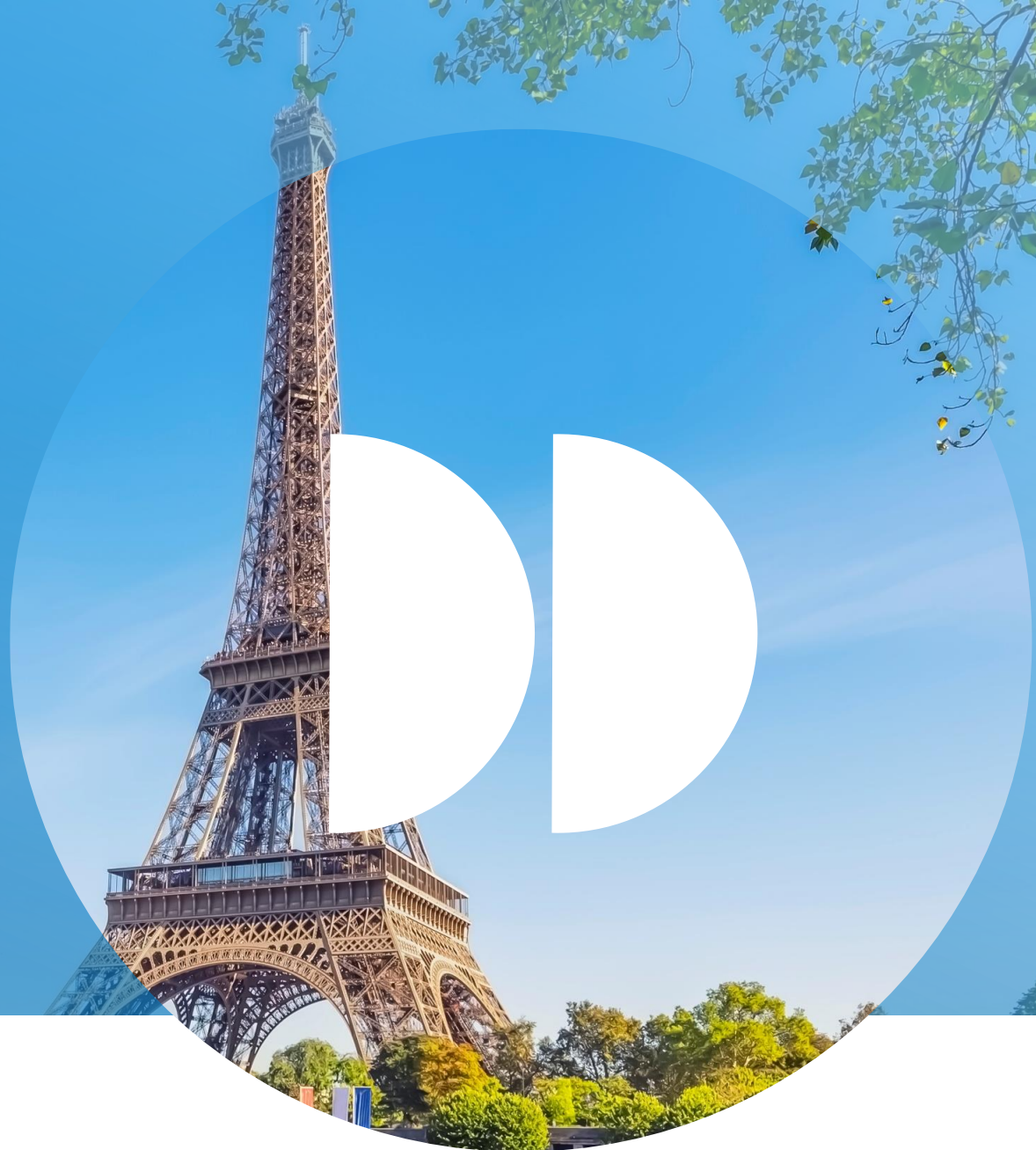


A Casa del gestore

16 – 18 Ottobre 2024



Aggenda

18 ottobre

1

Benvenuto

2

ESG@Candriam

> 4





Wim Van Hyfte

Global Head of ESG Investments & Research

Member of the Executive Committee



Jessica Carlier

ESG Analyst



Candriam ESG expertise

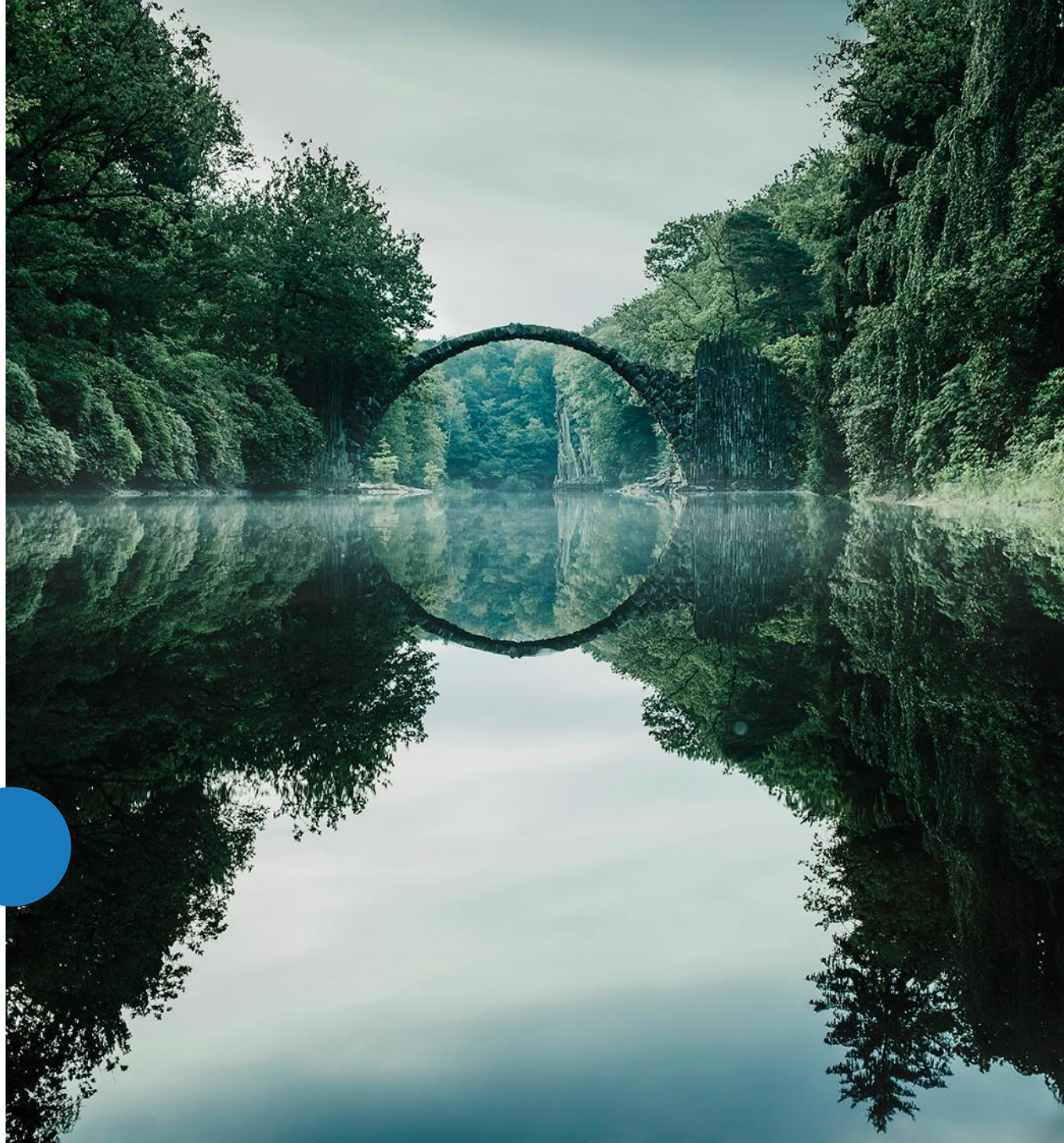
Wim VAN HYFTE, Ph.D.

Global Head of ESG Investments & Research
Member of the Executive Committee

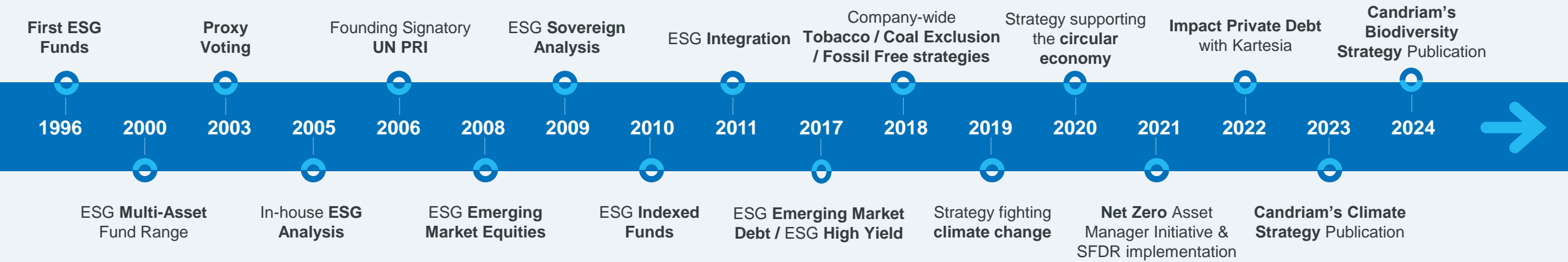


OCTOBER 2024

Marketing communication for Professional & Qualified Investors. Please refer to the prospectus of the fund and to the Key Information Document before making any final investment decision. The appointed representative and paying agent in Switzerland are respectively: CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon and CACEIS Bank, Paris, succursale de Nyon / Suisse, Route de Signy, 35, CH-1260 Nyon. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in Switzerland. In respect of the Shares/Units distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the Representative.



ESG at Candriam: A Successful +25-year Track Record



Strong market recognition

- › PRI 2020 Leaders Group
- › Quantalys Inside 2022: Best ESG Company
- › H&K Responsible Brand Index 2021: Top 2
- › Broadridge FB 50, 2021: Top 2 best SRI brand
- › Fund Buyer Focus, 2021: Top 2 best European SRI Fund brand

Impactful active ownership

- › **Dedicated Engagement & Voting Team**
- › Proxy Voting Policy since 2003
- › Ongoing dialogue with issuers

Proven sustainable investment approaches

- › Tried and tested corporate & sovereign ESG frameworks
- › Negative and positive screening
- › ESG integration
- › Absolute and relative rating and selection approaches



Extensive in-house resources

- › **Experienced, dedicated ESG Analysts**
- › Proprietary ESG database
- › In-house sector and country specific models



Strong ESG Capabilities Across all asset Classes

All major strategies integrate ESG into investment analysis and portfolio construction.

