



AAF Candriam French ESG Equities

Website Product Disclosure



Summary

No Sustainable Investment Objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental/Social characteristics of the financial product

The analysis of ESG factors is systematically integrated into the investment decision making process of ABN AMRO Funds Candriam French ESG Equities (the "Sub-Fund"). The External Investment Manager defines ESG integration as the process of recognising the financial materiality (or significance) of environmental, social and corporate governance factors as part of the investment process. The Sub-Fund will use a selection of securities complying with ABN AMRO Investment Solutions (the "Management Company") ESG responsibility criteria. The External Investment Managers must comply with the Management Company's standards of quality and go through a qualitative selection process before being retained. This process involves an in-depth analysis of the External Investment Manager's corporate social responsibility policy as well as its overall sustainability strengths going from the analysis of ESG professionals, philosophy and investment process. Under the ESG responsibility criteria of the Management Company, the External Investment Manager is committed to conducting both negative and positive screenings as well as taking engagement actions when necessary. The Sub-Fund will be composed of issuers that are either leading in ESG best-practice or attractive due to their progression in ESG.

The Sub-Fund promotes both environmental and social characteristics. On the environmental front, the Sub-Fund promotes climate risk management. The social characteristics promoted by the Sub-Fund focus on global human rights, labour standards as well as diversity, equity and inclusion.

Investment Strategy

The External Investment Manager seeks reasonably priced quality companies which demonstrate a sustainable competitive advantage. The External Investment Manager believes that companies which embrace sustainability-related opportunities and challenges in concert with their financial opportunities and challenges are the most likely to generate shareholder value. The Sub-Fund uses a selection of securities complying with Environmental, Social and Governance (ESG) responsibility criteria. The portfolio is composed of issuers that are either leading in ESG best-practice or attractive due to their progression in ESG.

The External Investment Manager has developed an analytical framework to identify "Best in Class" companies. Companies are first selected on the basis of controversial sector exclusions and norms-based filtering. Subsequent to this selection, companies are further analysed on the basis of sector-specific development issues. These issues are approached from two distinct but related perspectives, a macro analysis (i.e. business activity analysis) and a micro analysis (i.e. stakeholder analysis). The results of the company and stakeholder analysis are combined and the External Investment Manager selects the companies with the top 80% scores within the investable universe. As part of the macro analysis the External Investment Manager has identified 5 major long term sustainability trends that strongly influence the environment in which companies operate, affecting their future market challenges as well as their long-term growth and prosperity:

- Controversial Activities exclusion,
- Norms-Based Analysis determines whether a company complies with the 10 principles of the UN GC for each of main categories (Human rights), Labour, Environment and anti-Bribery,
- Business Activities Analysis,
- Stakeholders Analysis,
- Stewardship.

Separately, a micro-analysis examines companies' ability to integrate the interests of six stakeholders into their long-term strategy. Stakeholder relationships create opportunities as well as risks and are thereby drivers of long-term value.

Proportion of Investment

The Sub-Fund plans to invest at least 90% of its net assets in assets that have been determined as “eligible” as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics). Consequently, up to 10% of the investments may not be aligned with these characteristics.

Monitoring of the Environmental/Social characteristics

When the Management Company delegates part of the management of the Sub-Fund to External Investment Managers, controls are performed at two levels. With respect to pre-trade controls, the External Investment Managers perform controls using their own frameworks as well as including the guidelines given by the Management Company. With respect to post-trade controls, these are performed at both the External Investment Managers' and the Management Company's level, each using their own frameworks.

The External Investment Manager periodically carries out controls on both internal rules, and investee companies. The ESG analysts' team must analyse the companies, assign them an internal ESG score, and monitor SRI Alerts. All scores and analyses are used to update the ESG Universe of the Sub-Fund. When changes are applied to rules or controls, the ESG team needs to warn Front Office and Risk Management teams, who will conduct independent compliance checks of the Sub-Fund, using their constraint servers. Finally, potential breaches are communicated to relevant parties of the External Investment Manager for further justification and final decisions. The Management Company, through its Business Control & Oversight team, performs periodic ex-post controls to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, its Business Control & Oversight team will first analyse it and engage in dialogue with the External Investment Manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.

