

Information to be published and maintained on websites as per SFDR-level I Art. 10(1) and SFDR-level II Art. 23 and Art. 24-36 for a SFDR-Art. 8 product

VERSION HISTORY		
DATE	LAST UPDATE	MAIN CHANGES
09/02/2026	03/12/2024; 28/06/2024; 01/01/2023	Amendments related to changes of the NEF Prospectus

Sustainability-related disclosures

Following the entry into force of the COMMISSION DELEGATED REGULATION (EU) 2022/1288 of the European Parliament and of the Council of 6 April 2022 (the “**SFDR-level II**”) supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council (the “**SFDR-level I**”) with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports, as amended, which forms part of the EU’s package of measures relating to environmental, social and governance issues, NEAM (hereafter referred to as “**NEAM**” or the “**Management Company**”) is committed, inter alia, to publish on its website information in compliance with chapter IV of SFDR-level II.

Resumen

- **Nombre del subfondo: NEF Ethical Corporate Bond - Euro**
Identificador de la entidad jurídica: 5493006FF9WQPFQWK638
- Sin objetivo de inversión sostenible: Este producto financiero promueve determinadas características medioambientales o sociales. Aunque no tiene como objetivo la inversión sostenible, cuenta con un porcentaje de inversiones sostenibles. Los objetivos de las inversiones sostenibles abordados por Candriam (la «**Gestora de Inversiones**») abarcan mejoras en los ámbitos de las características E/S que se describen a continuación. La Sociedad Gestora supervisará el cumplimiento de la definición de inversión sostenible que se base en la contribución a uno o más ODS de la ONU, tenga cierta alineación con los objetivos de la Taxonomía de la UE o se invierta en un Bono verde/social/sostenible o equivalente. Además, para confirmar que la parte de las inversiones sostenibles que realiza el producto financiero no causa un perjuicio significativo a ningún objetivo de inversión sostenible medioambiental o social, la Sociedad Gestora realiza periódicamente de forma independiente una prueba DNSH (prueba de no causar un perjuicio significativo, por sus siglas en inglés) de la cartera.
- Características medioambientales o sociales del producto financiero: El Subfondo promueve determinadas características medioambientales, sociales y de gobierno corporativo («ESG») al tiempo que trata de invertir principalmente en bonos mundiales con un buen perfil ESG que representen el universo de inversión. En particular, utilizará una calificación ESG, como se explica con más detalle en las demás secciones del informe de este sitio web. El Subfondo promueve las características medioambientales y sociales tratando de evitar la exposición a empresas que presentan riesgos estructurales importantes y graves, y que infringen de la forma más grave los principios normativos, tratando de evitar

la exposición a empresas que están expuestas significativamente a actividades controvertidas y tratando de apoyar la transición energética. La metodología de análisis ESG de la Gestora de Inversiones es una parte integral del proceso de inversión.

• Estrategia de inversión: para las inversiones sostenibles realizadas por el Subfondo, se tienen en cuenta los indicadores de las principales incidencias adversas en los factores de sostenibilidad. Estas últimas se consideran utilizando el marco de calificación ESG de Candriam, las exclusiones de actividades controvertidas y las exclusiones basadas en normas. Por ejemplo:

1. Mediante la exclusión de empresas que participan en actividades controvertidas y las exclusiones basadas en normas, que se basan en un análisis del cumplimiento por parte de las empresas de las normas internacionales, Candriam tiene en cuenta las siguientes principales incidencias adversas (PIA):

- PIA 3, 4 y 5: Exclusión de empresas con una exposición significativa a actividades de combustibles fósiles convencionales y no convencionales y/o a la producción de energía no renovable. Para los PIA 4 y 5, Candriam aplica umbrales al tener en cuenta la exposición a estas actividades.
- PIA 7: Actividades que afectan negativamente a zonas sensibles a la biodiversidad. Por ejemplo, Candriam excluye a las empresas involucradas en el aceite de palma (umbrales basados en el aceite de palma no certificado por la RSPO).
- PIA 10: Vulneraciones de los principios del Pacto Mundial de las Naciones Unidas y las Directrices de la OCDE para Empresas Multinacionales.
- PIA 14: Exposición a armas controvertidas (minas antipersonas, municiones en racimo, armas químicas y armas biológicas).

2. Al analizar la contribución de las actividades de una empresa a los principales retos de sostenibilidad que plantean el cambio climático y el agotamiento de los recursos, Candriam tiene en cuenta las siguientes principales incidencias adversas:

- PIA 1, 2, 3, 4, 5 y 6: Al evaluar los principales retos de sostenibilidad del cambio climático, Candriam analiza la exposición de una empresa a los riesgos climáticos, así como la intensidad de las emisiones de GEI generadas por sus actividades. Esta evaluación se utiliza para determinar si las actividades de la empresa contribuyen positiva o negativamente al cambio climático.
- PIA 7, 8 y 9: Evaluación del impacto de las actividades de una empresa en el agotamiento de los recursos naturales.