Equities

North America
Euro / Europe
World
Emerging Markets
ETFs / Smart Beta



Fixed Income

Investment grade & Credit
High yield & Credit Arbitrage
Global Bonds & Total Return
Emerging Markets Debt
Convertible
Money Market & Short Term



Thematics

Oncology
Climate change
Circular economy
Innovation
Low carbon



Asset Allocation



€114 BN

ESG assets under
management

out of

€149 BN

in total assets under
management



26 ESG experts
supporting
our portfolio managers

All strategies may incur risks of capital loss and are subject to ESG risk



Independent and Dedicated in-House ESG Team

ESG CORPORATE RESEARCH		ESG SOVEREIGN RESEARCH	PROXY VOTING & ENGAGEMENT	ESG DEVELOPMENT	ESG Quant Analytics & Research	
 Wim Van Hyfte, PhD Global Head of ESG Investments & Research 26 years of experience		 Vincent Compiègne Deputy Global Head of ESG Investments & Research 16 years of experience				
 Vincent Compiègne Head of ESG Investments & Research 16 years of experience			 Marie Niemczyk-Dot Head of ESG Client Portfolio Management 20 years of experience		 Sandy Issanchou Head of ESG Quantitative Analytics & Research 24 years of experience	
 Alix Chosson Lead ESG Analyst Environment - Energy, Materials 14 years of experience	 Remi Savage Senior ESG Analyst Health Care, Real Estate 10 years of experience	 Lucia Meloni Lead ESG Analyst Governance - Financials 14 years of experience	 Open vacancy ESG Analyst Sovereign	 Sophie Deleuze Lead Stewardship Analyst - Engagement & Voting 25 years of experience	 Jorick Liebrand ESG CPM 6 years of experience	 Vincent Lapointe ESG Quantitative Analyst 10 years of experience
 Jessica Carlier ESG Analyst Industrials 11 years of Experience	 Pauline Descheemaeker Senior Impact Specialist Private Assets 9 years of experience	 Sanskruti Gawade ESG Analyst Emerging Market 2 years of experience		 Benjamin Chekroun Senior Stewardship Analyst – Engagement & Voting 28 years of experience	 Benjamin Manent-Manent ESG CPM 4 years of experience	 Open vacancy ESG Quantitative Analyst
 Astrid Pierard ESG Analyst Utilities, Chemicals 4 years of experience	 Open vacancy ESG Analyst	 Emma Miguel Unzue ESG Analyst Telecom, Textile and Retail 1 year of experience		 Cemre Aksu Stewardship Analyst Engagement & Voting 7 years of experience	 Jérémy Vinzent ESG CPM 2 years of experience	
 Camille Chollet ESG Analyst Transport 4 years of experience		 Open vacancy ESG Analyst		 Jules Bardy ESG Analyst Proxy voting 8 years of experience		
 Elouan Heurard ESG Analyst Biodiversity 3 years of experience				 Rodolphe Hermann ESG Analyst Engagement 5 years of experience		
				 Open vacancy ESG Analyst		



Candriam's Sustainability Governance



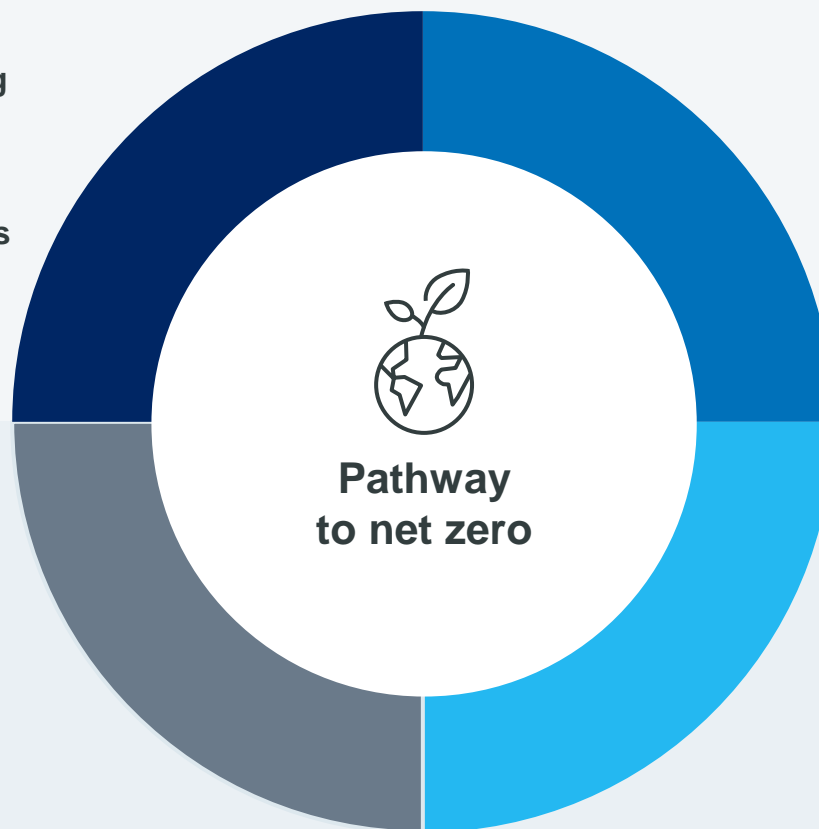
Candriam and the Net Zero Objective

Avoid exposure to climate risks

- › **Comprehensive exclusion policy targeting industries impacted** by the shift towards a greener economy (such as thermal coal, oil and gas)
- › **Integration of transition and physical risks** into ESG analysis

Target net zero in our operations

- › **Reduction of greenhouse gas emissions** from our corporate activities
- › **Offsetting of the remaining emissions** through compensation projects



Target net zero in our investments

- › **Carbon footprint reduction** across portfolios
- › **Shifting of investments** into climate change adaptation and mitigation solutions
- › **Close to 2°C portfolio temperature** in an increasing number of investment products