Data sources and processing

The Management Company monitors the attainment of the environmental and/or social characteristics of the Sub-Fund using its own data providers. The Management Company uses three external data providers as its main sources. Once collected from these sources, the data is integrated and stored in the internal front-to-back tool and/or available in the Management Company's dedicated data management system (which directly and continuously obtains data from the providers). Information is also available via dedicated portals developed by external data providers, access to which is limited to specific users of the Management Company.

The External Investment Manager's primary sources of information are third party providers, along with internal data. To select the most relevant data providers, the External Investment Manager's ESG Investment & Research Team carries out a screening, confirming the relevance of existing ESG data sources, identifying additional ESG data needs and respective data sources, and ensuring due diligence and monitoring of ESG data providers. Once the data providers are selected, an end-to-end pipeline is implemented to collect, transform, aggregate, exploit and allow relevant teams to visualize data accordingly.

Due Diligence

The Management Company carries out due diligences for the selection of delegated strategies as well as for open-ended investment funds. The Management Due Diligence analysts' team (MDD) identifies and selects high quality investment strategies and monitors the universe of approved strategies. The MDD team focuses on all investment and sustainability-related elements of an investment strategy. The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy. As part of the monitoring process, the MDD team periodically reviews the performance of the strategy to ensure that it remains aligned with the investment style of the portfolio. The ESG team supports the MDD team in reviewing the process and methodologies implemented by the external asset managers when considering ESG and sustainability issues. The ESG team provides qualitative feedback during the selection phase and supports the MDD team throughout its analysis process, using the “5-P approach” aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund's characteristics and performance related to the environmental and/or social characteristics defined (including the review of underlying investments).



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This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.



Environmental/social characteristics of the financial product

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The Sub-Fund promotes both environmental and social characteristics. On the environmental front, the Sub-Fund promotes climate risk management. The social characteristics promoted by the Sub-Fund focus on global human rights, labour standards as well as diversity, equity and inclusion.

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



Investment Strategy

Description of the strategy

The External Investment Manager seeks reasonably priced quality companies which demonstrate a sustainable competitive advantage. The External Investment Manager believes that companies which embrace sustainability-related opportunities and challenges in concert with their financial opportunities and challenges are the most likely to generate shareholder value. The Sub-Fund uses a selection of securities complying with Environmental, Social and Governance (ESG) responsibility criteria. The portfolio is composed of issuers that are either leading in ESG best-practice or attractive due to their progression in ESG.

The External Investment Manager has developed an analytical framework to identify "Best in Class" companies. Companies are first selected on the basis of controversial sector exclusions and norms-based filtering. Subsequent to this selection, companies are further analysed on the basis of sector-specific development issues. These issues are approached from two distinct but related perspectives, a macro analysis (i.e. business activity analysis) and a micro analysis (i.e. stakeholder analysis). The results of the company and stakeholder analysis are combined and the External Investment Manager selects the companies with the top 80% scores within the investable universe. As part of the macro analysis the External Investment Manager has

identified 5 major long term sustainability trends that strongly influence the environment in which companies operate, affecting their future market challenges as well as their long-term growth and prosperity:

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Good governance practices

As part of its “Good Governance Policy”, the Management Company of the Sub-Fund determines if a company does not follow good governance practices. Companies that do not follow good governance practices are excluded from the initial investment universe of the Sub-Fund. The data source used for all below mentioned criteria and to define the pass/fail good governance test of the Management Company is Sustainalytics.