2. A través de la implicación a nivel de entidad: con el fin de evitar y/o reducir las incidencias adversas en los factores de sostenibilidad, Candriam también considera las incidencias adversas a través de su Programa de implicación empresarial, que incluye el diálogo con las empresas y/o el ejercicio de los derechos de voto. Candriam prioriza las actividades de implicación y/o voto basándose en una evaluación de los retos ESG más significativos y relevantes a los que se enfrentan los sectores y los emisores, teniendo en cuenta los impactos financieros, sociales y medioambientales. Por lo tanto, el nivel de compromiso

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puede variar de un emisor a otro dependiendo de la metodología de priorización de Candriam.

Los principales temas de las prácticas de implicación y/o voto de Candriam son la transición energética, las condiciones de trabajo justas y la ética empresarial. Por ejemplo, en sus actividades de diálogo y voto, Candriam tiene en cuenta los PIA 1, 2 y 3 (emisiones de GEI, huella de carbono e intensidad de los GEI), PIA 4 (exposición a combustibles fósiles), PIA 6 (intensidad de consumo de energía por sector con alto impacto climático), PIA 10 (vulneraciones de los Principios del Pacto Mundial de las Naciones Unidas y las Directrices de la OCDE para Empresas Multinacionales), así como PIA 12 y PIA 13 (género).

Los tres pilares de la sostenibilidad —medioambiental (E), social (S) y de gobierno corporativo responsable (G)— constituyen la base de toda decisión de inversión. Esto se lleva a cabo a varios niveles en el proceso de inversión, vinculando el análisis financiero tradicional con el análisis ESG. Un indicador ESG corporativo y soberano desarrollado por la Gestora de Inversiones sobre la base de datos ESG internos y externos constituye la pieza central de la estrategia de inversión. La estrategia de inversión del Subfondo consta de los siguientes elementos vinculantes: Filtro ESG, criterios negativos para las empresas, criterios negativos adicionales, criterios negativos para los países, porcentajes mínimos de inversión cubiertos por el análisis ESG y de inversiones sostenibles.

- Proporción de inversiones: el Subfondo invierte al menos el 80 % de su patrimonio neto en activos que se han determinado como «admisibles» según el proceso ESG en vigor. El Subfondo tendrá un mínimo del 15 % de sus activos en inversiones sostenibles. Hasta un 20 % de las inversiones podrían no ajustarse a estas características.
- Seguimiento de las características medioambientales o sociales: la Gestora de inversiones supervisa de forma continuada el cumplimiento por parte de las inversiones de las características E/S promovidas. Además, la gestión de riesgos de la Sociedad Gestora supervisa el cumplimiento de los elementos obligatorios. De este modo, el Subfondo utiliza la Calificación ESG para evaluar si se alcanzan las características E/S promovidas.
- Métodos: la consecución de las características E/S promovidas se evalúa mediante la aplicación de una metodología propia de evaluación ESG. La metodología aplica una serie de criterios ESG para evaluar la consecución de las características medioambientales y sociales promovidas. La Sociedad Gestora recurre a proveedores externos de datos ESG para supervisar el perfil de sostenibilidad del Subfondo.
- Fuentes y tratamiento de datos: los datos se obtienen de una combinación de fuentes internas y externas. Tanto la Gestora de Inversiones como la Sociedad Gestora han puesto en marcha procesos para garantizar la calidad de los datos. La Sociedad Gestora también se basa en dos proveedores de servicios y en la información pública de las empresas para realizar su seguimiento.
- Limitaciones de los métodos y los datos: la Gestora de Inversiones y la Sociedad Gestora se basan en datos facilitados por terceros proveedores de datos que aplican modelos diferentes y pueden contener datos incompletos o inexactos. La integración de nueva

información y la revisión del marco adoptado se llevan a cabo constantemente. Dichos límites operativos no tienen un impacto material en la estrategia ESG del Subfondo.

