic - involvement: signatory)
- Invitation to support investor statement about EU conflict mineral due diligence regulation (organisation's role: basic - involvement: signatory)
- UNGC Call to Action on anti-corruption (organisation's role: basic - involvement: signatory)
- Investor sign-on letter to companies on Bangladesh - Second Statement (organisation's role: basic - involvement: signatory)
- Final EU Parliament Vote on Conflict Minerals Due Diligence and Reporting Requirements (organisation's role: basic - involvement: signatory)
- Invitation to sign letter to RSPO on sustainable palm oil practices (organisation's role: basic - involvement: signatory)
- Montreal Carbon Pledge (organisation's role: basic - involvement: signatory)
- Shareholder Letter to Stock Exchanges (organisation's role: basic - involvement: signatory)
- Signature of the follow-up letter addressed to the RSPO board. (organisation's role: basic - involvement: signatory)
- G20 Energy Efficiency Investor Statement (organisation's role: basic - involvement: signatory)
- Paris Pledge for Action (organisation's role: basic - involvement: signatory)
- ORSE (Observatoire pour la responsabilité sociétale des entreprises) (organisation's role: basic - involvement: signatory)
- EABIS (European Academy of Business in Society) (organisation's role: basic - involvement: signatory)

SG 09	Mandatory	Core Assessed	PRI 4
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SG 09.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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Yes

SG 09.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

SG 09.3

Additional information. [Optional]

As a leader in SRI on the European market, we **participate in many workgroups within SRI community**, such as AFG in France, BEAMA in Belgium and EFAMA at European level, therefore promoting SRI actively. More specifically, during 2015, our participation in those working groups has led to the promotion of the French national SRI label and some interesting statements related to Climate Change ahead of the COP 21 (ex. EFAMA statement). At the same time, we published a Candriam statement on the importance of climate change issue for investors and in our SRI approach. This was also the opportunity to publish some educational articles on portfolio carbon footprint (for more information, consult <https://www.candriam.fr/en/professional/market-insights/montreal-carbon-pledge>). As we are convinced that all three pillars of SRI is important, we also write some articles on social issues (one example of an opinion column <https://www.candriam.fr/en/professional/market-insights/assets-class/sri/is-social-performance-the-final-frontier-of-competitiveness-/>)

We also organize **many events dedicated to our clients** on SRI, roadshows, meetings, conference calls, etc... in all the countries where we are present. Lastly, Candriam shares its SRI expertise as a **regular speaker at key SRI conferences in Europe and abroad and as a frequent interviewee in the press**. In 2015, Candriam participated :

- at the *Giornata Nazionale della Previdenza event in Naples* (Italy): The SRI analyst in charge of our Proxy Voting and Engagement Activities spoke at the round table. "Worldwide Investing. Sustainability and Responsible Investment: from a niche to mainstream? Excellence in International experience". The SRI topic discussed was "Engagement Activities: How, When and Why"
- at the *Geneva Forum for Sustainable Investing* (Switzerland): our Global Head of Sustainable Investments, and our Deputy Head of Quant Equity Management, were speakers at the Geneva Forum for Sustainable Investing. Two presentations were done : a first during a plenary session, highlighting the 20 years experience of the value added in SRI using Candriam's in-house SRI approach. A second presented at a dedicated workshop our successful combined SRI and Quant management expertise.
- at the *Forum per la Finanza Sostenibile*: The SRI analyst in charge of Proxy Voting and Engagement activities participated in a working group with other institutional investors and pension funds on the topic of "Engagement". Our SRI analyst helped draft the Italian Engagement guidelines.
- at the *AG2R SRI Seminar (France)*: "L'ISR(SER)R(E) T-IL TROP FORT?" our Global Head of SRI, was one of the contributing specialists at this event dedicated to institutional investors. It was an opportunity to promote our SRI expertise with a special focus on how Candriam manages ESG controversies in company assessments.
- *SRI roadshow in collaboration with Belfius* (Belgium): Candriam was invited by Belfius to promote SRI to its public and social banking clients by means of a roadshow in Belgium. It was an opportunity to highlight our belief in SRI funds and explain in detail our Best-in-class approach and our broad SRI product range.
- *roundtable and one-to-ones in Zurich* (Switzerland): our SRI Senior Investment Specialist shares our expertise on SRI with institutional clients.

- at the *Frankfurt School of Finance* (Germany): our sales director from the German Branch discussed with peers and the audience the trends in Sustainable investment products and the changes in customer requirements over the past few years.
- at the *Forum per la Finanza Sostenibile in Milan* (Italy): Candriam held a round-table on the topic: "Engagement on SRI themes. Listed companies and dialogue with investors".
- at the "*Italian Private Banking Association*" *National Forum*: As main partner, Candriam had the opportunity to share a presentation entitled "A new private banking between wealth and responsibility", was given by our Global Head of European Client Relations and our Head of Italian Branch.

Implementation not in other modules

SG 14	Mandatory	Descriptive	General
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SG 14.1

Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Cash	The SRI selection and selection applied to responsible investments in money markets instruments issued by corporate or governments is the same as this applied for our responsible investments in listed Equities or bonds.

SG 15	Mandatory	Descriptive	General
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SG 15.1

Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Other (1) [as defined in Organisational Overview module]	For those external managed assets addressing specific investment needs (not commodities) for which an ESG screening is not easily applied, the only ESG screening applied is the exclusion for exposure to legally excluded controversial armament (anti-personnel landmines, cluster bombs and depleted uranium).

Innovation

SG 17	Voluntary	Descriptive	General
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SG 17.1

Indicate whether any specific features of your approach to responsible investment are particularly innovative.

Yes

SG 17.2

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

Candriam's approach to responsible investment consists in an **innovative three-step SRI analysis** combining a best-in-Class analysis, a norms-based analysis and a controversial activities exposure assessment.

Moreover our best-in-class analysis for companies, uses two separate but related perspectives to evaluate their ability to manage the sustainable development issues specific to their sector: a Macro-Analysis and a Micro-Analysis. The Stakeholders' analysis (Micro-analysis) that evaluates a company's ability to incorporate stakeholder interests in its long-term strategy is completed by a Macro analysis that evaluates the companies' business model exposure to the global sustainability trends. These are long-term trends liable to considerably influence the economic environment in which companies operate and to determine the future challenges in the market as well as the long-term growth opportunities. Candriam has identified six global sustainability trends : Climate Change, Resource Depletion, Demographic Evolution, Health and Wellness, Interconnectivity and Developing Economies.

The fact that this combined analysis is made at sector level favor the investment in new solutions that contribute to a sustainable economic activity.

This Best-in-Class analysis is followed by a norms-based analysis to determine if companies observe the 10 principles of the United Nations Global Compact and if countries have ratified and observe the main international conventions and treaties. Finally, a controversial activities check evaluates a company's involvement in the weapons industry and other controversial activities such as adult content, alcohol, gambling, GMOs, nuclear power, animal testing and activities exercised in oppressive regimes.

As far as the **engagement activities** are concerned, starting in 2012, after the proxy voting season, we send letters to board chairmen to explain the rationale behind Candriam's controversial voting recommendations. In 2015, we initiated a new approach to engagement activities with the definition of 3 convictions topics that will be at the center of our attention in direct dialogue with companies and pilot our CSR policy.

No

Candriam Investors Group

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03

Mandatory

Gateway


PRI 1

LEI 03.1


Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

ESG incorporation strategy (select all that apply)


Screening alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied	 8
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- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied	 8.5
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- Thematic + integration strategies
- Screening + thematic strategies

Percentage of active listed equity to which the strategy is applied (+/- 5%)	 9.5
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- All three strategies combined

Percentage of active listed equity to which the strategy is applied	 4
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- No incorporation strategies applied

Percentage of active listed equity to which no strategy is applied	%
	70

Total actively managed listed equities

100%

LEI 03.2 Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

Through its SRI engagement, Candriam considers that a company's business activities are sources of both opportunities and risks that cannot be fully evaluated using traditional financial metrics alone. We believe that taking into account environmental, social and corporate governance (ESG) criteria in the evaluation of company's business model (Macro criteria) and stakeholders' management (Micro criteria) is a source of long term value.

Moreover, we believe that by selecting within each sector, the companies that manage ESG challenges best, our SRI Best-In-Class approach enables us to raise best practices standards in all economic activities and to contribute to a sustainable economic growth.

Since 2010 we also apply an ESG screening to our Indexed funds because we are convinced that reputational risks strongly influence financial valuation.

LEI 03.3 Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

Candriam defines SRI as the incorporation of environmental, social and governance (ESG) criteria in investment decisions.