Dialogue and action on climate change

- › Cooperation with investee companies and investor community to **address climate risks and make climate change a top priority**
- › **Engagement and proxy voting**
- › **Feedback loop:** Engagement insights and outcomes channelled into company analysis and valuation



Candriam's Portfolio Reduction Targets on Net Zero

Decarbonizing our portfolios in line with a Paris-aligned trajectory

Targets	Today	2030	2050 (or sooner)
Net Zero Scope	17% Candriam AUM (60% of Candriam-branded Art. 8 & 9 funds)	>50% Candriam AUM	100% Candriam AUM
Decarbonization targets	-	50% decrease of carbon intensity from 2019 baseline	Net Zero

We have selected 3 methods to demonstrate the alignment of our investments with the Net Zero target:

- › **Emission intensity reduction:** reducing the portfolio's weighted average carbon intensity (WACI) by 50% between 2019 and 2030.
- › **Temperature alignment:** decreasing portfolio temperature to below 2°C by 2030.
- › **EU climate benchmark:** decreasing the portfolio weighted average carbon intensity (WACI) to below the level of the fund's relevant Paris-aligned benchmark (PAB).

The initial WACI of our net zero perimeter was **109t CO2/m\$ of revenues**.
Our objective is to reach **54.5 t CO2/m\$ revenues by 2030**.



Candriam's Portfolio Reduction Progress on Net Zero

Embedding Net Zero at the Core of Our Sustainable Investment Strategy

Engagement

Achievement 2023: Engagement with 52 issuers accounting for 52.3% of our financed emissions

Emission Reduction Target

Achievement 2023: -26% reduction of the carbon intensity of our portfolios



Aligning our investments with net zero

Achievement 2023: 66 issuers, accounting for 54% of financed emissions, have been assessed with our Net Zero Assessment framework

Financing the ecological transition

Achievement 2023: integration of EU taxonomy figures in our systems

Portfolios (as of Dec 23)	% total AUM	WACI Reduction AUM rebased	WACI Reduction - AUM not rebased
Net Zero Perimeter	18.05%	-22.8%	-12.5%
Article 9 (all)	16.22%	-17.0%	-11.4%
Article 8 (all)	57.60%	-29.5%	-36.9%
Article 8&9	73.82%	-26.5%	-33.7%



Define Sustainable Investment Opportunities



3 key pillars to our approach



Research

In-depth assessment of issuers' exposure to **material ESG risks and opportunities**, and evaluation of their sustainability impacts.



Engagement

Use our voice as an active investor to **encourage transparency, foster sustainable practices and support investment decisions**.



Impact

Measure and report on the contribution of investments to a **more sustainable future**. Promote and support **sustainable development**.





Research

In-depth assessment
of issuers' exposure to material
ESG risks and opportunities, and
evaluation of their **sustainability
impacts**



At the Core of our Framework: Our ESG Analysts' Added Value

ESG Analysts' Expertise on Corporate and Sovereign Issuers

- integrated at all stages of development and implementation of Candriam's ESG framework.
- ensures the framework produces truly **meaningful and forward-looking** sustainability assessments

Model development

- In-depth expertise on
- Sectors
 - business activities
 - key sustainability challenges
- ▶ Incorporate **materiality assessments** in our internal models

External data assessment

- Review **data and information** from **data providers**,
- Check **quality and consistency**
- Compare **indicator relevance**
- Fill gaps
- Overrule erroneous information

Fundamental analysis

- In-depth fundamental and qualitative ESG analysis**
- Engage when required
- ▶ Go above and beyond data providers

In-depth structural research

- Unique **research and insights** on key sustainability topics and trends
- ▶ Context to investment implementation

