

| LEA 02 | Disclosures | Monetary | Principles |
|---|--|------------------------|--|
| <p>By providing investors the most up-to-date and comprehensive information on the company's environmental, social and governance (ESG) performance, we aim to support their investment decisions and to enhance the company's reputation and long-term value.</p> <p>The information provided in this report is based on the company's internal data and is subject to audit. The company's ESG performance is measured against the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.</p> | <p>LEA 02</p> | <p>Monetary</p> | <p>Principles PRI 1, 2, 3</p> |
| <p>Type of engagement</p> <p>Individual/ internal staff engagements</p> | <p>Reason for interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decision-making in & company's ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency and identify the need for additional information <input checked="" type="checkbox"/> To engage internal staff <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff | | |
| <p>Collaborative engagements</p> | <ul style="list-style-type: none"> <input type="checkbox"/> To support investment decision-making in & company's ESG issues <input type="checkbox"/> To enhance corporate transparency and identify the need for additional information <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in collaborative engagements | | |
| <p>Service provider engagements</p> | <ul style="list-style-type: none"> <input type="checkbox"/> To support investment decision-making in & company's ESG issues <input type="checkbox"/> To enhance corporate transparency and identify the need for additional information <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in service provider engagements | | |

RI TRANSPARENCY REPORT

2013/14

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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 | ✓ | n/a | | | | | | | ✓ |
| OO 06 | How would you like to disclose your asset class mix | ✓ | Public | | | | | | | ✓ |
| OO 07 | Segregated mandates or pooled funds | 🔒 | n/a | | | | | | | ✓ |
| OO 08 | Breakdown of AUM by market | ✓ | Private | | | | | | | ✓ |
| OO 09 | Additional information about organisation | ✓ | Private | | | | | | | ✓ |
| OO 10 | RI activities for listed equities | ✓ | Public | | | | | | | ✓ |
| OO 11 | RI activities in other asset classes | ✓ | Public | | | | | | | ✓ |
| OO 12 | Modules and sections required to complete | ✓ | Public | | | | | | | ✓ |