Sustainability-related challenges for equity issuers are analyzed from three angles :

- A Best-in-Class analysis
- A Norms-based analysis in relation with the United Nation's Global Compact
- An Armament and other controversial activities filter

LEI 03.4 Additional information. [Optional]

1) Best-in-class analysis

The Best-in-class analysis for companies consists in evaluating their ability to manage the sustainable development issues specific to their sector. These are addressed from two separate but related perspectives, namely a Macro-Analysis and a Micro-Analysis.

Macro-Analysis evaluates the company's exposure (services/products, production areas, market segments, etc.) to the global sustainability trends . These challenges are long-term trends liable to considerably influence the economic environment in which companies operate and to determine the future challenges in the market as well as the long-term growth opportunities.

Candriam has identified six global sustainability trends : Climate Change, Resource Depletion, Demographic Evolution, Interconnectivity, Health and Wellness, and Developing Economies.

Micro-Analysis evaluates a company's ability to incorporate stakeholder interests (customers, employees, etc.) in its long-term strategy, insofar as they are a source of risks and opportunities for the company.

2) Norms-based analysis

Candriam conducts a Norms-based analysis of companies. The goal of this analysis is to check whether companies comply with the ten principles of the United Nation's Global Compact which encompasses four main areas of Human Rights (HR), Labor Rights (LR), the Environment (ENV) and Anti-Corruption (COR). The Norms-based analysis is designed to filter out companies that have significantly and repeatedly breached one of the ten principles of the United Nation's Global Compact.

3) Control of the exposure to armament& other controversial activities

Candriam's conducts an armament and controversial activities check in its selection process of sustainable and responsible companies. During this analysis, companies are assessed on their involvement in certain controversial businesses and activities including : Adult Content, Alcohol, Gambling, Nuclear Power, Tobacco, Weapons, Genetic Modification, Animal Testing and Activities in Oppressive Regimes.

In function of the type of screening applied, the SRI selection and eligible universe is defined and transmitted to the portfolio managers.

Candriam's investment processes including SRI selection are two-step processes that first of all calls for the definition of the eligible investment universe, followed by a financial selection from within this eligible universe. The financial selection of issuers from within this SRI universe is based on a financial analysis and optimal management of risks and of the portfolio.

Any investment outside the SRI universe is prohibited.

The selection of SRI issuers is confirmed by the SRI analysis team on a monthly basis, and on a one-off basis in exceptional circumstances. When there is a change in the SRI universe and an issuer is excluded, the approach consists in excluding this issuer from the SRI portfolios within a period of six months, depending on market conditions (very rare exceptions may be granted in order to accommodate a potential liquidity problem).

The Risk Management Department ensures that the securities making up the portfolios comply with the SRI universe.

As far as the SRI Best-in-class equities universe is concerned, the SRI eligible universe consists of the top 50 % best-positioned companies towards the micro and macro analysis that have successfully passed Norms-Based Analysis and controversial activities exclusion screening.

The integration approach applied to the Fundamental European equity process (SRI Best-in-Class and others)consists of taking into account the company's governance score in one of the 5 financial criteria scores (the quality of management criteria) used to identify the company's financial profile.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.		

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Applied to all investments implementing Candriam SRI and integration approaches*Product/Activity:*

Any companies exposed to the weapons industry are permanently excluded from the SRI universe if they are involved in the manufacture or sale of controversial weapons or if more than 3% of their revenues are generated from the manufacture or sale of conventional weapons.

Sector:

Aerospace and defense sector is excluded from the investment universe

ESG practices and performances :

Exclusion for important violations to UN Global Compact

Additional screening applied to all investments implementing Candriam SRI Best-in-class screening*Product/Activity:*

Regarding the other controversial activities the following exclusion threshold for exposure are :

- Activities in oppressive regimes: large presence in highly oppressive regimes (revenues>1%)
- Alcohol (revenues>10%)
- Adult content (revenues>5%)
- Gambling (revenues>5%)
- Nuclear (revenues>30%%, 5 % for emerging markets)
- Genetic modification (revenues>10%, not applicable for emerging markets)
- Tobacco (revenues>5%)
- Animal testing (breach of legislation/ responsible behavior if there is no legal requirement- not applicable for emerging markets)

Applied to some tailored-made insurance portfolios*Product/activity*

Exclusion for exposure to controversial weapons and for majority of business exposed to tobacco

ESG practices and performances :

Exclusion for violations to human, labour rights and environmental damages

Positive/best-in-class screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

Applied to all investments implementing Candriam's SRI screening

Product/activity /sector/country :

During the Best-in-Class analysis, the Macro analysis evaluates the company's exposure to global sustainability trends liable to influence the economic environment in which companies operate and determine the future challenges in the market. This exposure takes into account the product/services offered, the geographical production zones and markets, the customer segment groups.

Based on the conclusions of the sector macro analysis, all company's exposure to the global sustainability trends specific to its sector are evaluated and scored. A negative score reflects the company's negative exposure to these global sustainability trends while a positive score reflects positive exposure.

ESG practices and performances :

During the Best-in-class analysis, the Micro analysis evaluates the material risks and opportunities arising from interactions with stakeholders. Based on qualitative sector data and, where possible, historic quantitative data, the relevance of each stakeholder relation (Customers, Employees, Investors, Environment, Suppliers and Society) and the different themes is determined according to the frequency of interactions, their financial impact and future prospects. For each themes addresses, the company strategies and policies implemented as well as its performances relative to its competitors are evaluated.

Norms-based screening

Screened by

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Description

Applied to all kinds of screenings except tailored-made one

During the norms-based analysis of companies, the analysts determine if the company observes the 10 principles of the United Nations Global Compact covering Human and Labour rights, Environment and Corruption/Governance.

If there are evidences of repeated and significant violations of these principles with no appropriate response or change of behaviour from the company, it is excluded from the SRI eligible universe.

Applied to tailored-made insurance portfolios

Companies that have violated human and labor rights or having made serious damages to the environment are excluded (see).

LEI 06.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Sector models and company's belonging to this sectors are completely reviewed every 36 months, with the goal of ensuring that the model used by the analysts optimally reflects the sustainable development risks and opportunities affecting the sector today and within the next five years. During this sector review, the SRI analysis determines, for the Macro analysis, if there are relevant correlations between the sector activities (products offered, geographic location, etc...) and the 6 global sustainability trends (Climate change, Resource Depletion, Demographic Evolution, Interconnectivity, Health& Wellness and Developing Economies).

During the sector review of the Macro analysis, the analysts determine groups of companies with similar characteristics or business model (activity, geographic location, products/services, ...) in a given sector. Next they determine whether or not these groups are exposed to the relevant global sustainability trends and how this is reflected (positively or negatively) for each of the 6 global sustainability trends.

For the Micro analysis, the analyst evaluates the material risks and opportunities arising from the sector's interaction with its stakeholders (Customers, Employees, Investors, Environment, Suppliers and Society). Relations with the 6 categories of stakeholders are assessed through an analysis of 14 sub-categories (ex. Commercial practices, working conditions, corporate governance) covering 32 themes (such as environmental practices of suppliers, remuneration, work time& flexibility, ...).

A single category can be represented by different indicators depending on their relevance for the sector in question. For example, the category "health& safety" of employees is primarily assessed by looking at safety conditions on oil platforms in the Energy sector, whereas it would be assessed by looking at workplace stress and ergonomics indicators in the Software sector.

In order to build the model for the Micro analysis of the sector the SRI analyst determines the relevance of the various themes for the sector in question. Once the relevance of each category is determined, weightings for each category and sub-category can be defined.

In each sector, companies belonging to the top 50 % combined macro/micro scores are SRI eligible if they are passing the norms-based and controversial activities checks.

Between two sector revisions, companies are subject to an ongoing control and continuous updates.

If there is a major event liable to affect the rating assigned to a company (mergers and acquisitions, scandals, etc.), a warning can be launched on an issuer belonging to the SRI universe and its analysis is reviewed within the next three months.

In the event of an SRI warning on an issuer, the portfolio manager can no longer add to the position in this issuer. Each month, the SRI team provides the SRI eligible universe to the portfolio managers. All sector reviews are communicated to portfolio managers and include : the sector model description, the companies included/excluded from the universe, the company's ESG profiles.

Our SRI approach applied to sectors is regularly presented on our SRI dedicated website and client's SRI events are organized to present our SRI methodology and specific ESG issues analyzed during the sector reviews. At present, investors are not systematically informed of divestments for SRI reasons, however those are covered by the comments in the quarterly fund reports published on the company's website.