- Diligencia debida: las inversiones del Subfondo son supervisadas de forma continuada por el sistema de la Gestora de Inversiones para garantizar el cumplimiento de las normas del Subfondo, teniendo en cuenta las características medioambientales y/o sociales, así como los riesgos de sostenibilidad. La Sociedad Gestora también procede a una diligencia debida anual de la Gestora de Inversiones delegada centrada en cuestiones de Sostenibilidad que abarca, entre otros, la integración ESG en el proceso de inversión, la integración de los PIA y el cumplimiento general del compromiso asumido en el documento precontractual.
- Políticas de implicación: la Gestora de Inversiones lleva a cabo un ejercicio de implicación activa con las empresas, con el fin de preservar del mejor modo posible los intereses de sus clientes. Puede encontrar más información sobre la política de implicación, incluida la política de derechos de voto, en el sitio web de la Gestora de Inversiones SFDR | Candriam.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. It will nevertheless commit to have a minimum proportion of 15% of sustainable investments according to article 2(17) SFDR-level I.

The sustainable investments which the Sub-Fund intends to make for part of the portfolio aim to contribute to a reduction in greenhouse gas (GHG) emissions by means of exclusions and the use of climate indicators in the analysis of companies, and they aim to have a positive environmental and social impact in the long term.

Concerning sustainable investments with environmental objectives, the Sub-Fund, through its sustainable investments defined by Candriam's exclusive ESG analysis, may over the long-term contribute to one or more of the following environmental objectives as set out in Article 9 of Regulation (EU) 2020/852:

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

Additionally, the partially investment in sustainable investments according to article 2(17) SFDR-level I is ensured by the Management Company who runs ex-post independently checks on the portfolio at least quarterly.

The Management Company considers that, in order to be classified as sustainable investment, an investment should either:

1. Be aligned with the EU Taxonomy objectives. A company can be qualified as sustainable investment in case it has more than 20% of its revenues aligned with the EU Taxonomy, or
2. Contribute positively to one or more United Nations Sustainable Development goals (“**UN SDG**”) targets. Despite UN SDG targets both environmental and social matters, the ultimate target revolve around human society development in a sustainable way, therefore is meant to contribute to a social objective, or
3. Be a Green Bonds, Social Bonds, Sustainable Bonds, or bonds linked to Sustainable / ESG / SDGs projects which is meant to contribute to a social or environmental objective depending on the nature of the bond. Such bonds should follow guidelines concerning the use of proceeds such as ICMA or CBI or other recognized independent party.

Regarding point 2, the positive contribution is determined usually by using ISS SDG impact rating. However other equivalent SDG impact analysis could be used. ISS SDG impact rating ranges from -10 to +10. To contribute positively the ISS SDG impact rating should be at least 2.

The ISS SDG impact rating is based on 3 pillars:

- o Product and services identify contribution or obstruction to SDGs, based on revenues. The score is ranging from -10 to +10 based on the percentage of revenues contributing or obstructing with the goal, +10 imply a 100% contribution.
- o Operations management: evaluate impact along the value chain, based on corporate ESG practices and impact. The score is ranging from -10 to +10.
- o Controversies: identify alleged or verified failure to respect norms that obstruct SDG. The score ranges from 0 (no controversies) to -8 (large negative controversies).

Once these 3 ratings are compiled for each goal, both operation management and controversies are added together and compared to the product and services score. Then the following logic is applied: Highest positive score if only positive scores, Lowest negative score if only negative scores, sum of the positive and the negative score in case of mixed scores.

Finally, at the Sub-Fund level, as indicated in Annex I of the SFDR delegated Regulation supplementing Regulation (EU) 2019/2088, the Principal Adverse Impacts (PAIs) on sustainability factors are taken into account – as described in the Level 1 PAIs in the document entitled "Principal Adverse Impact at Product Level" – by one or more of the following means:

- Exclusions:
- Through the exclusion of companies involved in controversial activities and standards-based exclusions, which are based on an analysis of companies' compliance with international standards, Candriam takes account of: PAI 10: Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

- PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).
- Engagement and voting:

In order to avoid and/or reduce adverse impacts on sustainability factors, Candriam (the "Investment Manager") also considers adverse impacts through its Entity-wide Engagement Programme, which includes dialogue with companies and the exercise of voting rights. Candriam prioritises its engagement and voting activities based on an evaluation of the most significant and the most relevant ESG challenges faced by the sectors and the issuers, taking account of the financial, social and environmental impacts. Therefore, the level of engagement may vary depending on the issuers and Candriam's prioritising methodology.

The main themes of Candriam's engagement and voting practices are the energy transition, fair working conditions and business ethics. For example, in its dialogue and voting activities, Candriam takes into account PAI 1, 2 and 3 (GHG emissions, carbon footprint and GHG intensity), PAI 4 (exposure to fossil fuels), PAI 6 (energy consumption intensity by sector with high climate impact), PAI 7 (activities having an adverse impact on biodiversity sensitive zones) PAI 10 (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), as well as PAI 12 and PAI 13 (gender).