| Overarching Approach | | | | Principle | | | | | | General |
|----------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| OA 01 | RI policy and other guidance documents | ✓ | Public | | | | | | | ✓ |
| OA 02 | Publicly available policies / documents | ✓ | Public | | | | | | ✓ | |
| OA 03 | Policy components and coverage | ✓ | Public | ✓ | ✓ | | | | | |
| OA 04 | Conflicts of interest | ✓ | Public | | | | | | | ✓ |
| OA 05 | RI goals and objectives | ✓ | Public | | | | | | | ✓ |
| OA 06 | Main goals/objectives this year | ✓ | Private | | | | | | | ✓ |
| OA 07 | Governance, management structures and RI processes | ✓ | Private | | | | | | | ✓ |
| OA 08 | RI roles and responsibilities | ✓ | Public | | | | | | | ✓ |
| OA 09 | RI in performance management, reward and/or personal development | ✓ | Private | | | | | | | ✓ |
| OA 10 | Collaborative organisations / initiatives | ✓ | Public | | | | ✓ | ✓ | | |
| OA 11 | Promoting RI independently | ✓ | Public | | | | ✓ | | | |
| OA 12 | Dialogue with public policy makers or standard setters | ✓ | Private | | | | ✓ | ✓ | ✓ | |
| OA 13 | ESG issues in strategic asset allocation | ✓ | Private | ✓ | | | | | | |
| OA 14 | Allocation of assets to environmental and social themed areas | ✓ | Private | ✓ | | | | | | |
| OA 15 | ESG issues for internally managed assets not reported in framework | ✓ | Private | | | | | | | ✓ |
| OA 16 | ESG issues for externally managed assets not reported in framework | 🔒 | n/a | | | | | | | ✓ |
| OA 17 | RI/ESG in execution and/or advisory services | 🔒 | n/a | ✓ | ✓ | | | | | |
| OA 18 | Innovative features of approach to RI | ✓ | Private | | | | | | | ✓ |
| OA 19 | 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 | Description of ESG incorporation | ✓ | Private | ✓ | | | | | | |
| 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 | 🔒 | n/a | ✓ | | | | | | |
| LEI 10 | Description of ESG integration | ✓ | Private | ✓ | | | | | | |
| LEI 11 | Review ESG issues while researching companies/sectors | ✓ | Public | ✓ | | | | | | |
| LEI 12 | Processes to ensure integration is based on robust analysis | ✓ | Private | ✓ | | | | | | |
| LEI 13 | Aspects of analysis ESG information is integrated into | ✓ | Private | ✓ | | | | | | |
| LEI 14 | ESG issues in index construction | ✓ | Private | ✓ | | | | | | |
| LEI 15 | How ESG incorporation has influenced portfolio composition | ✓ | Private | ✓ | | | | | | |
| LEI 16 | Incorporation of ESG issues has improved financial/ESG performance and reduced risk | ✓ | Private | ✓ | | | | | | |
| LEI 17 | Examples of ESG issues that affected your investment view / performance | ✓ | Private | ✓ | | | | | | |
| LEI 18 | 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 | ✓ | Private | | ✓ | | | | | |
| 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 engagement activities | ✓ | 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 | ✓ | Private | ✓ | ✓ | | | | | |
| LEA 10 | Tracking number of engagements | ✓ | Public | | ✓ | | | | | |
| LEA 11 | Number of companies engaged with, intensity of engagement and effort | ✓ | Private | | ✓ | | | | | |
| LEA 12 | Engagements on E, S and/or G issues | ✓ | Private | | ✓ | | | | | |
| LEA 13 | Companies changing practices / behaviour following engagement | ✓ | Private | | ✓ | | | | | |
| LEA 14 | Examples of ESG engagements | ✓ | Private | | ✓ | | | | | |
| LEA 15 | Disclosure of approach to ESG engagements | ✓ | Public | | ✓ | | | | ✓ | |
| LEA 16 | Description of approach to (proxy) voting | ✓ | Private | | ✓ | | | | | |
| LEA 17 | Typical approach to (proxy) voting decisions | ✓ | Public | | ✓ | | | | | |
| LEA 18 | Percentage of voting recommendations reviewed | ✓ | Public | | ✓ | | | | | |
| LEA 19 | Confirmation of votes | ✓ | Private | | ✓ | | | | | |
| LEA 20 | Securities lending programme | ✓ | Private | | ✓ | | | | | |
| LEA 21 | Informing companies of the rationale of abstaining/voting against management | ✓ | Public | | ✓ | | | | | |
| LEA 22 | Percentage of (proxy) votes cast | ✓ | Public | | ✓ | | | | | |
| LEA 23 | Proportion of ballot items that were for/against/abstentions | ✓ | Private | | ✓ | | | | | |
| LEA 24 | Shareholder resolutions | ✓ | Private | | ✓ | | | | | |
| LEA 25 | Examples of (proxy) voting activities | ✓ | Private | | ✓ | | | | | |
| LEA 26 | 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, quantitative, fundamental and other active strategies | ✓ | Private | ✓ | | | | | | |
| FI 02 | Breakdown of investments by credit quality | ✓ | Private | | | | | | | ✓ |
| FI 03 | Description of ESG incorporation | ✓ | Private | ✓ | | | | | | |
| FI 04 | Percentage of each incorporation strategy | ✓ | Public | ✓ | | | | | | |
| FI 05 | Type of ESG information used in investment decision | ✓ | Private | ✓ | | | | | | |
| FI 06 | Types of screening applied | ✓ | Public | ✓ | | | | | | |
| FI 07 | Processes to ensure screening is based on robust analysis | ✓ | Public | ✓ | | | | | | |
| FI 08 | Processes to ensure fund criteria are not breached | ✓ | Private | ✓ | | | | | | |
| FI 09 | Types of sustainability thematic funds/mandates | 🔒 | n/a | ✓ | | | | | | |
| FI 10 | Description of ESG integration | 🔒 | n/a | ✓ | | | | | | |
| FI 11 | Review of ESG issues while researching companies/sectors | 🔒 | n/a | ✓ | | | | | | |
| FI 12 | Processes to ensure integration is based on robust analysis | 🔒 | n/a | ✓ | | | | | | |
| FI 13 | Incorporation of ESG issues into analysis and decision making | ✓ | Public | ✓ | | | | | | |
| FI 14 | ESG issues in index construction | ✓ | Private | ✓ | | | | | | |
| FI 15 | How ESG incorporation has influenced portfolio composition | ✓ | Private | ✓ | | | | | | |
| FI 16 | Incorporation of ESG issues has improved financial/ESG performance and reduced risk | ✓ | Private | ✓ | | | | | | |
| FI 17 | Examples of ESG issues that affected your investment view / performance | ✓ | Private | ✓ | | | | | | |
| FI 18 | Disclosure of approach to ESG incorporation | ✓ | Public | | ✓ | | | | | ✓ |
| FI 19 | Engagement with corporate issuers | ✓ | Private | | ✓ | | | | | |
| FI 20 | Engagement with government issuers | ✓ | Private | | ✓ | | | | | |