LEI 07**Mandatory****Core Assessed****PRI 1**

LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

(B) Implementation: Thematic

LEI 09	Mandatory	Descriptive	PRI 1
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LEI 09.1	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
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- Environmentally themed funds
- Socially themed funds
- Combination of themes

LEI 09.2	Describe your organisation's processes for sustainability themed funds. [Optional]
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In the ESG approach proposed by Candriam, ESG thematic like Clean Tech, Green buildings, sustainable forestry and agriculture, water, education, or microfinance are all part of the Global Sustainability trends assessment (Best-in-class macro analysis) of corporate issuers that represents 50 % of the final ESG score of companies. Those trends are systematically taken into account if they are sector relevant and when the issuer is exposed to. Issuers that combines better sector score for this assessment and for their stakeholder management assessment belong to the top 50 % issuers making up the SRI eligible universe.

(C) Implementation: Integration of ESG issues

LEI 10	Mandatory	Core Assessed	PRI 1
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LEI 10.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues	
Environmental	Environmental	<div style="background-color: #0070C0; color: white; padding: 2px;">Environmental</div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	Social	<div style="background-color: #0070C0; color: white; padding: 2px;">Social</div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	Corporate Governance	<div style="background-color: #0070C0; color: white; padding: 2px;">Corporate Governance</div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 10.2 Additional information. [Optional]

At Candriam, the SRI analyst have sector expertise. They are responsible for the ESG sector model and the analysis of issuer of the sector they have in charge. All sector models and issuers analysis based on those are revised on a 3 year basis. Between two sector revisions, issuers are subject to an ongoing control and continuous updates. If there is a major event liable to affect the rating assigned to a company (mergers and acquisitions, scandals, etc.), a warning can be launched on an issuer belonging to the SRI universe and its analysis is reviewed within the next three months. In the event of an SRI warning on an issuer, the portfolio manager can no longer add a position in this issuer. All sector reviews are communicated to portfolio managers and include : the sector model description, the issuers included/excluded from the universe, the issuer's ESG profiles.

Each month, the SRI team provides the SRI eligible universe to the portfolio managers. During the decision committees or at any time an issuer profile is discussed, the portfolio manager presents the issuers profiles that include the ESG factors systematically taken into account :Governance, ESG scores, reputational risks, ESG business model risks.

Communication

LEI 17	Mandatory	Core Assessed	PRI 2,6
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LEI 17.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

We disclose it publicly

Provide URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-core-sri-funds-2015-en.pdf>

Provide URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-indexed-sri-funds-2015-en.pdf>

LEI 17.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEI 17.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 17.4 Indicate how frequently you typically report this information.

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
 - We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 17.7 Additional information. [Optional]

A Transparency code is also available for the ESG approach applied to Emerging Equities management :

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-emerging-markets-sri-funds-2015-en.pdf>

Candriam Investors Group

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

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Engagement

Overview

LEA 01	Mandatory	Core Assessed	PRI 2
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LEA 01.1 Indicate whether your organisation has a formal engagement policy.

Yes

LEA 01.2 Indicate what your engagement policy covers:

- Conflicts of interest
- Prioritisation of engagements
- Transparency
- Environmental factors
- Social factors
- Governance factors
- Other, describe
- None of the above

LEA 01.3 Please attach or provide a URL to your engagement policy. [Optional]

URL

https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-report/engagement-activities_annual-report_def.pdf

Attach document

[engagement-activities_annual-report_def.pdf](#)

LEA 01.4 Provide a brief overview of your organization's approach to engagement

CANDRIAM uses engagement in the course of its sustainability analysis to improve the ESG disclosure of companies, support investment decision making and influence corporate behavior. It engages with both investee companies and all Equity (MSCI World) and Bond (Iboxx Euro and US) companies in CANDRIAM's coverage.

Even if each year new engagement themes are defined related to sector reviews or specific issues, the engagement process is continuous and is made of different steps in function of the engagement theme. Our engagements are both proactive (for more disclosure and when our analysis has identified companies' weaknesses) and reactive (when a controversial news appear on the medias).

In 2015, CANDRIAM took a step further and started to promote three long term engagement topics at company level: Corruption, Energy Transition and Well-being at work. These conviction topics will also be

a special focus of CANDRIAM's Sustainability Analyst dialogue with companies and they will be pursued throughout the years.

CANDRIAM initiated a special focus on companies classified as "In Line" in our SRI selection, representing the bottom line companies of CANDRIAM's SRI universe. Dialoguing with these companies increases the chances of improved ESG practices. These companies represent a source of potential opportunity for investment.

No

LEA 01.5

Additional information [optional]

CANDRIAM engages with companies on its own (sustainability analysts) and through collaborative initiatives. Most of the time CANDRIAM engages with CR/IR managers or company chairmen, through e-mail exchanges, conference calls and one-on-one meetings, but if needed, companies stakeholders are also contacted.

Finally, Candriam completes its engagement activities by contacting companies in relation to important proxy voting issues.

CANDRIAM'S ENGAGEMENT POLICY

The formal process for identifying and prioritising the engagement activities carried out by internal staff is based on the classification provided by the Principles for Responsible Investment (PRI)1:

1) Encouraging improved ESG disclosure

This is the first step in Candriam's engagement activities, which, aimed at improving the ESG disclosure process, are usually performed at the beginning of the sustainability analysis process or research project. Candriam's sustainability analysts contact companies when:

- a) there is a lack of disclosure or when certain information is not immediately available;
- b) there is a need to obtain a precise and determinate piece of information or response to an enquiry during the controversial activities analysis process;
- c) the seriousness of a recent event requires a response/statement from company representatives;
- d) a research paper on a specific ESG issue/topic has been drafted. The main actors involved in the activity under analysis are contacted in order to gather pertinent information about the issue, not easily obtained otherwise.

2) Supporting investment decision-making

The engagement activities undertaken by Candriam on supporting investment decision-making are usually performed at the end of the analysis process or when a decision has to be made following the occurrence of an event deemed controversial. This kind of engagement activity - part of step 2 of Candriam's engagement process - is carried out systematically.

Specifically, if the engagement activity seeking to improve ESG disclosure is not successful (and, thus, the lack of disclosure remains or the company has not behaved properly vis-à-vis a particular issue), the company's name is added to the watchlist, where it will be closely monitored by the sector's sustainability analyst. In such cases, the company will systematically be re-contacted after six months. If it continues to fail to provide an answer in a timely manner or to take a different stance towards the controversial issue (and, as a consequence, the engagement continues to be unsuccessful after a renewed 6-month period), Candriam's sustainability analyst might decide to exclude the company from the SRI universe.

3) Influencing corporate practice on ESG issues

Engagement activities undertaken by Candriam on influencing corporate practice on ESG issues are performed throughout the year.

- a) When there is a serious issue at a company or when a new ESG topic has arisen that the sustainability analysts believe is worth monitoring, they will contact the issuer's peers or issuers during the coverage process to warn them about the issue in question and learn which are the main measures adopted by the company in terms of prevention.
- b) After the proxy-voting season, sustainability analysts systematically send letters to board chairmen to explain the rationale behind specific controversial voting recommendations. The purpose of the letters is also to push the company's limits and to influence corporate practice by disclosing Candriam's point of view on any given issue.

Two special areas of focus of Candriam's engagement activities:

1) Candriam's Conviction topics: Candriam has gone one step further, and is now starting to promote three long-term engagement topics - (stakeholders, financial and SRI analysts) - for dialogue at company level:

Corruption:

Candriam strongly believes that weak anti-corruption practices may limit or threaten the creation of value at company level in the medium/long term. This topic is a serious issue as it may involve significant risks: 1) Reputational risk: a boycott of the company and a loss of confidence in top management; 2) Operational & financial risks: blacklisting and potential ban from bidding, seizure of assets, dismissals of top managers; 3) Legal risk: justice procedures and associated substantial costs and fines.

Corruption is already a major topic of SRI analysis dialogue and will remain so over the next few years. Candriam's SRI analysis already takes into account the Corruption theme in its Stakeholder Management analysis (micro analysis) in the Investors (Corporate Governance) and Society (Public Authority Relations) domains. Corruption, furthermore, is also a source of exclusion in the Norms-Based Analysis process.

Energy Transition :

Candriam believes that responsible investors have a major role to play in the transition to a low-carbon economy. Energy Transition is intended to reduce the amount of energy needed to provide products and services. By using energy more efficiently, energy bills can be lower, reliance on external suppliers of oil and gas reduced and the environment protected.

It is a topic covered in that part of Candriam's SRI analysis that focuses on companies' business models: Candriam Sustainability analysts study these to see whether they are designed to cope with global sustainability trends (macro analysis). But it is also a topic studied in that part of the Stakeholder Management analysis process that focuses on the Environment (Energy & Climate Change).