SFDR Component	Indicator	Exclusion Criteria	Description
Sound Management Structure	UN Global Compact - Principle 10	Watchlist and Non-Compliant status	Principle 10 of the UN Global Compact is related to anti-bribery and corruption and states businesses should work against corruption in all its forms, including extortion and bribery.
	Governance controversy assessment	High & Severe Levels (equivalent to levels 4/5 and 5/5)	As part of the controversy assessment, the following topics are included: accounting irregularities, bribery and corruption, anti-competitive practices, sanctions as well as board composition.
Employee Relations	UN Global Compact – Principles 3, 4, 5 and 6	Watchlist and Non-Compliant status	Principle 3, 4, 5 and 6 of the UN Global Compact are related to labour conditions. The principles state that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.
	Social Controversy Assessment	High & Severe Levels (equivalent to levels 4/5 and 5/5)	As part of the controversy assessment, the following topics are included: freedom of association, child/forced labour, health and safety, community relations, respect of human rights, labour standards, discrimination and harassment.
Tax Compliance	Governance Controversy Assessment	High & Severe Levels (equivalent to levels 4/5 and 5/5)	As part of the controversy assessment, taxes avoidance and evasion are taken into consideration.
Remuneration of Staff	Governance Controversy Assessment	High & Severe Levels (equivalent to levels 4/5 and 5/5)	As part of the controversy assessment, remuneration is taken into consideration.

Corporate governance is a key aspect of the External Investment Manager Stakeholder analysis. The External Investment Manager assesses how a company interacts with and manages its relevant stakeholders as well as how a company's board fulfils its governance and management duties with respect to disclosure and transparency as well as the consideration of sustainability objectives. To assess a company's governance practices, the External Investment Manager's ESG analysis comprises, among others, 5 key governance pillars:

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



Proportion of investments

The Sub-Fund invests at least 90% of its net assets in assets that have been determined as “eligible” as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with E/S characteristics)).

Up to 10% of the investments are not aligned with these characteristics (#2 Other). “#2 Other” includes derivatives, bank deposits at sight, including cash held in current accounts with a bank accessible at any time. These are used for Investment, hedging and efficient management portfolio purposes. There are no minimum environmental or social safeguards associated with these investments. A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus.



#1 Aligned with E/S characteristics:

Includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other:

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



Monitoring of environmental or social characteristics

The Management Company and the External Investment Manager independently perform an assessment of the attainment of the Sub-Fund's environmental or social characteristics.

The External Investment Manager and its teams carry out checks on these metrics through their proprietary tools.

- **Monitoring of investee companies:**

The ESG analysts' team is responsible for the sustainability analysis and assessment of investee companies of the Sub-Fund. Periodically, the team will assess the companies and assign them an internal ESG score. Each analyst is assigned a specific sector, within which they will oversee monitoring companies' ESG Scores and SRI Alerts. All details of these scores and analyses are stored internally and used to keep the ESG Universe of the Sub-Fund up-to-date.

The Sustainability Risk Committee then comes into play to review potential detected breaches within this ESG Universe. When applicable, the Committee decides which actions need to be taken regarding specific breaches: discuss with Front Office, modify internal rules, inform Executive Committee, etc.

- **Monitoring of internal rules and controls:**

On top of monitoring the Sub-Fund's investee companies, the External Investment Manager periodically updates its internal rules and controls. When changes are applied to rules or controls (sector models, controversial activities, etc.), the ESG team of the External Investment Manager is responsible for warning both Front Office and Risk Management teams. Both teams will then periodically conduct independent compliance checks of the Sub-Fund, using the constraint servers managed by the Risk Management team. Finally, potential detected breaches are directly communicated to the Sub-Fund Manager and its Head, as well as to the Global Head of ESG Investment & Research, and the portfolio manager may also be asked to further justify this breach.

At Management Company's level, the monitoring of environmental or social characteristics of the investment product is ensured through a dedicated control framework. The Management Company, through its Business Control & Oversight team, performs periodic ex-post controls to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, its Business Control & Oversight team will first analyse it and engage in dialogue with the External Investment Manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.