Candriam Investors Group

Reported Information

Public version

Organisational Overview

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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 only 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

500

OO 02.4 Additional information. [Optional]

Countries in which we have offices:

Australia, 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 | 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.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

| | | | | | |
|---------------|-----------|----------|----------|-----------|----------|
| | trillions | billions | millions | thousands | hundreds |
| Total AUM | | 100 | 084 | 000 | 000 |
| Currency | USD | | | | |
| Assets in USD | | 100 | 084 | 000 | 000 |

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

| | | | |
|--------------|------------------|--------------------|----------------|
| OO 06 | Mandatory | Descriptive | General |
|--------------|------------------|--------------------|----------------|

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

| | Internally managed (%) | Externally managed (%) |
|---------------------------|------------------------|------------------------|
| Listed equity | 26.7 | 0 |
| Fixed income – corporate | 35.4 | 0 |
| Fixed income – government | 34.9 | 0 |
| Fixed income – other | 0.5 | 0 |
| Private debt | 0 | 0 |
| Private equity | 0 | 0 |
| Property | 0 | 0 |
| Infrastructure | 0 | 0 |
| Commodities | 0 | 0 |
| Hedge funds | 2.5 | 0 |
| Forestry | 0 | 0 |
| Farmland | 0 | 0 |
| Inclusive finance | 0 | 0 |
| Cash | 0 | 0 |

| | | |
|--------------------|---|---|
| Other (1), specify | 0 | 0 |
| Other (2), specify | 0 | 0 |

- Publish our asset class mix as broad ranges
- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

Gateway asset class implementation indicators

| | | | |
|--------------|------------------|----------------|----------------|
| OO 10 | Mandatory | Gateway | General |
|--------------|------------------|----------------|----------------|

| | |
|----------------|--|
| OO 10.1 | Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year. |
|----------------|--|

- We incorporate ESG issues into investment decisions on our internally managed assets
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- None of the above

| | | | |
|--------------|------------------|----------------|----------------|
| OO 11 | Mandatory | Gateway | General |
|--------------|------------------|----------------|----------------|

| | |
|----------------|--|
| OO 11.1 | Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes. |
|----------------|--|

- Fixed income – corporate
- Fixed income – government
- Fixed Income – other
- Hedge funds
- None of the above

| | | | |
|--------------|------------------|----------------|----------------|
| OO 12 | Mandatory | Gateway | General |
|--------------|------------------|----------------|----------------|

| | |
|----------------|---|
| OO 12.1 | The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary. |
|----------------|---|

Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed Income - Corporate
- Fixed Income - Government

Closing module

- Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Candriam Investors Group

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01

Mandatory

Gateway/Core Assessed

General

OA 01.1

Indicate if you have a responsible investment policy.

- Yes
- No

OA 01.2

Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
- No

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.

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. About 20% of our assets under management (USD 20.75 billion at end of December 2013) involves sustainable and responsible approaches in all asset classes (equity, bond, balanced, money market, structured products, microcredit) 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 ESG 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 2009 we decided to apply the controversial armament exclusion to all Candriam's investments, in 2010 we decided to apply an SRI screening to our Indexed funds range and in 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 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: sri.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.

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

| | | | |
|-------|-----------|---------------|-------|
| OA 02 | Mandatory | Core Assessed | PRI 6 |
|-------|-----------|---------------|-------|

OA 02.1 | Indicate if your responsible investment policy is publicly available.

Yes

OA 02.2 | Provide a URL to your responsible investment policy.

URL

<http://sri.candriam.com/SRIinsights/Pages/Publications.aspx>

No

OA 02.3 | Indicate if your other policies or guidance documents related to responsible investment are publicly available.