Well-being at work:

Candriam believes that focusing on well-being at work can benefit companies by helping working individuals to feel happy, competent and satisfied in their roles. The evidence shows that people whose well-being at work is more than adequate are likely to be more creative, more loyal and more productive, and to provide a better level of customer satisfaction than those whose personal and professional well-being in the workplace is somewhat neglected.

Candriam's SRI analysis takes into account well-being at work when allocating an Employee domain score, in its Stakeholder Management analysis.

2) Companies classified as InLine in our SRI selection: In addition, again in 2015, Candriam initiated a special focus on companies classified as "Inline" in our SRI selection, representing the bottom line companies of Candriam's SRI universe (Top 50% of our selection). These companies present some shortcomings in term of ESG best practices, the goal being to increase their awareness and accountability on specific ESG-related themes. Dialoguing with these companies increases the chances of improved ESG practices.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

Process

Process for engagements run internally

LEA 03

Mandatory

Core Assessed

PRI 2

LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

LEA 03.2

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography/market of the companies targeted
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In reaction to ESG impacts which has already taken place
- As a response to divestment pressure
- Other, describe

No

LEA 04

Mandatory

Core Assessed

PRI 2

LEA 04.1 Indicate if you define specific objectives for your engagement activities.

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- No

LEA 04.2 Indicate if you monitor the actions that companies take following your engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- No

LEA 04.3 Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes

LEA 04.4 Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities.

- Define timelines of the milestones and goals
 - Tracking, monitoring progress against defined milestones and goals
 - Establish a process for when the goals are not met
 - Revisit and revise if necessary goals on continuous basis
 - Other, please specify
- No

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

LEA 05.1 Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

- Yes

LEA 05.2

Describe the criteria used to identify and prioritise collaborative engagements

- Potential to learn from other investors
 - Ability to add value to the collaboration
 - Geography / market of the companies targeted
 - Materiality of ESG factors
 - Systemic risks to global portfolios
 - Exposure (holdings)
 - In reaction to ESG impacts which has already taken place
 - As a response to divestment pressure
 - Other, describe
- No

LEA 06**Mandatory****Core Assessed****PRI 2****LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- No

LEA 06.2

Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- No

LEA 06.3

Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes

LEA 06.4

Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities.

- Define timelines of the milestones and goals
 - Tracking, monitoring progress against defined milestones and goals
 - Establish a process for when the goals are not met
 - Revisit and revise if necessary the goals on continuous basis
 - Other, please specify
- No

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
---------------	------------------	----------------------------	----------------

LEA 09.1 Indicate if insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2 Additional information. [Optional]

Investment managers receive the result of our internal engagements through SRI and SRI monitoring alerts. Those alerts are communication from the SRI team warning that substantial news have emerged on a specific issuer. For the launch of those alerts, ESG analysts contact the company in question raising several issues for which an answer is required. This information is included in the alert launched.

When an SRI alert is launched, the investment manager has a cap on the company's investment decision. A specific SRI screening will be re-done on it within 3-6 months with an important probability of exclusion or inclusion from the authorized universe. When the final decision on a company's exclusion from the SRI eligible universe, investment managers have then up to 3 months to change the company's investment position.

In the case of a monitoring alert, the event is not likely to lead to the exclusion or inclusion of the company/country/institution from the sustainable universe. It's just for information purpose, therefore there are no potential consequences on the investment decisions.

The ESG analyst will have to decide whether to modify the current company analysis within 3-6 months.

Moreover, it is worth mentioning that since 2009 an engagement report is published each year summarizing CANDRIAM engagement activities done throughout the year.

In addition, when CANDRIAM signs a collaborative initiative, the news and some explanation of the initiative's purpose is systematically published on the first page of CANDRIAM intranet, accessible to every CANDRIAM employee.

LEA 10	Mandatory	Gateway	PRI 2
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LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements

Outputs and outcomes

LEA 13	Voluntary	Additional Assessed	PRI 2
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LEA 13.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 13.2	Provide an estimated breakdown by E, S and/or G issues.
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	Individual / Internal staff engagements
--	---

	% Environmental only
--	----------------------

2

	% Social only
--	---------------

6

	% Corporate Governance only
--	-----------------------------

15

% Overlapping ESG issues

77

100%

Collaborative engagements

% Environmental only

67

% Social only

11

% Corporate Governance only

22

% Overlapping ESG issues

0

100%

Communication

LEA 16	Mandatory	Core Assessed	PRI 2,6
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LEA 16.1	Indicate whether your organisation proactively discloses information on its engagements.
----------	--

We disclose it publicly

provide URL

https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-report/engagement-activities_annual-report_def.pdf

LEA 16.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
----------	---

Yes

LEA 16.3

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 16.4

Indicate how frequently you typically report engagements information.

- Disclosed continuously (prior to and post engagements)
- Disclosed quarterly or more frequently
- Disclosed biannually
- Disclosed annually
- Disclosed less frequently than annually
- Ad hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions
Overview
LEA 17**Mandatory****Gateway****PRI 1,2,3****LEA 17.1**

Indicate whether your organisation has a formal voting policy.

- Yes

LEA 17.2

Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Securities lending process
- Other, describe

other description

CANDRIAM does not do Securities lending on its SRI funds

- None of the above

LEA 17.3

Please attach or provide a URL to your voting policy. [Optional]

URL

https://www.candriam.com/siteassets/legal-and-disclaimer/proxyvotingpolicy_2015.pdf

Attach document

[Proxyvotingpolicy_2015.pdf](#)

LEA 17.4

Provide a brief overview of your organization's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

CANDRIAM proxy voting policy outlines the high standards of corporate governance set for investee companies. CANDRIAM recognizes that there are no "one-size-fits-all" arrangements and that the policy is meant to be flexible. This is the reason why Candriam's voting decisions take into account market specificities: if this policy displays general rules, exceptions exist.

Candriam's active voting policy is regularly examined by the "Proxy Voting" Committee, which can, if need be, change or clarify it. It is in this spirit that in 2012 CANDRIAM initiated a new dialogue with companies and decided to send a letter to company chairmen when the rationale behind a voting recommendation requires further explanation.

CANDRIAM hired a service provider which make voting decisions on our behalf based on our own proxy voting policy, except for some pre-defined scenarios for which we review the decisions internally. Both SRI analysts and Financial Analysts participate in the process. While taking into consideration the voting recommendations of one or more advisers, Candriam has the final say in the votes it exercises.

In 2015, CANDRIAM has extended its proxy voting coverage which include now Emerging Markets and World Developed Markets Ex Europe (e.g. USA, Australia, Canada...), besides the European market.

- No

Process

LEA 18

Mandatory

Descriptive

PRI 2

LEA 18.1

Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

- We use our own research or voting team and make our own voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

Based primarily on

- the service provider voting policy signed off by us
 - our own voting policy
 - our clients' requests or policy
 - other, explain
- We hire service provider(s) that make voting decisions on our behalf.

LEA 19

Mandatory

Descriptive

PRI 2

LEA 19.1

Of the voting recommendations that your service provider made in the reporting year, indicate the percentage reviewed by your organisation, and the reasons for the review.

Percentage of voting recommendations your organisation reviewed

- >20%,
- 5-20%,
- 1-5%,
- <1%

Reasons for review

- Specific ESG issues
- Votes where a significant level of ownership is held
- Votes against management or abstentions
- Conflicts of interest
- Corporate actions such as M&A, disposal, etc.
- Votes for companies with which we have an active engagement
- Other, explain

other description

- 1) When an issuer presents low corporate governance standards
- 2) When the financial analysts have an interest in reviewing an AGM because of its governance

LEA 20	Voluntary	Descriptive	PRI 2
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LEA 20.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following.
----------	--

- Obtain end-to-end confirmation that votes have been lodged
 - for a majority of cases
 - for a minority of cases
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

LEA 20.2	Provide additional information on your organisation's vote confirmation efforts.
----------	--

CANDRIAM Middle Office ensures that all votes have been lodged.

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
----------	---

- Yes, in most cases
- Sometimes, in the following cases:
 - votes in selected markets
 - votes on certain issues (all markets)
 - votes for significant shareholdings (all markets)
 - Votes for companies we are engaging with
 - other, explain
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 22.2	Additional information. [Optional]
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Issuers are informed of the voting rationale in the following cases:

- 1) Cases where Candriam's vote might be misunderstood and thus need a further explanation;
- 2) Cases where specific governance issues need to be highlighted in order to raise awareness among the companies (as it was the case in 2014 and 2015 with the low independence rate in some board of directors).