- Monitoring:

Monitoring includes calculating and assessing the main adverse impacts on sustainability factors, including reporting at the sub-fund level.

PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), PAI 14 (Exposure to controversial weapons) are covered by this monitoring approach.

The indicators of specific principal adverse impacts taken into account depend on data quality and availability and may change as data quality and availability improves. If it is not possible to use a principal adverse impact indicator due to data limitations or other technical issues, the fund manager may use a representative replacement indicator.

The investments in the portfolio undergo a normative analysis examining respect for international social, human, environmental and anti-corruption norms as defined in the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The conventions of the International Labour Organisation and the International Bill of Human Rights are among the many international references embedded in the normative analysis and Candriam's ESG analysis framework.

The analysis seeks to exclude companies which have significantly and/or repeatedly breached one of these principles.

The sustainable investments which the financial product makes do no significant harm to any sustainable environmental or social investment objectives, to the extent that Candriam takes

account of the principal adverse impacts and aims for alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, through the framework of its ESG ratings and its exclusions policy on controversial activities and normative policy.

Companies that contribute negatively to environmental and/or social sustainable investment objectives and that consequently do significant harm to these objectives through their adverse impacts will consequently tend to be allocated a poor score under Candriam's ESG rating system. It is therefore highly likely that they be excluded from the eligible investment universe. The Management Company runs on an ex-post basis a do not significant harm ("**DNSH**") test (do not significant harm test) independently at least yearly. The DNSH test is based on several pillars among which:

- Norm based screen: to identify issuer based on the issuer's link with any breaches of international standards notably the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles ("**UNGP**") on Business and Human Rights are used in decisions on sustainable investments;
- Activity-based screens - the screening out of issuers based on their participation in activities with significant negative impacts on society or the environment; and
- Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.
- Principal Adverse Impacts ("**PAIs**") evolution: quantitative data (where available) on PAI indicators is used to evaluate whether an issuer is involved in activities that cause significant harm to any environmental or social objective.

In case of breaches of this minimum percentage the Investment Manager will be enquired to provide evidence on the sustainability nature of the investments. Based on evidence sent by the Investment Manager and data coming from the Management Company service providers and/or public information the Management Company risk team will give his opinion about the sustainability of the security which should be validated by the Management Committee.

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental, social and governance ("**ESG**") characteristics while seeking to invest mainly in global bonds with a good ESG profile that will represent the investment universe. It will notably use an ESG rating as further explained in the other sections of this website disclosure.

The Sub-Fund promotes environmental and social characteristics as follows:

- by seeking to avoid exposure to companies that present both significant and severe structural risks and that are the most seriously in breach of the normative principles, taking account of their practices with regard to environmental and social issues and of

adherence to norms such as the UN Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises,

- by seeking to avoid exposure to companies that are significantly exposed to controversial activities such as the mining, transport or distribution of thermal coal, the production or retail of tobacco, and the production or sale of controversial weapons (anti-personnel mines, cluster bombs, chemical, biological, white phosphorus and or depleted uranium weapons),
- by seeking to support the energy transition with an energy mix favouring renewables and avoiding emitters which are highly exposed to especially polluting energy sources such as coal, tar sands and shale gas/oil.

In addition to the above, Candriam's ESG research methodology is an integral part of the investment process.

The Sub-Fund has not designated a reference benchmark that it will replicate for the purpose of attaining the environmental and/or social characteristics promoted.

Investment strategy

To achieve the investment objective of the financial product, the Investment Manager takes into account at each step of its investment process the ESG criteria that the financial product promotes.

The objective of the Sub-Fund is to use discretionary management to benefit from the performance of the market in bonds denominated in EUR and issued by highly rated private sector issuers, and to outperform the benchmark.

The investment strategy is applied according to a well-defined investment process and a rigorous risk framework. Adherence to these elements is subject to risk monitoring by Candriam.

Regarding the environmental and social aspects of the investment strategy, Candriam's proprietary ESG analysis (which produces ESG ratings and scores) and a normative controversy evaluation (including the controversial activity exclusion policy) are applied, making it possible to define the investable universe for the sub-fund.