Yes

Yes, all

Yes, some

OA 02.4 | List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

| Policy or document name | URL |
|---------------------------------|---|
| Transparency Codes | http://sri.candriam.com/SRIinsights/Pages/Transparency%20Code.aspx |
| Controversial Activities Policy | http://sri.dexia-am.com/LibrarySRI/Dexia_AM_Controversial%20Activity%20policy_EN.pdf |
| Proxy Voting Policy | http://sri.dexia-am.com/Responsibleassetmanager/Pages/Activeownershipengagement.aspx |
| Proxy Voting Report | http://sri.candriam.com/LibrarySRI/SRI_PROXY%20VOTING_ANNUAL%20REVIEW_2012.pdf |
| Engagement Report | http://sri.candriam.com/LibrarySRI/SRI%20engagementReport%202012_final.pdf |
| Sustainability Report | http://sri.candriam.com/LibrarySRI/Sustainability%20Report_2012_EN.pdf |

No

| | | | |
|-------|-----------|---------------|---------|
| OA 03 | Mandatory | Core Assessed | PRI 1,2 |
|-------|-----------|---------------|---------|

| | |
|---------|--|
| OA 03.1 | Indicate the components/types and coverage of your responsible investment policy and guidance documents. |
|---------|--|

Select all that apply

| Policy components/types | Coverage by AUM |
|---|--|
| <input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify | <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 |

Policy:

We use our proxy voting rights for European companies and progressively extend the scope to other regions.

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

The Engagement, proxy voting and screening/exclusion policies apply to all funds and AUM.

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 4 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 as 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.

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 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)

| | | | |
|-------|-----------|---------------|---------|
| OA 04 | Mandatory | Core Assessed | General |
|-------|-----------|---------------|---------|

| | |
|---------|---|
| OA 04.1 | Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process. |
|---------|---|

Yes

| | |
|---------|--|
| OA 04.2 | Describe your policy on managing potential conflicts of interest in the investment process. [Optional] |
|---------|--|

Candriam puts a strong focus on avoiding potential conflict of interest. To address this issue, the company has put in place a code of conduct. In addition, Candriam has created an independent compliance department. One of its missions is to precisely prevent any conflict of interest. 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. In all circumstances Candriam employees shall be required to behave in a responsible manner as though they were managing their own investments. The company's staff may not contract debts that exceed their financial resources. More specifically, they may not enter into transactions involving commitments they might not be able to honor when the time comes for settlement.

Portfolio managers have to report to compliant department all transactions they execute in their private portfolios.

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 team. Any investment outside the SRI universe is prohibited.

No

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
 - Biannually
 - Annually
 - Every two years or less
 - It is not reviewed
- No

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 annual roadshow for clients) and in-house training about SRI approaches/specific ESG topics.

Governance and human resources

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

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
- External managers or service providers
- Other role, specify
- Other role, specify

OA 08.2

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

Number

20

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

Yes

OA 10.2

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

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- 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
- Council of Institutional Investors (CII)
- Eumedion
- 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 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)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- 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

Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

Belsif - Eurosif - VBDO - RIAA - Italian SIF - Nachhaltige Forum

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:

- "Advanced" for Belsif (Board member, participation to roundtables and organised meetings)
- "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

No

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/Tight 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)
- 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)

| OA 11 | Mandatory | Core Assessed | PRI 4 |
|----------------|--|---------------|-------|
| OA 11.1 | Indicate if your organisation promotes responsible investment, independently of collaborative initiatives. | | |

Yes

OA 11.2

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
- Other, specify

No

OA 11.3

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. We also organize many events dedicated to our clients on SRI, roadshows, meetings, conference calls, etc... in all the countries where we are present. We are also very active with the press, this resulting in numerous articles on SRI. Lastly, we participate in many large events dedicated to SRI such as in 2013 eg the Geneva Forum for Responsible Investment, the Italian sif event, the Nobelux-Belsif event, Eurosif annual seminar,... We organize in several European countries each year a SRI roadshow focusing on specific ESG issues or SRI analysis (ex of topic : Demography, Shale gas, the Chemical sector).