Outputs and outcomes

LEA 23	Mandatory	Core Assessed	PRI 2
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LEA 23.1 For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

We do track or collect this information

Votes cast (to the nearest 1%)

%

100

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

We do not track or collect this information

Communication

LEA 27	Mandatory	Core Assessed	PRI 2,6
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LEA 27.1 Indicate if your organisation proactively discloses information on your voting activities.

We disclose it publicly

provide URL

https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxyvotingannualreview_def.pdf

LEA 27.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEA 27.3 Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

LEA 27.4

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/as requested
- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

Candriam Investors Group

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed fixed income

Implementation processes

FI 04	Mandatory	Gateway	PRI 1
FI 04.1	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.		

SSA	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>9</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>1</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>90</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	9	Thematic alone	0	Integration alone	0	Screening + integration strategies	1	Thematic + integration strategies	0	Screening + thematic strategies	0	All three strategies combined	0	No incorporation strategies applied	90
Strategy	Percentage																		
Screening alone	9																		
Thematic alone	0																		
Integration alone	0																		
Screening + integration strategies	1																		
Thematic + integration strategies	0																		
Screening + thematic strategies	0																		
All three strategies combined	0																		
No incorporation strategies applied	90																		
Corporate (financial)	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>19</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>75</td> </tr> <tr> <td>Screening + integration strategies</td> <td>0</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	19	Thematic alone	0	Integration alone	75	Screening + integration strategies	0								
Strategy	Percentage																		
Screening alone	19																		
Thematic alone	0																		
Integration alone	75																		
Screening + integration strategies	0																		

	<p>Thematic + integration strategies</p> <p>0</p>
	<p>Screening + thematic strategies</p> <p>0</p>
	<p>All three strategies combined</p> <p>6</p>
	<p>No incorporation strategies applied</p> <p>0</p>
	<p>100%</p>

Corporate (non-financial)	Screening alone	17
	Thematic alone	0
	Integration alone	78
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	5
	No incorporation strategies applied	0
	100%	

FI 04.2 Describe your primary reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Through its SRI engagement, Candriam considers that a company's business activities are sources of both opportunities and risks that cannot be fully evaluated using traditional financial metrics alone. We believe that taking into account environmental, social and corporate governance (ESG) criteria in the evaluation of company's business model (Macro criteria) and stakeholders' management (Micro criteria) is a source of long term value. Moreover, we believe that by selecting within each sector, the companies that manage ESG challenges best, our SRI Best-In-Class approach enables us to raise best practices standards in all economic activities and to contribute to a sustainable economic growth.

In line with those principles, Candriam also developed an SRI approach in order to select countries that properly manage their sustainable development issues. To this end, the approach is based on the belief that investing in human capital (work, knowledge and health) while properly managing natural resources and social capital (legislation, institutions and social cohesion) and ensuring economic sustainability, allows the country to develop sustainably, leading to more robust economic growth over the long term.

Aside from our SRI product range, we continuously promote ESG tailor-made solutions to clients and the integration of ESG factors in traditional investments.

ESG approaches applied to (financial or non financial) corporate issuers

In addition to the controversial armament exclusion filter which applies to all our assets under management we offer 3 different types of screening taking into account ESG factors:

1. *SRI Best-in-Class screening - applied to all SRI AUM* Candriam Core SRI funds only invest in companies managing at best their sector-specific sustainability-related challenges. Our proprietary Best-in-Class analysis is designed to assess companies' ability to manage sustainability-related challenges from two distinguishable but interlinked angles during the Macro and Micro analysis. The Macro analysis assesses a company's exposure to long-term trends (such as climate change, demographic evolution ...) that may strongly influence the business environment in which companies operate and may shape future market challenges and long-term growth opportunities. The Micro analysis evaluates a company's ability to take the interests of stakeholders (customers, employees ...) into account in their long-term strategies as they represents both risk and opportunity for businesses. The Best-in-Class analysis is followed by a norms-based check designed to exclude those companies for which there is definite proof of systematic breaches of one or more of the ten principles set out in the United Nations Global Compact that covers human rights, labour standards, the respect for the environment and anti-corruption. Finally, the last step of our SRI analysis consists in excluding all companies involved in the armament industry and checks company's exposure to other controversial activities. As far as the SRI Best-in-class bonds universe is concerned, the SRI eligible universe consists of the top 50 % best-positioned companies towards the micro and macro analysis that have successfully passed Norms-Based Analysis and controversial activities exclusion screening.
2. *Integration approach - applied to all funds invested in corporate (financial & non financial)* Candriam's development of an integrated ESG approach in corporate bonds financial selection process has been driven by portfolio manager's interest in the use of governance factors in issuer's credit quality assessment. The implementation of this approach has started in the course of 2014 and is applied to Candriam's corporate funds investments. This approach consists of taking into account Governance factors in the company's credit valuation as well as business and reputational risks associated to ESG issues.
3. *Tailor-made Norms-based screening only - applied to dedicated insurance portfolios* This approach consists of exclusion of companies that violated seriously human rights, labour rights and/or caused severe damages to environment. Companies exposed to controversial weapons and tobacco are also excluded from investments.

ESG approaches applied to SSA

1. ESG approach applied to government issuers - applied to all SRI AUM

This approach combines a Best-in-class screening with a norms-based screening.

The goal of the country *Best-in-Class Analysis* is to select countries that are well managing their sustainable development. In order to achieve this objective, Candriam has developed a structured approach based on the principle that a country is a portfolio of assets that encompasses:

- o Economic capital: is the most well-known and generally only assessed form of capital; it gathers real (produced) capital and financial capital;
- o Human capital: is embodied in individuals in the form of labour, knowledge, and health;
- o Natural capital: consists of all types of environmental resources; and
- o Social capital: consists of the interactions between individuals and gathers democratic and well functioning institutions, equity and peace.

Countries are evaluated through an in-depth structured analysis. For each theme, countries' actions are assessed on two dimensions: commitments and performances. Countries are subsequently ranked on a scale of 0 to 100 according to the overall sustainability score obtained.

The *Norms-based analysis* of countries determines whether or not a country is considered as "not free" by Freedom House International" and reviews and assesses the ratification of and compliance with the principal

international conventions. The countries retained in the Best-in-Class SRI Universe must not be classified as 'not free' and have ratified and applied 18 international conventions/treaties among which: o The principal conventions on Human Rights; o The conventions of the International Labour Organisation; o The Treaty of Ottawa on anti-personnel mines; o The convention on biodiversity and the protocol on bio-security. About 25% of countries assessed through this analysis do not pass this filter.

For the SRI selection, countries compliant to the Norms-based analysis are allocated in quartiles in function of their Best-in-class analysis score. Countries belonging to the 2 first quartile are eligible for investment above the benchmark weight, countries belonging to the third quartile are eligible for investment but to a maximum of 50 % of the benchmark weight . Countries belonging to the 4th quartile and those not compliant to the norms-based assessment are not eligible for investment.

2. ESG approach applied to agencies and supnationals - applied to all SRI AUM

To be eligible for investments, agencies have to be related to a country that is eligible and the mission of the agencies has to be in line with sustainable development and compliant to our controversial policy.

Eligible supnationals are those compliant to our Norms-based screening based on the UN Global Compact principles and that have a mission in line with sustainable development.

Candriam's investment processes including SRI selection are two-step processes that first of all calls for the definition of the eligible investment universe, followed by a financial selection from within this eligible universe. Any investment outside the SRI universe is prohibited.

The selection of SRI issuers is confirmed by the SRI analysis team on a monthly basis, and on a one-off basis in exceptional circumstances. When there is a change in the SRI universe and an issuer is excluded, the approach consists in excluding this issuer from the SRI portfolios within a period of 3 months, depending on market conditions (very rare exceptions may be granted in order to accommodate a potential liquidity problem).

The Risk Management Department ensures that the securities making up the portfolios comply with the SRI universe.