COVERAGE

~ **8000** corporate issuers
including subsidiaries

~ **120** countries
500 issuers including local
governments



01

Corporate research

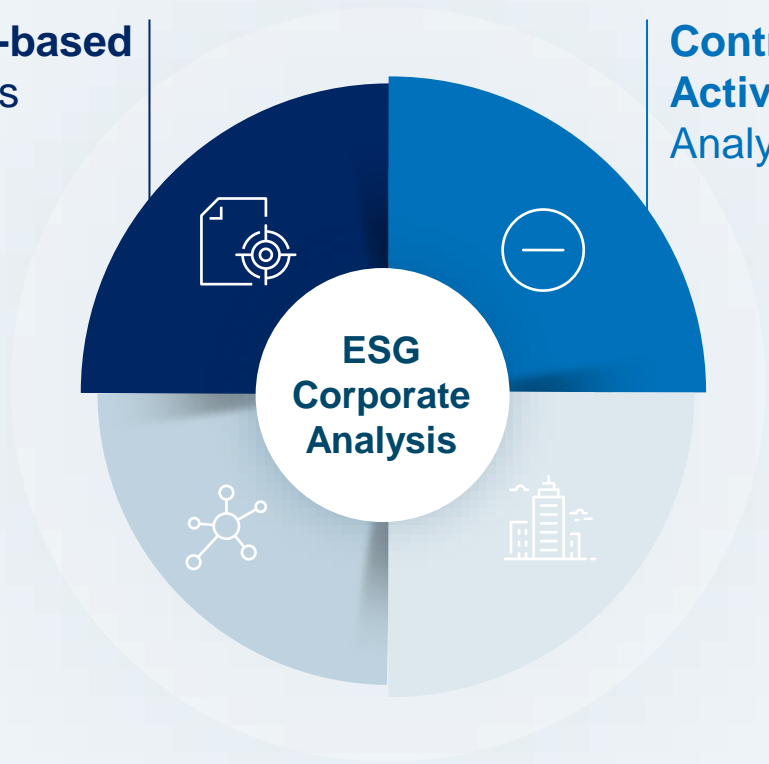


The 4 Pillars of Candriam's ESG Corporate Analysis

Negative Screening

Norms-based Analysis

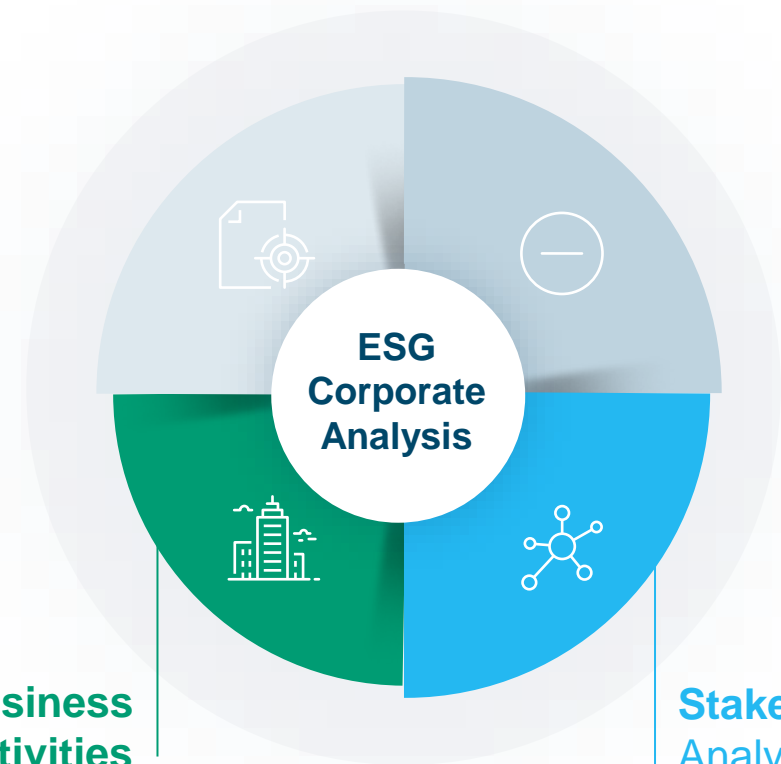
Controversial Activities Analysis



Positive screening

Business Activities Analysis

Stakeholder Analysis

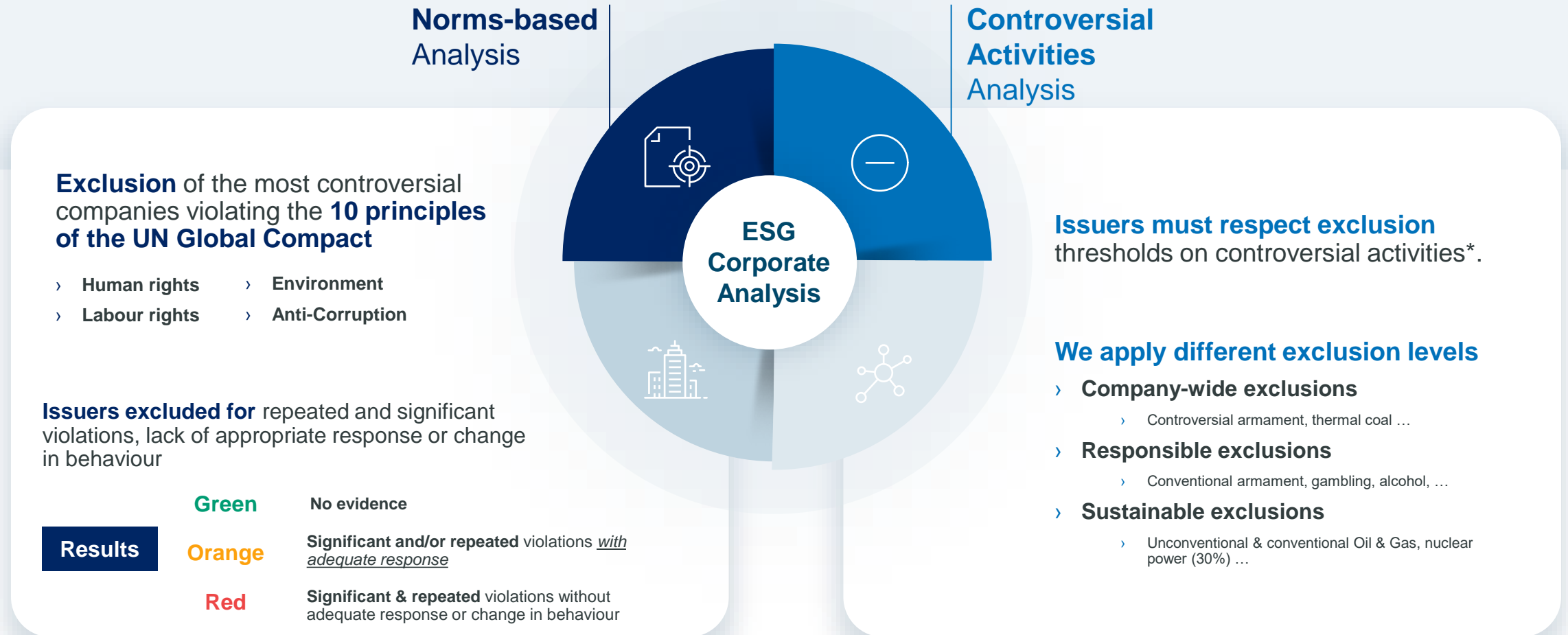


Candriam's ESG Corporate Analysis aims at both identifying and reducing sustainability risks and at uncovering and capturing opportunities related to sustainability.