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

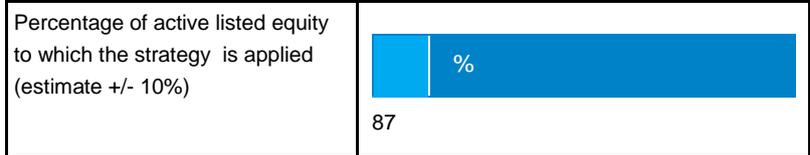
| | | | |
|--------|-----------|-----------------------|-------|
| LEI 03 | Mandatory | Gateway/Core Assessed | PRI 1 |
|--------|-----------|-----------------------|-------|

LEI 03.1

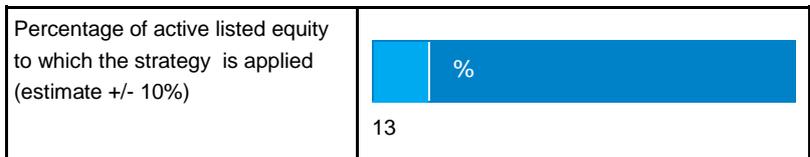
Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

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



- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies



- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

100%

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.

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

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 35 % 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 the funds implementing SRI Best-in-class screening (with or without integration approach)

Product/Activity:

During the controversial activities screening companies' exposure to controversial activities is evaluated.

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 Candriam defined exclusion threshold for exposure:

- 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 companies)
- Genetic modification (revenues>10%, not applicable for emerging markets companies)
- Tobacco (revenues>5%)
- Animal testing (breach of legislation/ responsible behavior if there is no legal requirement- not applicable for emerging markets companies)

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 (see below the Norms-based description)

Applied to the funds implementing integration approach (without SRI Best-in-class screening) or armament and Norms-based screening

Product/Activity:

During the controversial activities screening companies' exposure to controversial activities is evaluated.

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:

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 (see below the Norms-based description)

Applied to all Candriam's AUM and funds implementing Norms-based screening :

Product/Activity:

During the controversial activities screening companies' exposure to controversial activities is evaluated.

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

Positive/best-in-class screening

Screened by

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

**Applied to the funds implementing SRI Best-in-class screening
(with or without integration approach)**

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.

SRI analysts determine whether or not a company is exposed to the relevant global sustainability trends of their sector and how this is reflected (positively or negatively) for each of the 6 global sustainability trends. For each relevant trends, the impact is evaluated on a scale from -10 to +10.

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 cause for 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. The SRI analysis determines the relevance (weighting) of the various themes for the sector in question. 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 relations 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" have the highest weightings for the Software sector.

For each themes addresses, the SRI analysis evaluates the strategies and policies implemented by the company as well as its performances relative to its competitors. 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.

Norms-based screening

Screened by

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Description

Applied to all kind of screenings applied

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.

Sector models and company's belonging to this sectors are completely reviewed every 24 to 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. 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.

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 a position in this issuer that is greater than its position in the benchmark index. 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 an SRI annual roadshow is organized to present our SRI methodology and specific ESG issues analyzed during the sector reviews. At present, investors are not systematically informed of disinvestments 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. |
|-----------------|---|

- 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

(C) Implementation: Integration of ESG issues

| | | | |
|--------|-----------|---------------|-------|
| LEI 11 | Mandatory | Core Assessed | PRI 1 |
|--------|-----------|---------------|-------|

| | |
|-----------------|---|
| LEI 11.1 | Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies. |
|-----------------|---|

| ESG issues | Coverage/extent of review on these issues |
|----------------------|---|
| Environmental | <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 | <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 | <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 11.2

Additional information. [Optional]

ESG issues are systematically reviewed for our integration approach which applied to our SRI Best-in-class European equity processes (cf. Best-in-class and Norms-based issuer's SRI assessments + Governance criteria in financial selection) and to our non SRI European processes (cf. Norms-based assessment and armament exclusion + Governance criteria in financial criteria).

Communication

LEI 18

Mandatory

Core Assessed

PRI 2,6

LEI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly

Provide URL

<http://sri.candriam.com/SRIinsights/Pages/Transparency%20Code.aspx>

LEI 18.2

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

- Yes

LEI 18.3

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 18.4

Indicate how frequently you typically report this information.

- Quarterly or more frequently
 Between quarterly and annually
 Less frequently than annually
 Other, specify
- No
- We disclose it to clients and/or beneficiaries only
 We do not proactively disclose it to the public and/or clients/beneficiaries

Candriam Investors Group

Reported Information

Public version

Direct - Listed Equity Active Ownership

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.