FI 06	Mandatory	Additional Assessed	PRI 1
FI 06.1	Indicate how you ensure that your ESG research process is robust:		
	<input type="checkbox"/> Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies <input checked="" type="checkbox"/> Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate <input type="checkbox"/> Internal audits of ESG research are undertaken in a systematic way <input checked="" type="checkbox"/> ESG analysis is benchmarked for quality against other providers <input checked="" type="checkbox"/> Other, specify		
	specify description		
	<input checked="" type="checkbox"/> An independent SRI advisory board reviews and challenges regularly the quality of the ESG research <input type="checkbox"/> None of the above		

FI 06.2 Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
 ESG analysis results are systematically delivered to all investment managers. ESG selection and eligible universe is communicated every month to investment managers and risk management.
- None of the above

FI 06.3 Additional information. [Optional]

Sector models and company's ESG scores are completely reviewed every 36 months, with the goal of ensuring that the ESG model used optimally reflects the sustainable development risks and opportunities affecting the sector today but also within the next 5 years. During this sector review, the SRI analysis determines, for the Macro analysis, if there are relevant correlations between the sector activities (products offered, geographic location, etc...) and the 6 global sustainability trends (Climate change, Resource Depletion, Demographic Evolution,...). For the Micro analysis, the analyst evaluates the material risks and opportunities arising from the sector's interaction with its stakeholders (Customers, Employees, Investors, Environment, Suppliers and Society). Between two sector revisions, companies are subject to an ongoing monitoring. If a major event liable to affect the ESG score of a company (mergers, acquisitions, scandals, etc.) happens, a warning is launched and the company's analysis is reviewed within the next three months. In this case, portfolio managers can no buy additional position in this issuer.

Each month, the SRI team provides the SRI eligible universe to the portfolio managers. All sector reviews are communicated to portfolio managers and include the sector model description, the companies ESG score and profile.

(A) Implementation: Screening

FI 07	Mandatory	Gateway	PRI 1
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FI 07.1 Indicate the type of screening you conduct.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Positive/best-in-class screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Norms-based screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

At Candriam, **investments are prohibited in companies exposed to controversial armement**. Financing countries on the FATF/GAFI list is also prohibited.

Our **SRI screening approach applied to corporate issuers** (financial and non financial) is based on

- a Best-in-class approach combining two kinds of assessment of the issuer : its exposure to 6 global sustainability trends (ex. climate change, health& wellness) and its management of its stakeholders relations (ex. employees, suppliers, environment). Those assessment are based on in-house developed specific sector models taking into account the sectors specific risks and opportunities. The top 50 % best positioned issuers are selected in each sector.
- an exclusionary screening related to the issuer's exposure to controversial activities (ex. armament, tobacco, alcohol,...)
- an exclusionary screening related to the non-compliance to international standards (UN Global Compact framework).

The **SRI screening approach applied to government issuers** is a Best-in-class screening complemented by a :

- the best-in-class screening evaluates each country's ability to properly manage their sustainable development issues in terms of social, human, natural capital and to ensure it's economic sustainability;
- an exclusionary screening avoid investment in countries considered as "non-free" and/or having not signed and/or ratified 18 main international conventions.

Negative screening

Applied to all investments implementing Candriam's SRI screening

4. Corporate
 - Product/Activity:

Any companies exposed to the weapons industry are permanently excluded from the SRI universe if they are involved in the manufacture or sale of controversial weapons or if more than 3% of their revenues are generated from the manufacture or sale of conventional weapons.

Regarding the other controversial activities following exclusion threshold are used

Activities in oppressive regimes: large presence in highly oppressive regimes (revenues>1%)

Alcohol (revenues>10%)

Adult content (revenues>5%)

Gambling (revenues>5%)

Nuclear (revenues>30%%, 5 % for emerging markets)

Genetic modification (revenues>10% ,not applicable for emerging markets)

Tobacco (revenues>5%)

Animal testing (breach of legislation/ responsible behavior if there is no legal requirement- not applicable for emerging markets)

- Sector:

All companies' from the aerospace and defense sector are excluded from the investment universe

- ESG practices and performances : exclusion for important violations to UN Global Compact

2. Agencies& Supranationals

The mission and activities of the issuer are analyzed. All missions/activities judged as not compliant to sustainable and ethical criteria are source of exclusion of the issuer.

In terms of ESG practices and behavior, exclusion occurs for important breaches to UN Global Compact
Applied to all Candriam's AUM

- Product/Activity:

Any companies exposed to the weapons industry are permanently excluded from the SRI universe if they are involved in the manufacture or sale of controversial weapons (cluster munition, anti-personnel landmines, depleted uranium)

Applied to tailored-made insurance portfolios

- Product/Activity

Any companies involved in the manufacture or sale of controversial weapons are excluded. Any companies exposed for their majority of business to tobacco are excluded.

- ESG practices and performances

Companies that have violated human and labor rights or having made serious damages to the environment are excluded (see).

Positive screening

Applied to all investments implementing Candriam's SRI screening

5. Corporate
 - Product/activity /sector/country

During the Best-in-Class analysis, the Macro analysis evaluates the company's exposure to global sustainability trends liable to influence the economic environment in which companies operate and determine the future challenges in the market. This exposure takes into account the product/services offered, the geographical production zones and markets, the customer segment groups.

Based on the conclusions of the sector macro analysis, all company's exposure to the global sustainability trends specific to its sector are evaluated and scored. A negative score reflects the company's negative exposure to these global sustainability trends while a positive score reflects positive exposure.

For example, in the Energy sector, Coal-related activities receive the most negative score from the standpoint of climate change and resource depletion. Due to this negative score, important coal-related activities are source of exclusion.

- ESG practices and performances

During the Best-in-class analysis, the Micro analysis evaluates the material risks and opportunities arising from interactions with stakeholders. Based on qualitative sector data and, where possible, historic quantitative data, the relevance of each stakeholder relation (Customers, Employees, Investors, Environment, Suppliers and Society) and the different themes (32 themes such as eg "diversity and discrimination", 'training and career management' in relation with employees, "public authority relations", site safety in relation with 'society' ...) is determined according to the frequency of interactions, their financial impact and future prospects.

For example in the Energy sector the most important relations are with the Environment and Society. In the Software sector, relations with Employees and Customers are predominant. In the category "relations with Employees", "health and safety" is most important for the Energy sector while "Change management " and "Remuneration" are most important for the Software sector.

For each themes addresses, the company strategies and policies implemented as well as its performances relative to its competitors are evaluated. The combination of this evaluation and the weightings for each stakeholder's relation obtained from sector Micro analysis give the overall Micro score for each company.

2. Government

The purpose of the Best-in-Class Analysis is to evaluate each country's ability to properly manage their sustainable development issues. This means ensuring the well-being of the population and economic prosperity without compromising the ability of future generations to do the same. To this end, the approach is based on the

belief that investing in human capital (work, knowledge and health) while properly managing natural resources and social capital (legislation, institutions and social cohesion) and ensuring economic sustainability, allows the country to develop sustainably, leading to more robust economic growth over the long term.

In our analytical tree, these four pillars of analysis are broken down into 23 sub-categories, which are in turn divided into 75 themes.

It also incorporates qualitative information available to the public, including in particular reports published by international organisations. In order to avoid poor judgements, it is important to take account of the geographic and demographic conditions specific to each country. As a result of this analysis, each country is given a score ranging from 0 to 100.

The four pillars of the Best-in-Class Analysis for countries are equally weighted. Our country evaluation process includes an assessment of two aspects of each theme: strategy and performance.

Applied to all investments implementing Candriam's SRI screening

6. Corporate (financial/non financial), agencies and supranationals

Issuers are evaluated based on the 10 principles of the United Nations Global Compact covering Human and Labour rights, Environment and Corruption/Governance.

If there are evidences of repeated and significant violations of these principles with no appropriate response or change of behaviour from the issuer, it is excluded from the SRI eligible universe.

2. Government

The norms-based analysis determines whether or not a country is considered as "not free" by Freedom House, if they have signed and ratified the main international conventions and, lastly, evaluates their compliance with these conventions.

18 international conventions/treaties are considered, among which

- the main Human Rights conventions;
- the Conventions of the International Labour Organisation;
- the Ottawa Anti-Personnel Mine Ban Convention;
- the Convention on Biodiversity and Protocol on Biosecurity

Applied to tailored-made insurance portfolios

Companies that have violated human and labor rights or having made serious damages to the environment are excluded (see).

FI 08	Mandatory	Descriptive	PRI 1
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FI 08.1	Indicate why you conduct negative screening.
---------	--

SSA

SSA

- For legal reasons
- For non-legal reasons

Corporate (financial)

Corporate (fin)

- For legal reasons
- For non-legal reasons

Corporate (non-financial)

Corporate (non-fin)

- For legal reasons
- For non-legal reasons

FI 08.2 Describe your approach to ESG-based negative screening of certain issuers from your investable universe.