Furthermore, Candriam's ESG analysis, which includes an analysis of the issuer's activities and its interaction with its main stakeholders, is an integral part of the financial management of the portfolio, enabling the asset manager to identify the risks as well as opportunities around the serious challenges of sustainable development. The Sub-Fund's investment strategy has the following binding elements:

- The "ESG Filter" process as further described in the methodology section relative to the ESG rating (positive screening);

- The “Exclusion List” ⁽²⁾ made of :
 - Companies involved in any activities related to controversial weapons;
 - Companies with important revenue generated from services/products which are oriented toward armaments or warfare;
 - Companies involved in the cultivation and production of tobacco;
 - Companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
 - Companies whose main business activity is carried out in any of the following business areas: Adult entertainment,
 - Companies particularly exposed to the exploration, mining, transport or distribution of thermal coal,
 - Electricity-producing companies which have new coal projects, or which have a carbon intensity above a certain threshold,
 - Companies significantly exposed to non- conventional oil and gas, nor in issuers exposed to conventional oil and gas for which a significant portion of revenues does not originate from natural gas and renewable energies,
 - Companies significantly exposed to gambling activities, directly or indirectly,

If an issuer falls into any of the above mentioned categories after investment, the Investment Manager should sell the security within a reasonable timeframe. However, it may continue to be held, if consent has been obtained from the Management Company.

- The “Exclusion List” made of sovereign issuers in countries with high corruption and ML/TF risk and in countries or federal states where death penalty applies.

If an issuer becomes excluded after investment, the Investment Manager should sell the security within a reasonable timeframe. However, it may continue to be held, if consent has been obtained from the Management Company.

- The financial product shall have at least 95% of its assets (excluding ancillary liquid assets) covered by the ESG analysis.
- The financial product shall invest at least 15% of its assets in 'sustainable investments' as defined in Article 2 (17) of the SFDR regulation.

The company's governance is a core aspect of the stakeholder analysis performed by Candriam. It can be used to evaluate:

- 1) how a company interacts with and manages its stakeholders, and
- 2) how a company's board of directors discharges its governance and management functions regarding disclosure and transparency and regarding consideration of sustainability objectives.

² The Sub-Fund's « Exclusion List » is in accordance with the Climate Transition Benchmark (CTB) as per letter a) to c) of article 12 of Commission Delegated Regulation (EU) 2020/1818.

In order to evaluate a company's governance practices specifically regarding the stability of the management structures, labour relations, staff remuneration and tax compliance as defined by the SFDR, Candriam's ESG analysis includes five key pillars of governance:

1. The strategic orientation, which evaluates the independence, expertise and composition of the board of directors and ensures that the board acts in the interests of all shareholders and other stakeholders and that it is able to act as an effective counterweight to management,
2. An audit committee and an evaluation of the independence of the auditors in order to avoid conflicts of interest,
3. Transparency around the remuneration of senior managers, enabling managers and the remuneration committee to be held to account by the shareholders, to align the interests of senior management with those of the shareholders, and to focus on long-term performance,
4. The share capital to ensure that all the shareholders have equal voting rights,
5. Financial conduct and transparency.

The good governance practice is assessed by the Management Company, after investment and on an ongoing basis, following the below indicators:

- The company must be traded on a regulated market in order to be considered having a good governance, as in order to be listed several policies and procedures regarding governance must be in place; or
- The company should have a minimum Governance Pillar Score of 25 according to Refinitiv or equivalent third-party ESG rating provider.

Proportion of investments

The Sub-Fund invests at least 80% of its net assets in assets that have been determined as "eligible" as per the ESG process in place (hence in investments that promote environmental and social characteristics (**#1 Aligned with E/S characteristics**)), including:

- a minimum of 15% in sustainable investments (**#1A sustainable**) among which a minimum of 0% will be invested in sustainable investments with an environmental objective and a minimum of 0% with a social objective ; and
- (**#1B Other E/S characteristics**) securities of issuers which are deemed to maintain favourable ESG characteristics but are not sustainable investments.

Up to 20% of the investments are not aligned with these characteristics (**#2 Other**). A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus of this financial product.