Engagement

Overview

| | | | |
|--------|-----------|---------|-----------|
| 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 out these interactions. |
|----------|---|

| Type of engagement | Reason for interaction |
|--|---|
| Individual/Internal staff engagements | <input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff |
| Collaborative engagements | <input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements |
| Service provider engagements | <input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved 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

Candriam engagement activities are clearly identified and prioritized. We seek to a) improve companies' ESG-related disclosure and transparency; b) interact with companies to inform buy/sell/hold decisions; c) to influence company practices on ESG issues.

Individual internal staff engagement

Candriam engages with companies when more disclosure is required on a specific subject and does so via internal staff engagement. It always identifies and prioritises engagements according to their relevance for sustainability analysis.

For instance, companies are contacted when there is a need to obtain a precise piece of information (e.g. the percentage of the company's revenues from nuclear). Candriam will systematically engage with companies that have been recently embroiled in serious controversies to be able to make a balanced assessment. The outcome of this engagement might be eventually, the exclusion of our investable universe. Internal staff also engage with companies to improve the governance practices of investee companies. In 2013, for instance, we sent letters to French companies to invite them to put their remuneration report to the vote at Annual General Meetings. We identified this issue because we thought it was a topical subject of controversy, because we believe that the structure of executive remuneration should foster long-term performance and because there could be a tangible outcome.

Collaborative engagement

For collaborative engagement, Candriam uses the framework of its sustainability analysis and the importance of the weight/relevance of the theme in the analysis. For instance, the theme "Access to products" is heavily weighted in Candriam's Pharmaceuticals sector sustainability analysis and we therefore signed the Investor Statement on Access to Medicines in 2010. In 2012, Candriam published a research paper on unconventional gas in the Energy sector, a potential game changer for this industry. Candriam therefore signed the invitation to support the Hydraulic Fracturing Investor Guide, together with other collaborative initiatives on oil sands.

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

| | |
|-----------------|---|
| LEA 04.3 | Describe how you monitor and evaluate the progress of your engagement activities. |
|-----------------|---|

The vast majority of Candriam's engagement activities seek to encourage corporate disclosure. For this kind of engagement we see the progress during our sustainability analysis. For engagement where there is a clear tangible outcome, it is easy to see the progress (cf letters to Chairmen for remuneration report vote).

When Candriam contacts a company for specific information on a material event it gives the company the opportunity to explain its course of action within 3/6 months. Candriam also keeps the possibility to issue an internal alert to share the information with fund managers if/when the actions taken by the company are not deemed sufficient. When an event is deemed material enough to either exclude or include an issuer from/in the universe, SRI analysts systematically issue an alert to portfolio managers and analysts to disseminate the information. An new assessment of the event and the company's ranking within the universe is then done within three months.

- 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 how you identify and prioritise collaborative engagements. |
|-----------------|---|

Candriam is committed to join and support collaborative engagement initiatives whose goals are to encourage companies to improve their disclosure on sustainable development related challenges that might impact companies' long term value. Better disclosure would benefit not only Candriam, but also all other investors, who will have more information to better evaluate ESG risks and opportunities. This involvement in collaborative engagement initiatives will ultimately lead to create shareholder value for our customers and benefit to the civil society through more optimal financial asset allocation.

Candriam chooses collaborative initiatives according to their relevance for sustainability analysis (Best-in-Class; Norms-based; Controversial activities). Candriam usually uses the PRI Clearinghouse to identify the most relevant initiatives. The collaborative initiatives are systematically reviewed and endorsed by Candriam's Executive committee.

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 collaborative engagement activities
 - Yes, for the majority of collaborative engagement activities
 - Yes, for a minority of collaborative 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

LEA 06.3 Describe how you monitor and evaluate the progress of your collaborative engagement activities.

Insights gained from the collaborative engagement influence decision-making since the initiatives are usually linked to important/heavily weighted themes in our Sustainability analysis and as such taken into account during our company analysis review. For instance in 2013 this was the case for corruption in the Construction sector. Our analyst contacted several companies in this industry to enquire about their anti-corruption programmes. Following on that internal initiative Candriam joined a collaborative engagement on anti-corruption to acquire further expertise on the subject.