Our ESG-based negative screening is the result of legal and non-legal reasons:

- the legal reasons are related to companies' exposure to controversial armament (cluster munitions, anti-personnel landmines, depleted uranium) and to countries complicit of money laundering, terrorist financing and other related threats to the integrity of the international financial system;
- the non-legal reasons are related to
 - some products considered as controversial : alcohol, tobacco, gambling, adult content, nuclear power, genetic modification,
 - some sector like aerospace& defense
 - activities in countries qualified as "highly oppressives" in terms of liberty of their population
 - some bad environmental and social practices or performances (human, social and labour rights, environmental damages)
 - some bad practices in terms of governance
 - countries that doesn't comply to international treaties/conventions related to ESG aspects

FI 10	Mandatory	Core Assessed	PRI 1
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FI 10.1 Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

Type of screening	Checks	
Negative/exclusionary screening	Negative/exclusionary screening	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
Positive/best-in-class screening	Positive/best-in-class screening	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
Norms-based screening	Norms-based screening	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

FI 10.2 Additional information. [Optional]

For corporates, sector models and company's analysis are completely reviewed every 36 months, with the goal of ensuring that the model used by the analysts optimally reflects the sustainable development risks and opportunities affecting the sector in question. Between two sector revisions, companies are subject to an ongoing control and continuous updates. If there is a major event liable to affect the rating assigned to a company for one or another screening (mergers and acquisitions, scandals, etc.), a warning is launched on an issuer belonging to the SRI universe and its analysis is reviewed within the next three months. The consequence of this warning is that position in this issuer can no more be bought. In case of exclusion of one issuer, the positions have to be sold in the next 3 months.

The SRI universe and selection is delivered by the SRI analysis team every month to portfolio managers and risk management department. All ESG scores and decisions related to the different screenings are uploaded in a global referential database that sources the constraint server. This constraint server is directly linked to the

portfolio management tool used by portfolio managers in order to manage their positions. In case the portfolio manager introduce a proposed transaction that is not compliant to the SRI universe, the transaction is blocked.

(B) Implementation: Thematic

FI 11	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1
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FI 11.1	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
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- Environmentally themed funds
- Socially themed funds
- Combination of themes

FI 11.2	Indicate whether you invest in 'green' or 'climate' bonds
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- Yes
- No

FI 11.3	Indicate whether you apply criteria (your own or those of a third party) to decide whether a bond can be considered a 'green' bond.
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- Yes
- No

FI 11.4	Describe your organisation's approach to all sustainability-themed fixed income investing and the criteria you apply to determine whether a bond can be considered for a thematic fund, mandate or similar.
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In the ESG approach proposed by Candriam, ESG thematic like Clean Tech, Green buildings, sustainable forestry and agriculture, water, education, or microfinance are all part of the Global Sustainability trends assessment of corporate issuers that represents 50 % of the final ESG score of companies. Those trends are systematically taken into account if they are sector relevant and when the issuer is exposed to. Issuers that combines better sector score for this assessment and for their stakeholder management assessment belong to the top 50 % issuers making up the SRI eligible universe.

Based on the same principles, Candriam initiated the coverage of Green bonds two years ago. For a green bond to be eligible to our SRI universe, the following conditions have to be completed

7. **the issuer** has to belong to our SRI eligible universe (selected through our Best-in-class framework and compliant to our Norms-based and controversial activities screenings); The reason behind this is that reputational and financial risks associated to bad issuer's ESG behaviour will also affect the Green bonds;
8. **the considered issue** must meet several criteria, namely :

.Financed projects should fall into domains brought forward by the Green Bond Principles, of which : Renewable energy, Energy efficiency (incl. efficient buildings), Sustainable waste management, Sustainable land use (incl. sustainable forestry and agriculture), Biodiversity conservation, Clean transportation, Clean water and/or drinking water. More generally speaking, financed projects should score positively in our Global sustainability trends assessment (Macro Analysis : especially at our Climate Change, Resources depletion challenges' level).

. The use of proceeds must be detailed and notably precise if it deals with the financing of new projects or with the refinancing of existing ones.

. Regarding the management of proceeds, process should be transparent, including precisions over the management of still unallocated proceeds.

. At the time of the issue, *consultation and opinion of an independent and recognized second party* are expected to be available to investors.

. In terms of *monitoring and follow up*, we pay a great attention to the effective measurement of environmental impacts induced by the financed projects. In that respect, quantitative and/or qualitative assessment of environmental investments' impacts, as well as detailed and regular reporting are expected, third party verification being much appreciated.

It is only when the issuer and the issue positively pass the previous described analysis steps that the eligible status for SRI universe is delivered to (or maintained for) the considered Green bond.

FI 11.5	Additional information [OPTIONAL]
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FI 12	Mandatory	Core Assessed	PRI 1
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FI 12.1	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles:
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- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

FI 12.2	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
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In the case of issuers not disbursing bond proceeds like initially announced and screened by our analysis, the issuer is contacted and delisting of the bond from our eligible SRI universe is decided if the breach is confirmed.

FI 13	Mandatory	Additional Assessed	PRI 1
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FI 13.1	Indicate how you assess the environmental or social impact of your thematic investments
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- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
- None of the above

(C) Implementation: Integration			
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FI 14	Mandatory	Descriptive	PRI 1
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FI 14.1	Describe your approach to integrating ESG into traditional financial analysis.
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While business is, of course, all about value creation, Candriam has always believed it is sustainable value creation that makes the difference. Economic growth and profits can only be sustainable when businesses behave responsibly and look beyond the immediate present by giving appropriate consideration to ESG aspects. Our commitment to promote responsible investments is motivated by sustainable financial performances and we have developed different approaches to ESG integration. Promotion of ethical standards and good corporate practices are the cornerstones of our ESG integration promotion policy in all our investments processes.

As a responsible asset manager, our commitment to our clients is to continuously further develop our leadership in SRI and enhance our large range of SRI products which is based on several SRI approaches (Best-in-Class, thematic, norms-based...). We continuously push further the integration of ESG criteria into our investment processes.

Our understanding of ESG factors integration is systematically taking into account ESG factors in the financial selection process. As the materiality of ESG factors is key in this kind of approach, our researches have demonstrated an interesting contribution of the corporate governance factor and this for across sectors and regions. Other ESG factors related to business model or reputational risks are also considered in the issuer profile. We have to admit that for those latest elements, the final impact is more evident in some sectors (ex. environmental impact of fossil fuels in Energy and Utilities sectors) than in others.

At this stage, Candriam's development of an integrated ESG approach in corporate bonds financial selection process has been driven by portfolio manager's interest in the use of governance factors in issuer's credit quality assessment and business and reputational risks associated to ESG issues are systematically discussed in decision committees. The implementation of this approach has started in the course of 2014 and is applied to all Candriam's corporate funds investments.

As far as the government bond financial selection process is concerned, an integration approach has been applied to one single strategy since 2013 : the Candriam's top quality sovereign approach.

FI 14.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	SSA
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As of today, an integration approach is applied to one specific strategy related to SSA.

Our SRI best-in-class screening is taken into account in the financial process of the Candriam's top quality sovereign approach which consists of a triple screening :

- the exclusion of 10 % ESG bottomed-ranked countries (based on our Best-in-class screening),
- the ranking of countries based on Governance factors and

- the application of 3 quality filters (credit, rates and currency).

Only countries passing all 3 filters are eligible to investment. Their maximum weights in portfolio are function of their final scoring.

Corporate (financial)

Within the corporate financial investment process, the issuer selection is based on the following elements that are part of the issuer's financial profile:

- exclusion filter
- business profile
- financial profile
- peer group's analysis

ESG factors are part of

- exclusion filter : the governance factor is part of the 3 components that can lead to an exclusion if the score is insufficient;
- business profile : ESG challenges are taken into account in the criterias 'industry risk' (20 % weight) and 'business model' (30 % weight). The result of our ESG norms-based analysis and the ESG Best-in-class issuer score are taken into account in the "management" criteria (10 % weight) and lead to an automatic downgrade of the issuer score.

Corporate (non-financial)

Within the corporate financial investment process, the issuer selection is based on the following elements that are part of the issuer's financial profile:

- exclusion filter
- business profile
- financial profile
- peer group's analysis

ESG factors are part of

- exclusion filter : the governance factor is part of the 3 components that can lead to an exclusion if the score is insufficient;
- business profile : ESG challenges are taken into account in the criterias 'industry risk' (20 % weight) and 'business model' (30 % weight). The result of our ESG norms-based analysis and the ESG Best-in-class issuer score are taken into account in the "management" criteria (10 % weight) and lead to an automatic downgrade of the issuer score.

FI 15

Mandatory

Core Assessed

PRI 1

FI 15.1

Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into security weighting decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is a standard part of internal credit ratings or assessment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is regularly featured in internal research notes or similar	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is a standard feature of ongoing portfolio monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis features in all internal issuer summaries or similar documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

FI 16	Mandatory	Additional Assessed	PRI 1
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FI 16.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance	
SSA	SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 16.2 Please provide more detail on how you review E, S and G factors in your integration process.