Monitoring of environmental or social characteristics

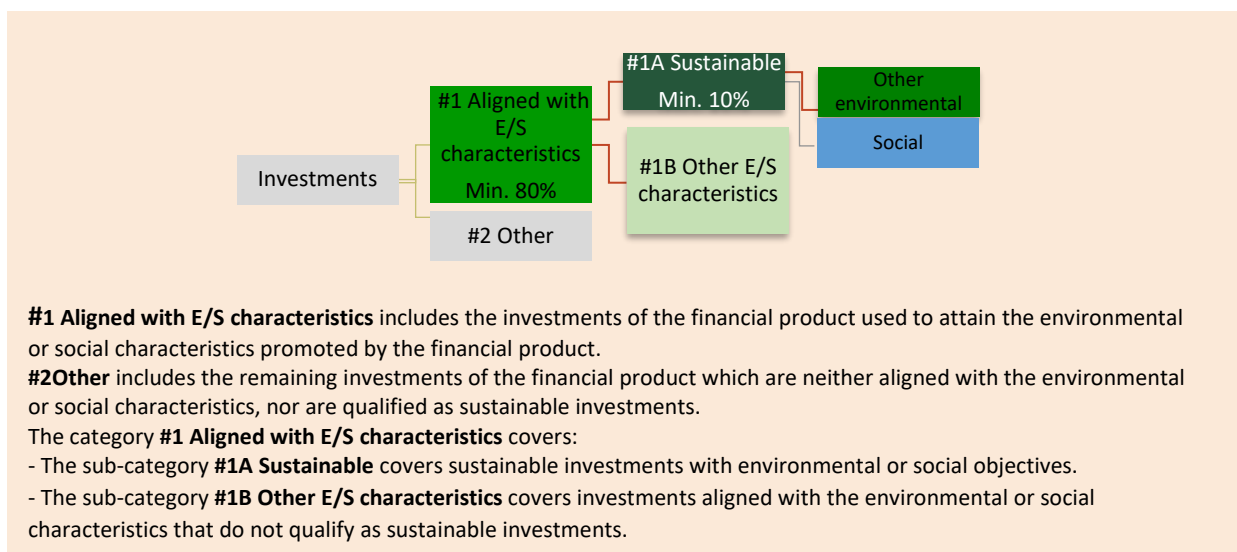
Candriam's ESG investment process is a two-step process that first of all calls for the definition of the ESG-eligible investment universe. Candriam's ESG analysts provide views on issuers that determine the eligibility and, as a consequence, the ESG investment universe for the portfolio manager teams. Any investment outside the ESG universe is prohibited. In a second step, selection is carried out within this universe using a combination of financial and ESG considerations. Portfolio managers apply their respective investment processes and select issuers from the ESG-eligible universe. For specific thematic strategies, the eligibility of issuers is determined by the ESG team in conjunction with the investment teams during dedicated committees. The ESG Sustainability indicators of the Sub-Fund are monitored by Candriam's risk management.

In addition, risk management of the Management Company monitors adherence to the mandatory elements. In this manner, the Sub-Fund uses the ESG Rating to assess whether the promoted E/S characteristics are achieved.

Methodologies

The attainment of the promoted ("E/S") characteristics is assessed via the application of a proprietary ESG assessment methodology. The methodology applies a variety of ESG criteria to assess the attainment of the promoted environmental and social characteristics based on good ESG rating (i.e. issuers having a rating greater than or equal to ESG 8 as defined per Candriam in-house ESG rating* or equivalent third-party ESG rating providers or 41.67 according to Refinitiv).

The Sub-Fund will invest in issuers with a good ESG rating. All issuer must have, in principle, an ESG rating.



Average ESG Portfolio Rating should not be below average ESG benchmark rating according to the Candriam in-house ESG rating or equivalent third-party ESG rating providers.

If a rating issuer is downgraded below the above mentioned minimum score, the Investment Manager should sell the relevant securities within a reasonable timeframe. However, they may continue to be held, if consent has been obtained from the Management Company.

The Investment Manager can invest up to 5% of the portfolio assets under management in securities where no ESG rating is readily available, but where the Investment Manager has good reason to believe that the securities will receive a good ESG rating within a reasonable period of time by either a third-party ESG rating provider or the Investment Manager in-house research. Once the ESG rating or analysis becomes available, should it not be in line with the limits of the mandate, the course of action will follow the inadvertent breach policy.

In addition to the rating, the follows should be taken into account:

- a. Sovereign issuers: government bonds are allowed if they are issued by countries with a low corruption and ML/TF risk rating. Government bonds issued by country with higher corruption and ML/TF risk are identified by either of the following:
- FATF High Risk and monitored jurisdictions
 - EU, UN and OFAC Sanctions
 - Corruption Perception Index (CPI)
 - Know Your Country data (KYC)

Government bonds issued by country having a significant level of corruption or other predicate offences to ML/TF are forbidden.

Countries that apply the death penalty are excluded; in case of a Federation, the exclusion is implemented only to the individual Federal State that applies the death penalty.

- b. Corporate bond issuers: the Sub-Fund shall exclude all of the following companies from its eligible universe:
- Companies involved in any activities related to controversial weapons;
 - Companies with important revenue generated from services/products which are oriented toward armaments or warfare;
 - Companies involved in the cultivation and production of tobacco;
 - Companies in violation of the UNGC principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
 - Companies whose main business activity is carried out in any of the following business areas: Adult entertainment;

- Companies particularly exposed to the exploration, mining, transport or distribution of thermal coal;
 - Electricity-producing companies which have new coal projects, or which have a carbon intensity above a certain threshold;
 - Companies significantly exposed to non- conventional oil and gas, nor in issuers exposed to conventional oil and gas for which a significant portion of revenues does not originate from natural gas and renewable energies;
- c. - Companies significantly exposed to gambling activities, directly or indirectly;The targeted open-ended UCIs/UCITS: those funds are included solely when all the following conditions are met:
- They are at least classified as article 8 funds according SFDR-Level I;
 - They consider principal adverse impacts of its investment decisions on sustainability factors; and
 - Their minimum percentage of sustainable investments is equal or higher than NEF Ethical Corporate Bond - Euro.