Methodologies

ESG analysis is systematically integrated into the investment decision making process. As part of its ESG framework, the Management Company uses the following sustainability indicators to measure the achievement of each of the environmental or social characteristics promoted by the Sub-Fund:

- Absence of companies that do not meet the criteria defined in the Management Company's Exclusion List and that are deemed incompatible with the E/S promotion (e.g. tobacco, controversial weapons).
- Controversy Level Assessment - Controversy involvement is a key measure of ESG performance. Controversy level assessment reflects a company's level of involvement in issues and how it manages those issues.
- Compliance with the UN Global Compact - The United Nations Global Compact is the world largest corporate sustainability initiative aimed at encouraging businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human

rights, labour, the environment and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

- ESG Risk Scores - ESG risk scores measure a company's exposure to material industry-specific ESG risks and how the company manages those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk.
- Scope 1 GHG Emissions - Scope 1 emissions emanate from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste.
- Scope 2 GHG emissions - Scope 2 emissions are indirect emissions generated by the production of energy used by the company.



Data sources and processing

The External Investment Manager implements diverse KPIs to attain the environmental and social characteristics of the Sub-Fund. The main data providers used for these KPIs are Bloomberg, Carbone4Finance, ISS-Oekom, Sustainalytics, and Trucost, but other providers may be used, along with internal data. To select the most relevant data providers for the KPIs, the External Investment Manager's ESG Investment & Research Team carries out a screening, confirming the relevance of existing ESG data sources, identifying additional ESG data needs and respective data sources, and ensuring due diligence and monitoring of ESG data providers.

Once the data providers are selected, an end-to-end pipeline is implemented to collect, transform, aggregate, exploit and visualize data accordingly:

1. Data acquisition: ESG data contains both external providers' raw data and internal data which consist of an aggregated file with exclusion information and additional external providers data. ESG raw data are updated at least four times a year, while internal data are updated on a more regular basis. Those processes are mostly automated.
2. Data integration: based on the data catalogue provided by external data providers, data quality controls are performed to check data format validity and ensure data completeness.
3. Mapping and transformation: the provider-specific identifiers are mapped using predefined methodology, enabling the retrieving of associated data. Raw data from external providers are then enriched and aggregated for further analysis.
4. Data coherence, at both issuer and portfolio level: close monitoring of key sustainable indicators' variation, with respect to predefined thresholds to detect outliers. All the spotted anomalies (missing data or data inconsistencies) are investigated internally and, when needed, are escalated to the source vendor. There is also an internal process to overwrite a data point in case there is a disagreement with the external data provider's value.
5. Exploitation and Visualization: data is disseminated for the Front managers in internal tools and for the clients via the reporting.

The Management Company monitors the attainment of the environmental and/or social characteristics of the Sub-Fund by using its own data providers.

The Management Company uses three external data providers as its main sources:

- The Management Company assesses the environmental and/or social characteristics of the Sub-Fund's constituents using the external data provider Sustainalytics. The Management Company uses Sustainalytics for ESG risk scores, controversies, product involvement as well as alignment with global standards (e.g., OECD Guidelines for Multinational Enterprises).

- The Management Company uses Morningstar to analyse the Sub-Fund's peer group, as well as for various ESG data calculations at portfolio level.
- The Management Company uses the data provider ISS for climate and impact data. The Management Company also uses ISS as a proxy voting solution.

Once collected from these sources, the data is integrated and stored in the internal front-to-back tool and/or available in the Management Company's dedicated data management system (which directly and continuously obtains data from the providers). Information is also available via dedicated portals developed by external data providers, access to which is limited to specific users of the Management Company. The Management Company verifies that the data is available, reported (or calculated), and reliable over time. On a case-by-case basis (e.g., if an ESG score is missing), the Management Company may use other sources of information to form its own opinion regarding the ESG suitability of any investment opportunity with the Sub-Fund's strategy.