SSA

Our ESG models and analysis of SSA are fully revised every 3 years. Between two revisions, a continuous monitoring is done in order to take into account special events or new data that may impact the ESG final ranking in our Best-in-class approach or change our final decision related to norms-based or controversial activities checks. The results of the model and analysis revisions are communicated to portfolio managers. A presentation is done by the SRI analyst in charge related to: model description, results and changes in the SRI selection, issuer ESG profiles. The SRI selection, the eligible universe and details on ESG factors per issuer are delivered to portfolio managers on a monthly basis. All information related to the final decision based on the different ESG screenings, issuer's ESG factors are systematically taken into account by our portfolio managers to manage SRI processes but also to integrate ESG factors in their financial selections. In the case of an exclusion of one issuer from the SRI eligible universe, the positions have to be sold within the next 3 months.

The portfolio manager manages the portfolio on a day-to-day basis and regular tactical and strategic committees are organized in the month in order to revise the strategies applied. During the strategic committees, the portfolio manager presents the SSA profiles that include the ESG factors and mention the reputational risks associated to specific ESG issues.

Corporate (financial)

At Candriam, the SRI analyst have sector expertise. They are responsible for the ESG sector model and the analysis of issuer of the sector they have in charge. All sector models and issuers analysis based on those are revised on a 3 year basis. Between two sector revisions, issuers are subject to an ongoing control and continuous updates. If there is a major event liable to affect the rating assigned to a company (mergers and acquisitions, scandals, etc.), a warning can be launched on an issuer belonging to the SRI universe and its analysis is reviewed within the next three months. In the event of an SRI warning on an issuer, the portfolio manager can no longer add a position in this issuer. All sector reviews are communicated to portfolio managers and include : the sector model description, the issuers included/excluded from the universe, the issuer's ESG profiles.

Each month, the SRI team provides the SRI eligible universe to the portfolio managers. All information related to the final decision based on the different ESG screenings, issuer's ESG factors are systematically taken into account by our portfolio managers to manage SRI processes but also to integrate ESG factors in their financial selections. The portfolio manager manages the portfolio on a day-to-day basis and regular tactical and strategic committees are organised in the month in order to revise the strategies applied. During the decision committees or at any time an issuer profile is discussed, the portfolio manager presents the issuers profiles that include the ESG factors systematically taken into account (Governance score, ESG score, norms-based decision, ESG business model risks).

Corporate (non-financial)

At Candriam, the SRI analyst have sector expertise. They are responsible for the ESG sector model and the analysis of issuer of the sector they have in charge. All sector models and issuers analysis based on those are revised on a 3 year basis. Between two sector revisions, issuers are subject to an ongoing control and continuous updates. If there is a major event liable to affect the rating assigned to a company (mergers and acquisitions, scandals, etc.), a warning can be launched on an issuer belonging to the SRI universe and its analysis is reviewed within the next three months. In the event of an SRI warning on an issuer, the portfolio manager can no longer add a position in this issuer. All sector reviews are communicated to portfolio managers and include : the sector model description, the issuers included/excluded from the universe, the issuer's ESG profiles.

Each month, the SRI team provides the SRI eligible universe to the portfolio managers. All information related to the final decision based on the different ESG screenings, issuer's ESG factors are systematically taken into account by our portfolio managers to manage SRI processes but also to integrate ESG factors in their financial selections. The portfolio manager manages the portfolio on a day-to-day basis and regular tactical and strategic committees are organised in the month in order to revise the strategies applied. During the decision committees or at any time an issuer profile is discussed, the portfolio manager presents the issuers profiles that include the ESG factors systematically taken into account (Governance score, ESG score, norms-based decision, ESG business model risks).

Fixed income - Engagement

FI 18

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

FI 18.1

Indicate if you engage on your fixed income assets. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets
SSA	<input checked="" type="radio"/> >50% <div style="background-color: #0070C0; color: white; padding: 2px; margin: 5px 0;">FI 18.2 Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <div style="background-color: #0070C0; color: white; padding: 2px; margin: 5px 0;">FI 18.2 Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <div style="background-color: #0070C0; color: white; padding: 2px; margin: 5px 0;">FI 18.2 Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage

FI 18.3	Additional information.[OPTIONAL]
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CANDRIAM's engagement activities are carried out through a direct dialogue with companies and the signature of collaborative initiatives. CANDRIAM engages with both investee companies and all companies in CANDRIAM investment coverage: Equity (MSCI World) and Bond (Iboxx Euro and US).

Our engagements are both proactive (for more disclosure and when our sustainability analysis has identified companies' weaknesses) and reactive (when a controversial news appear on the medias). Most of the time CANDRIAM engages with CR/IR managers or company chairmen, through e-mail exchanges, conference calls and one-on-one meetings, but if needed, companies stakeholders are also contacted.

Even if each year new engagement themes are defined related to sector reviews or specific relevant issues, the engagement process is continuous and is made of different steps in function of the engagement theme.

The information gathered is used in our Best-in-Class analysis, our Norms-based and Controversial activity screening or when drafting research papers.

Following every company's contact, an assessment is performed. Candriam's sustainability analyst identifies the next steps that need to be carried out in order to pursue the engagement activity and therefore define a related engagement timeframe.

In 2015, Candriam took a step further and started to promote three long term engagement topics at company level: Corruption, Energy Transition and Well-being at work. These conviction topics will also be a special focus of Candriam's Sustainability Analysts dialogue with companies and they will be taken forward throughout the years.

In addition, always in 2015, Candriam initiated a special focus on companies classified as "In line" in our SRI selection, representing the bottom line companies of Candriam's SRI universe (Top 50% of our selection). These companies present some shortcomings in term of ESG best practices. Engaging with those companies increase our chances to obtain a positive outcome of our engagement activities.

Direct dialogue with bond issuers

As far as individual engagement is concerned, Candriam engagement activities in general and more specifically in corporate fixed income seek to: 1) improve companies' ESG-related disclosure and transparency; 2) interact with companies to inform buy/sell/hold decisions and 3) influence company ESG practices.

1) Improving fixed income companies' ESG-related disclosure and transparency

This kind of engagement activities is usually performed at the beginning of the sustainability analysis. CANDRIAM Sustainability Analysts contact companies when there is a lack of disclosure or when some information is not immediately available, when the seriousness of an event that has occurred in the recent past requires a response/statement from company representatives or when drafting a research paper on a specific ESG issue/topic.

2) Supporting investment decision-making

These engagement activities are usually performed at the end of the analysis or when a decision has to be made following a controversial event. This kind of engagement activity is carried out in a systematic manner as they typically represent the second step of CANDRIAM's engagement process. Specifically, if the engagement activity seeking to improve ESG disclosure is not successful, the company is put under watchlist and will be closely monitored by the sector' sustainability analyst.

In these cases, the company will systematically be re-contacted after a period of 6 months. If the company continues to fail to provide an answer or to adopt a different behavior towards the controversial issue after a new period of 6 months, CANDRIAM's sustainability analyst might decide to exclude the company from the SRI universe.

3) Influencing corporate practice on ESG issues

The engagement activities are performed throughout the year and are most specifically related to the Sustainability analysis and CANDRIAM's proxy voting activity:

- When there is a serious issue at a fixed income company or when a new ESG topic has arisen that the sustainability analysts believe is worth monitoring, they will contact the issuer's peers or issuers in its coverage in order to warn them about the issue in question and learn which are the main measures adopted by the company in terms of prevention;

- After the proxy voting season, sustainability analysts systematically send letters to board chairmen in order to explain the rationale behind some specific controversial voting recommendations. The purpose of the letters is also to push the company's limits and to influence corporate practice by disclosing CANDRIAM's point of view on any given issue.

Collaborative engagement

To identify CANDRIAM's participation to Collaborative Initiatives, CANDRIAM uses the framework of its sustainability analysis and the importance of the weight/relevance of the theme in its sustainability analysis framework and sector model.

Candriam proactively discloses information on its engagement activities. We disclose it publicly:

https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-report/engagement-activities_annual-report_def.pdf

FI 23	Mandatory	Core Assessed	PRI 2,6
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FI 23.1 Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

- We disclose it publicly

Provide URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-core-sri-funds-2015-en.pdf>

Provide URL

<https://www.candriam.fr/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/tc-indexed-sri-funds-2015-en.pdf>

FI 23.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

FI 23.3 Indicate the information your organisation proactively discloses to the public regarding your approach to RI incorporation.

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

FI 23.4 Indicate how frequently you typically report this information.

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad-hoc/when requested
- No
 - We disclose it to clients and/or beneficiaries only
 - We do not proactively disclose it to the public and/or clients/beneficiaries