**The Candriam in-house ESG rating is a translation of the ESG score. The ESG score is the result of Candriam's proprietary and internal ESG analysis, which is applied to both companies and countries. For companies, the ESG analysis is specific to each industry sector and is divided into two pillars:*

- *Business activities analysis: this analysis assesses the extent to which a company's products and services are exposed to and contribute (positively or negatively) to the material Key Sustainability Challenges: Climate Change, Resource Depletion, Demographic Evolution, Health & Wellness and Digitalization;*
- *Stakeholder analysis: This analysis evaluates a company's ability to sustainably incorporate stakeholder interests into its long-term strategy, and its potential impact on its material stakeholders.*

For countries, it incorporates the 4 essential dimensions of sustainability: human capital, natural capital, social capital, and economic capital. The score ranges from 0 (worst score) to 100 (best score).

For companies, the ESG score is translated in a ESG rating, from ESG1 (best rating) to ESG10 (worst rating).

Data sources and processing

Investment Manager level

Candriam selected its external ESG providers based on the quality and coverage of their research. Multiple providers were selected in order to obtain complementary information.

Candriam strives to obtain diverse sources as the information is considered from different providers to be complementary. This is as a result of providers' varying coverage, methodologies, as well as culture which may ultimately lead to discrepancies in views and final ratings. These different assessments enable Candriam's SRI analyst to have a more holistic view of a company.

Candriam is currently using more than 15 external providers to have a high level of quality and coverage.

To limit the risks regarding data quality (coverage, errors), Candriam has put in place data quality controls that are performed at several levels during each integration and aggregation of ESG data:

- Data integration in Candriam's systems: data quality controls, defined according to the data catalogue provided by external data providers, are installed to check data format validity and ensure data completeness, e.g. file import exhaustivity, issuer coverage variation;
- Data coherence at both issuer and portfolio level: close monitoring of a set of key sustainable indicators' variation, e.g. carbon footprint, temperature, with respect to predefined thresholds in order to detect outliers in a timely manner.

All the spotted anomalies, e.g. missing data or data inconsistencies are investigated internally and then escalated to the source vendor if necessary. An internal process has been set up as well to overwrite a data point in case we do not agree with external data provider's value or we have missing data by the provider.

The data quality framework through is reviewed and enhanced through periodic committees. The Bloomberg Data Management Services system is currently being implemented to streamline the acquisition, management, and distribution of ESG data. A more detailed data quality policy is also under construction this year to further improve data consistency across Candriam.

Management Company level

The Management Company, in his role of oversight, uses the following data sources:

- ESG score: Refinitiv, ISS;
- the exclusion process uses: Refinitiv, ISS, public information;
- the valuation of sustainability risk is mainly based on Refinitiv data and ISS Datadesk data. Whenever the issuer's sustainability risk cannot be measured by neither Refinitiv nor ISS Datadesk, the Investment Manager is requested to submit his internal ESG score and analysis which is further analysed by NEAM and compared with other ESG ratings providers and others public information.

Measures taken to ensure data quality

The quality of the data is ensured by the comparison of different data service providers available at Manco level (Refinitiv and ISS) as well as through the comparison with delegated Investment manager evidence and public information.

How data is processed

In the case of Refinitiv and ISS the data processing is automatic. In the case data are processed manually the Management Committee is reviewing the analysis performed by the risk team to ensure a final cross-review.

Proportion of data that is estimated

In some cases, companies are limited in what information they can disclose and estimates need to be made. For this reason, data providers regularly estimate data points, with continuous improvements being made to the coverage and methodology. The management company and the Investment Manager themselves make no estimates of sustainability indicators. The need for estimates will decrease continuously, in part due to the expansion of sustainability-related reporting obligations for companies, for example in relation to the criteria for the EU Taxonomy.

Limitation to methodologies and data

ESG data in general is continually improving, however certain data may not be available for all issuers in the financial product or in the benchmark, implying that Sustainability indicator scores given at portfolio level may only be representative of a sub-portfolio of issuers for which data is available. It is therefore always important to consider coverage ratios when interpreting the levels of the Sustainability indicators.