Norms-based and Controversial Activity Analysis

Negative screening of issuers that are not compatible with sustainability and responsibility



Business Activities and Stakeholder Analysis

Positive screening of corporates' sustainability-related risks and opportunities

Long-term sustainability trends strongly influence the environment in which companies operate and their future **market challenges**



Climate Change



Resource Depletion



Health & Wellness



Digitalisation



Demographic Evolution

**Business
Activities
Analysis**



Relationships with stakeholders **give rise to opportunities as well as risks**, and are therefore determinants of **long-term value**



Investors



Environment



Employees



Customers



Suppliers



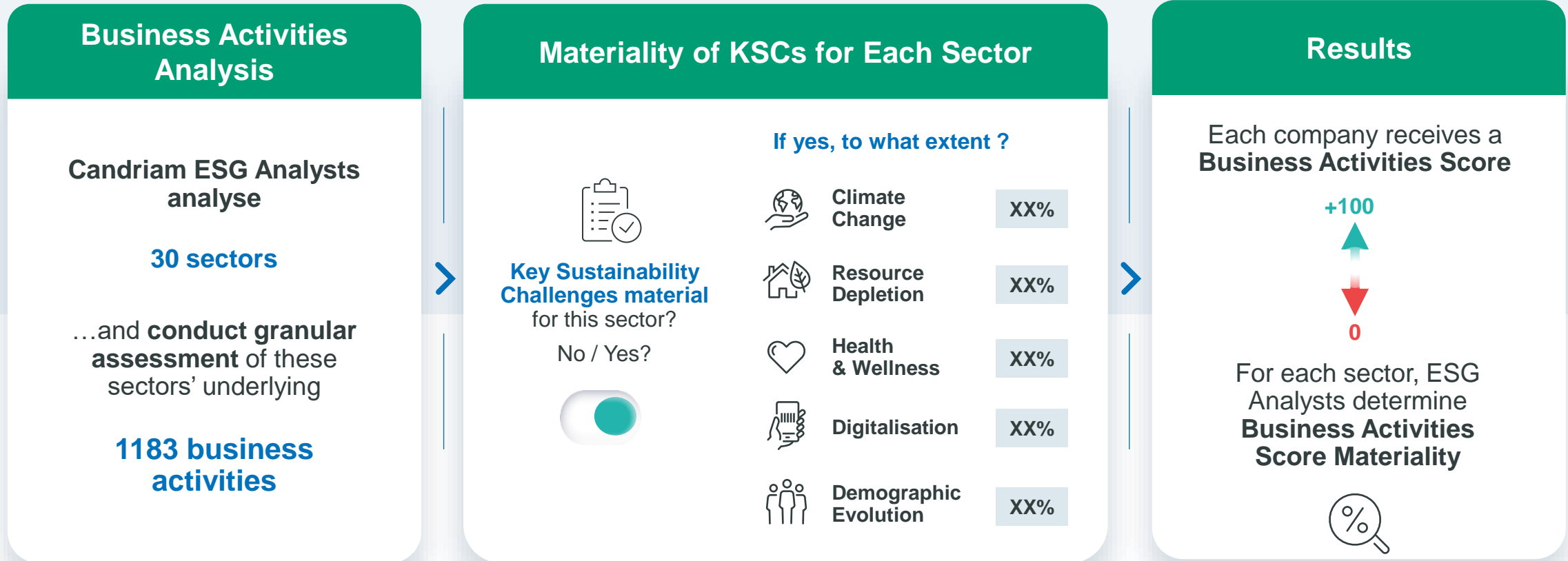
Society

**Stakeholder
Analysis**



Candriam Business Activities Analysis

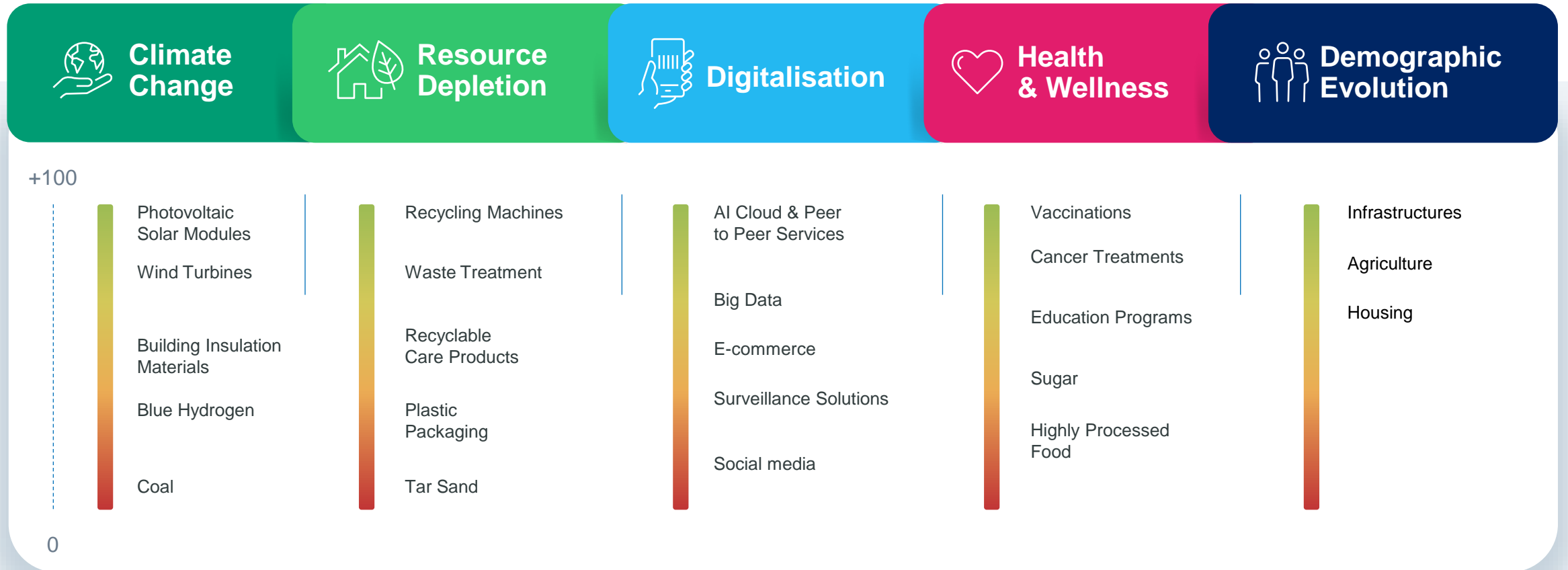
Mapping activities to the most relevant **Key Sustainability Challenges (KSCs)**