Limitations to methodologies and data

The Management Company and the External Investment Manager noticed that methodologies and data used have the following limitations:

- **Data quality:** the External Investment Manager's approach includes qualitative analysis of a company's ESG credentials. The methodology is subject to limitations, including reliance on the quality of data provided by investee companies or third-party research providers.
- **Coverage:** The External Investment Manager's team of ESG analysts may not be staffed to cover the entire investment universe and methodological limitations exist. In addition, with respect to external data providers, although the number of companies covered by data providers has increased significantly over time, and continues to increase, there may be instances where a specific company is not assessed by them. This is because either the data provider does not cover the company in question, or the company has not provided the data necessary for a proper assessment by the data provider.
- **Discrepancy in ESG ratings:** the External Investment Manager obtains its data from different data providers that have different methodologies for assessing ESG performance. The result of their assessment may be to some extent subjective and inconsistent.
- **Estimated data:** not all data points are reported data and some of the data used are estimated. For example, in the case of carbon data or ESG ratings, some technical calculations may be based on estimated data (by reference to a peer group average for example).



Due diligence

The Management Company and the External Investment Manager independently carry out due diligences on the underlying assets of the Sub-Fund.

Within the External Investment Manager, the due diligence on the underlying assets of the financial product is carried out by portfolio management and risk management teams. The due diligence is supported by one tool: the constraints server, that combines regulatory and contractual constraints, as well as limits, to prevent operational errors in managing the Sub-Fund. This server is automatically updated according to changes made to the ESG investment universe by the ESG team. Constraints are applied, for example, to:

1. The list of authorised investments.
2. The potential ratios (liquidity, dispersion) defined.
3. The main regulatory constraint applicable to the Sub-Fund.
4. The “list of credit warnings” and the “list of equity warnings”.

Once the constraints have been configured in the constraint’s 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.

As part of its business model, the Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Management Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund.

- The MDD team identifies and selects high quality external investment strategies and monitors the universe of approved strategies. The MDD analyst team focuses on all investment and sustainability-related elements of an investment strategy, such as organization, team, investment, portfolio construction, process, track record, etc. MDD’s research reports include a thorough sustainability due diligence and a separate sustainability rating.
For all strategies, MDD analysts assess the External Investment Manager’s commitment to and transparency on sustainable investing. They also assess to what extent, and at what stages, ESG criteria are integrated into the investment strategies and effectively taken into account in the investment process and the portfolio. This analysis is carried out by means of a questionnaire sent via the Management Company’s proprietary platform, Deeligenz, as well as during meetings with the professionals involved in the strategy (e.g. portfolio managers, financial analysts, ESG analysts, management team, etc.). The Management Company’s in-depth analysis is based on a “5-P approach”: Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy.
As part of the monitoring process, the MDD team reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. The MDD team has the transparency and regularly monitors the delegated strategy’s portfolio. ESG ratings and other sustainable characteristics of the portfolio’s underlying assets are monitored regularly. In addition, the MDD analysts have quarterly meetings with the External Investment Managers to discuss recent performance as well as recent transactions to monitor alignment with the initially selected investment and sustainability philosophy. To prepare for the meeting, MDD analysts send out a monitoring questionnaire using the management company’s proprietary platform, Deeligenz, with questions related to the portfolio, performance, and sustainability. During the calls, the External Investment Manager clarifies if there have been any changes in the team and processes. Analysts and External Investment Manager also discuss their recent engagements and milestones during the period. In addition, the MDD analysts monitor any significant events that may affect the External Investment Manager, e.g., with respect to their investments, financial and ESG analysts, investment process, capacity for engagement. Each change may affect the strategy’s rating based on the 5-Ps, which may lead to a change in the strategy’s ratings, including the sustainability rating.
- The ESG team supports the MDD team in reviewing the process and methodologies implemented by the External Investment Manager when considering ESG and sustainability issues. The ESG team provides qualitative feedback during the mandate selection phase and supports the MDD team throughout its analysis process, using the “5-P approach” aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund’s characteristics and performance related to the sustainable investment objective initially defined. The ESG team will also monitor the Sub-Fund’s underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all the Sub-Fund’s holdings. If a holding is identified as not meeting the sustainability characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. If the ESG team considers the risk to be insubstantial, it may permit the External Investment Manager to maintain its position in the holding. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies and updating the lists, accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range. Lastly, the ESG team is responsible for the sustainable labelling of the Management Company’s product range. Overall,

the ESG team plays a very transversal role in the Management Company's organization, as ESG is at the heart of its investment strategy.