Sustainability indicators calculations are computed on relevant products, meaning products where a single-name issuer can be identified (e.g. stocks, bonds, single name CDS, single name equity derivative). Therefore products such as cash, FX forwards, products linked to indexes, interest rate derivatives are excluded. Certain sub-sovereign issuer categories, being equivalent to neither sovereign nor corporate issuers, are excluded. Supra-national issuers are also excluded.

Data is generally available at issuer level but not always at instrument level. For example, at this stage this is the case for carbon data on green bonds, where project-specific data is not yet readily available; this situation is addressed by excluding the green bonds from the Sustainability indicators calculation (both in the numerator and the denominator) rather than assigning issuer level data or a zero carbon value to the green bond.

For certain indicators such as temperature, the absence at this stage of common or harmonized definitions and hypothesis can make figures based on one provider's methodology hard to compare to figures based on other provider's methodologies. Thus, on the same portfolio, the temperature via one provider's methodology could differ from the temperature via another provider's methodology.

Such limitations are addressed through Candriam's "ESG Conviction Analysis" and by constantly monitoring potential new relevant data sets from providers to achieve the best tracking practices. ESG Conviction analysis applies Candriam's ESG analytical framework to fundamental research that uses a materiality-based approach. ESG Conviction analysis is applied as a complement to Candriam's current process to enrich certain fundamental and active ESG investment strategies. The analysis focuses on the most relevant ESG risks and opportunities to which issuers are exposed in order to select those best-positioned in terms of sustainability. Issuers are scored against material Sustainability indicators to determine the final ESG Rating and eligibility.

With regards to sovereign issuers, methodological limitations and attribution pitfalls have led Candriam to broaden the sustainability objective for sovereign issuers to encompass a wider range of sustainability considerations than solely those relating to climate change.

The Management Company relies on major data providers to proceed to its supervision on sustainability profile of the Sub-Fund. Despite a large dataset of invested issuers worldwide covered, some of them might not be available due to lack of information or disclosure.

On a best effort basis, the Management Company uses public information, notably companies' own sustainability report and leverages on the Investment Manager sustainability's expertise to ensure that E/S characteristics promoted are indeed met by those issuers, despite potential limited disclosure.

Due diligence

The risk management department of the Investment Manager ensures that the securities making up the strategies, classified as article 8 according to the SFDR, comply with the company-wide exclusion policy. One of the tools used by this department is the constraints server, a tool that combines all the constraints and limits required to manage the investment funds.

It contains regulatory and contractual constraints as well as internal limits and constraints used to prevent operational errors.

Constraints are applied, for example, to the:

1. list of authorised investments;
2. potential ratios (liquidity, dispersion) defined;
3. main regulatory constraints applicable to the fund;
4. "list of credit warnings" and "list of equity warnings".

Once the constraints have been configured in the constraints server, any order entered by the portfolio manager is immediately checked against them before the order is sent to the markets (ex-ante control). The portfolio manager is alerted in the event of a breach of constraint.

The Management Company also proceeds to an annual due diligence of the delegated Investment Manager to assess the compliance with the engagement taken in the pre-

contractual document, the ESG investment process and the sustainability performance of the sub fund. The following points are assessed on yearly basis:

- ESG scoring methodologies
- ESG integration in Investment Process & RMP
- Exclusion policy
- Sustainable Investment Implementation
- Sustainable Investment alignment
- DNSH analysis
- PAI consideration in the Investment process
- Annex IV/V of SFDR-level II
- Engagement activity
- Policies on sustainable matters

All these topics are reviewed and are assessed qualitatively, from Bad to Very good; such analysis is presented and approved by the Management Committee and by the Board of Directors of the Management Company.

Engagement policies

Candriam has established an Engagement policy in the form of direct dialogues with issuers, an active voting policy, joining collaborative initiatives and promoting sustainable development.

Encouraging improved ESG disclosure is the first step in Candriam's engagement action, supporting internal ESG research and analysis, and performed at the beginning of the sustainability analysis process or research project. This step is triggered either by the lack of public disclosure on ESG relevant topics or by a specific event requiring a response/ statement from the issuer involved. When relevant with the product strategies, Candriam exercises its voting rights as active shareholders.

Candriam's Engagement policy can be found under the following link:

https://www.candriam.com/4b0e56/siteassets/medias/publications/brochure/corporate-brochuresand-reports/engagement-policy/candriam_engagement_policy.pdf

Candriam's proxy-voting policy is available under the following link:

https://www.candriam.com/48f4f0/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en_web.pdf

The Management Company encourages investment managers to take part in the active and responsible role as shareholder in the companies the sub-fund(s) invest in with emphasis on sustainability, activity and responsibility.