Our experience with granular business activities analysis reflects the **general philosophy of the European Taxonomy on sustainable activities.**



Business Activities Analysis

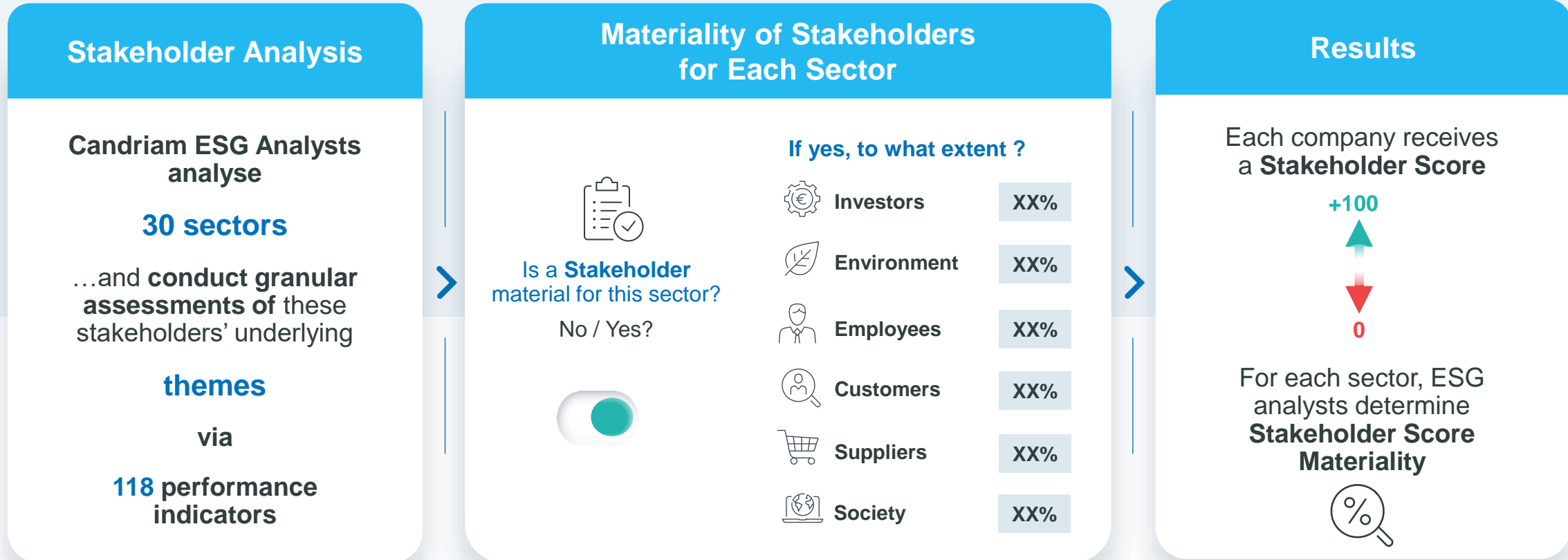
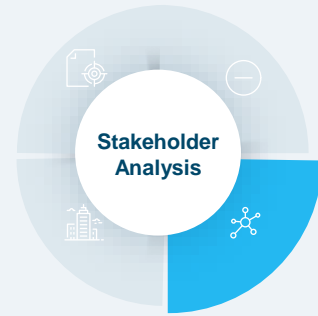