Engagement policies

As part of its sub-advisory business model, the Management Company delegates responsibility for engagement to the selected External Investment Manager. However, the Management Company does not delegate all stewardship activities and is responsible for proxy voting. The External Investment Manager may act as an advisor and guide the Management Company on specific issues that it engages with specific companies. Even when advised, the Management Company remains the final decision maker for the proxy vote.

Engagement is a key part of the External Investment Manager's investment process, given its potential impact on investment returns and its appropriateness as a channel to discuss sustainability with issuers. The External Investment Manager uses its relationship with issuers to monitor them on relevant matters such as strategy, financial and non-financial performance and risk, capital structure, social and environmental impact, corporate governance, etc. The information may be used by the External Investment Manager for both ESG and fundamental analyses, as they believe that accounting for ESG factors allows for a better valuation of issuers, and thus better-informed investment decisions. The External Investment Manager considers engagement as a core contributor to risk mitigation, as well as to protection and enhancement of long-term value creation.

In that regard, the External Investment Manager has established an Engagement policy, where engagement activities refer to interactions between the External Investment Manager and the following third parties:

- Current or potential issuers on ESG issues. Targeted issuers may be corporates, governments, or affiliated bodies (municipalities, agencies, supranationals, etc.) with a presence in one or more asset classes such as listed equities or fixed income.
- Entities which can influence or initiate changes in the regulatory or market framework involving ESG aspects.

The External Investment Manager's engagement scope covers issuers' business models, product mix and related strategy, as well as operational management. The External Investment Manager can engage with all types of issuers, and on all regions, using an engagement process built upon four pillars:

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

The formal identification and prioritisation of engagement activities to be pursued is done using this approach, along with an assessment of the materiality of the issue, the impact within the SDG spectrum, the presence of the issuer in the portfolios, the interests of the External Investment Manager's investment team, and the potential leverage. In addition, there are three main long-term topics driving the External Investment Manager's engagement activities: (i) business ethics, (ii) fair work conditions, and (iii) energy transition.

Once the engagement issues are identified and prioritised, the External Investment Manager may engage both proactively and reactively, depending on the trigger. The choice between direct or collaborative dialogue will depend upon several factors. Individual dialogue is prioritised, but a collaborative approach is preferred when:

- The interlocutor is a country, a group of countries, an international organisation, or any authority in which the External Investment Manager is not a shareholder.
- The history of individual dialogue with the corporate issuer concerned is sub-optimal.
- An opportunity arises to engage with others on the topic, while avoiding issuers' fatigue in answering similar questions.
- Greater leverage or economies of scale are required.
- Further media coverage is expected to raise public attention on the topic under consideration.

Upon joining collaborative initiatives, the External Investment Manager usually chooses the issuers on which they wish to be more active. The External Investment Manager can then lead the engagement with the issuer, partaking in meetings, and providing other participating investors with an engagement evaluation framework. The External Investment Manager may also join collaborative initiatives without taking the lead on the engagement process. Moreover, for issuers they have a lesser interest in, the External Investment Manager can be more passive, acting as signatories and supporters of the leading investors, but without partaking in meetings. For all collaborative initiatives signed by the External Investment Manager, the totality of their assets under management are committed.

For more information, please check the External Investment Manager's Engagement Policy: <https://www.candriam.com/>.



Designated reference benchmark

No specific ESG-related index has been designated for this Sub-Fund.