No

General processes for all three groups of engagers

LEA 10 Mandatory Gateway/Core Assessed PRI 2

LEA 10.1 Indicate if you track the number of companies you engage with.

| Type of engagement | Tracking engagements |
|--|---|
| Individual / Internal staff 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"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements |
| Collaborative engagements | <input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements |

LEA 10.2 Additional information. [Optional]

Engagements carried out by the SRI team are recorded but not all engagements by mainstream portfolio managers.

Communication

| | | | |
|--------|-----------|---------------|---------|
| LEA 15 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

LEA 15.1 | Indicate whether your organisation proactively discloses information on its engagements.

We disclose it publicly

please provide URL

http://sri.dexia-am.com/LibrarySRI/SRI%20engagementReport%202012_final.pdf

LEA 15.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEA 15.3 | 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 15.4 | Indicate how frequently you typically report engagements information.

- Disclosed continuously (prior and post engagements)
- Disclosed quarterly
- Disclosed annually
- Disclosed every two years or less
- Other, specify

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

Process

| | | | |
|--------|-----------|-------------|-------|
| LEA 17 | Mandatory | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|

LEA 17.1 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) which make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) which 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) which make voting decisions on our behalf.

| | | | |
|--------|-----------|-------------|-------|
| LEA 18 | Mandatory | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|

LEA 18.1 Of the voting recommendations that your service provider made in the reporting year, indicate what percentage your organisation reviewed, 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.
- Other, explain

When an issuer presents low corporate governance standards.

| | | | |
|--------|-----------|---------------|-------|
| LEA 21 | Mandatory | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

| | |
|-----------------|---|
| LEA 21.1 | 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)
 - other, explain
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

| | | | |
|---------------|------------------|----------------------|--------------|
| LEA 22 | Mandatory | Core Assessed | PRI 2 |
|---------------|------------------|----------------------|--------------|

| | |
|-----------------|---|
| LEA 22.1 | For listed equities where you and/or your service provider has 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 26 | Mandatory | Core Assessed | PRI 2,6 |
|---------------|------------------|----------------------|----------------|

| | |
|-----------------|--|
| LEA 26.1 | Indicate if your organisation proactively discloses information on your voting activities. |
|-----------------|--|

- We disclose it publicly

provide URL

http://sri.dexia-am.com/Library/SRI/SRI_PROXY%20VOTING_ANNUAL%20REVIEW_2012.pdf

**LEA
26.2**

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

Yes

**LEA
26.3**

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
26.4**

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

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

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ESG incorporation in actively managed fixed income

Fixed Income - Corporate

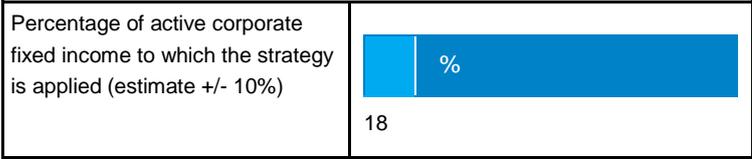
Implementation processes

| | | | |
|-------|-----------|-----------------------|-------|
| FI 04 | Mandatory | Gateway/Core Assessed | PRI 1 |
|-------|-----------|-----------------------|-------|

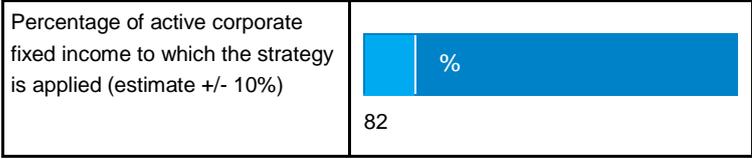
FI 04.1 Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

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



- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies
- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied



Total actively managed fixed income - corporate

100%

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.

FI 04.3

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

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

Sustainability-related challenges for bond 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

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 and doesn't adopt appropriate behaviour.

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.

As far as the SRI Best-in-class fixed income corporate 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.

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.

(A) Implementation: Screening

FI 06

Mandatory

Descriptive

PRI 1

FI 06.1

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

Type of screening

- Negative/exclusionary screening

Screened by

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

Applied to the funds implementing SRI Best-in-class screening*Product/Activity:*

During the controversial activities screening companies' exposure to controversial activities is evaluated.

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 Candriam defined exclusion threshold for exposure:

- 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 companies)
- Genetic modification (revenues>10% ,not applicable for emerging markets companies)
- Tobacco (revenues>5%)
- Animal testing (breach of legislation/ responsible behavior if there is no legal requirement- not applicable for emerging markets companies)

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 (see below the Norms-based description)

Applied to all Candriam's AUM and funds implementing Norms-based screening only :*Product/Activity:*

During the controversial activities screening companies' exposure to controversial activities is evaluated.

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

Positive/best-in-class screening

Screened by

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

Applied to the funds implementing SRI Best-in-class 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.

SRI analysts determine whether or not a company is exposed to the relevant global sustainability trends of their sector and how this is reflected (positively or negatively) for each of the 6 global sustainability trends. For each relevant trends, the impact is evaluated on a scale from -10 to +10.

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. The SRI analysis determines the relevance (weighting) of the various themes for the sector in question. 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 relations 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" have the highest weightings for the Software sector.

For each themes addresses, the SRI analysis evaluates the strategies and policies implemented by the company as well as its performances relative to its competitors. 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.

Norms-based screening

Screened by

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Description

Applied to all kind of ESG screenings applied

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.

Sector models and company's belonging to this sectors are completely reviewed every 24 to 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. 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.

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 a position in this issuer that is greater than its position in the benchmark index. 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 an SRI annual roadshow is organized to present our SRI methodology and specific ESG issues analyzed during the sector reviews. At present, investors are not systematically informed of disinvestments for SRI reasons, however they are covered by

the comments in the quarterly fund reports published on the company's website.

| | | | |
|-------|-----------|---------------|-------|
| FI 07 | Mandatory | Core Assessed | PRI 1 |
|-------|-----------|---------------|-------|

| | |
|----------------|---|
| FI 07.1 | Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis. |
|----------------|---|

- Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- Issuers 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 issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct ESG 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

Fixed income - Government

| | | | |
|-------|-----------|---------------|-------|
| FI 13 | Mandatory | Core Assessed | PRI 1 |
|-------|-----------|---------------|-------|

| | |
|----------------|---|
| FI 13.1 | Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments. |
|----------------|---|

Yes

| | |
|----------------|---|
| FI 13.2 | Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making. |
|----------------|---|

- <10%
- 10-50%
- 51-90%
- >90%

| | |
|----------------|--|
| FI 13.3 | Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers. |
|----------------|--|

| ESG issues | Coverage/extent of review on these issues |
|----------------------|---|
| Environmental | <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 | <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 | <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 |

In the interest of selecting the most socially responsible public issuers, Candriam has established a structured and rigorous two-step SRI analysis.

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.

Candriam has developed a structured approach based on the idea that a country is a portfolio of assets

comprising:

- *economic capital*: the most widely-known form of capital and generally the only one to be evaluated, which includes real capital (products) and financial capital;
- *human capital*: individuals in terms of labour, knowledge and health;
- *natural capital*: all environmental resources;
- *social capital*: interactions between individuals, democratic institutions, equality and peace.

Our Best-in-Class Analysis focuses on how countries manage these four forms of capital and the resources allocated to ensure their economic sustainability. In our analytical tree, these four pillars of analysis are broken down into 23 sub-categories, which are in turn divided into 75 themes.

Depending on the available data, the analysis uses 200 to 400 quantitative indicators. 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. Within each pillar, the weighting of the sub-categories is based on their cross-disciplinary impact throughout the entire evaluation.

Our country evaluation process includes an assessment of two aspects of each theme: government strategy and performance:

- *Strategy*: governments are evaluated in terms of their engagements and policies implemented to meet these engagements (creation of institutions, definition of policies, allocation of budgets).
- *Performance*: country performances are evaluated over time and relative to other countries. Countries can either develop and strengthen the assets making up their portfolio, or weaken them, or (at the very extreme) destroy them.
- *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.

This verification covers 18 international conventions/treaties 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

Those 2 kinds of analysis are applied to the SRI Best-in-class funds/portfolios, The Norms-based only screening is applied to some portfolios and to the passive managed funds/portfolios.

No

Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

We disclose it publicly

Provide URL

<http://sri.candriam.com/SRIinsights/Pages/Transparency%20Code.aspx>

FI 18.2

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

Yes

FI 18.3

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

FI 18.4

Indicate how frequently you typically report this information.

Quarterly or more frequently

Between quarterly and annually

Less frequently than annually

Other, specify

No

We disclose it to clients/beneficiaries only

We do not proactively disclose it to the public and/or clients/beneficiaries