EXAMPLES



Candriam Stakeholder Analysis

Looking at every dimension of how companies manage key stakeholders



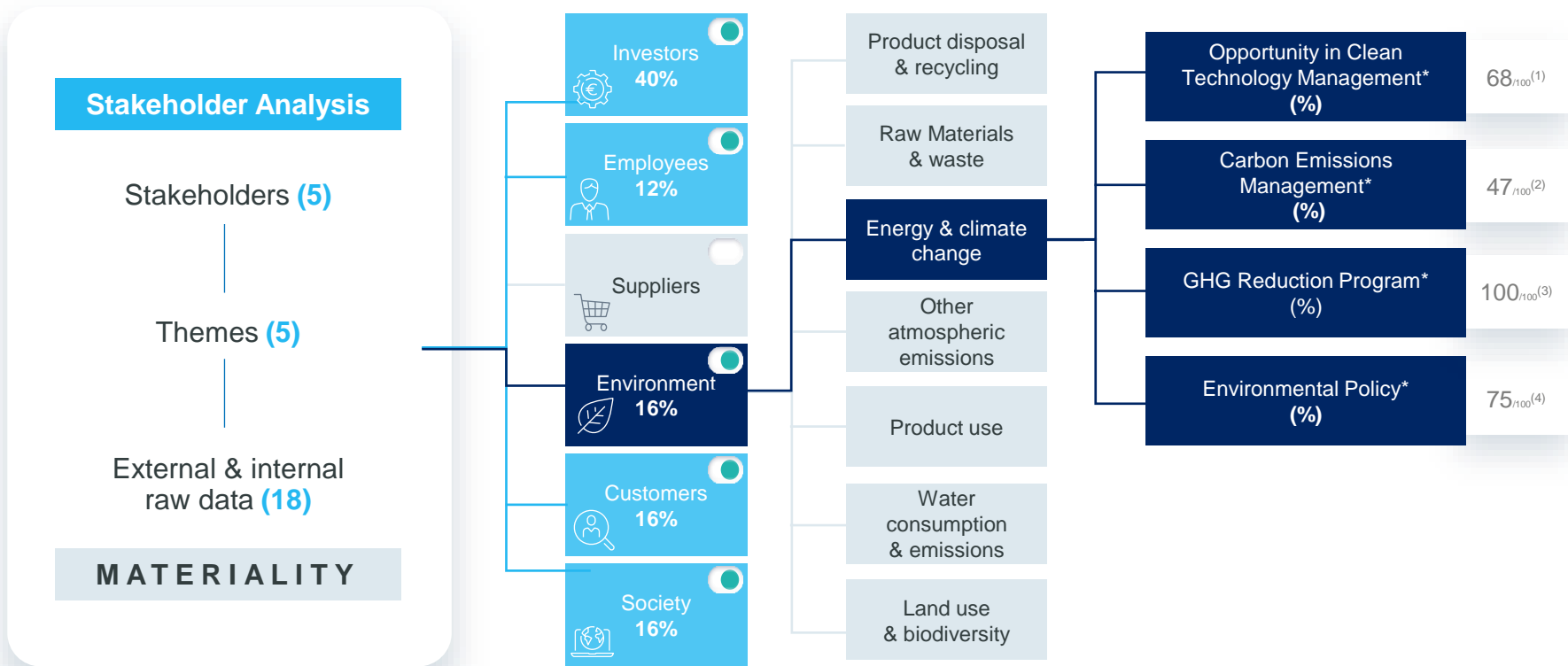
An in-depth understanding of a company's ability to sustainably manage its stakeholders is key for a **holistic assessment of its return / risk potential.**



Candriam Stakeholder Analysis



Machinery company	Stakeholders	Themes	Indicators
-------------------	--------------	--------	------------



* Rationale

1. Leads peers in tapping opportunities in clean technology applications.
2. Commits to reducing scope 3 GHG emissions from the use of sold rolling stock products by 35% per passenger-km (from a 2019 base year).
3. The company has set the objective to reach 100% electricity from renewable sources by 2025.
4. Evidence that the company uses 24.4% of its primary energy from renewable energy sources.

Each stakeholder / theme / indicator is analysed and weighed based on its materiality to the sector.



Combining weighted Business Activities and Stakeholder Scores into ESG Ratings



Business Activities Score & Materiality

KEY SUSTAINABILITY CHALLENGES

- Climate Change
- Resource Depletion
- Health & Wellness
- Digitalisation
- Demographic Evolution

Company's Business Activities Score

+100

0

Sector's Business Activities KSC Materiality

X

%



Stakeholder Score & Materiality

STAKEHOLDERS

- Investors
- Environment
- Employees
- Customers
- Suppliers
- Society

Company's Stakeholder Score

+100

0

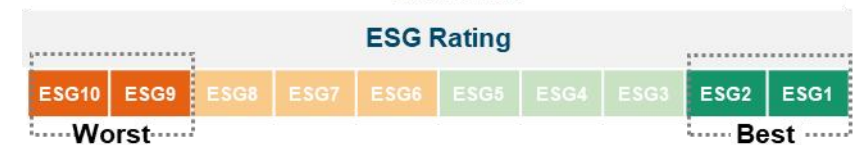
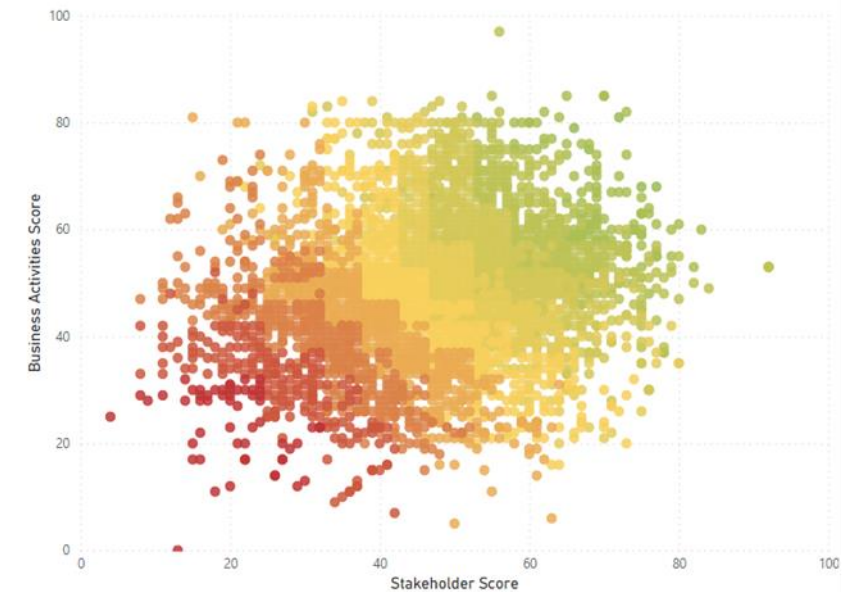
Sector's Stakeholder Materiality

X

%



As a result of the combination of the materiality-weighted Business Activities and Stakeholder Scores, each company receives an **ESG Rating**, from **ESG 1 (Best)** to **ESG 10 (Worst)**



SFDR - Definition of Sustainable Investment

Candriam ESG Negative Screening

Norms-based Analysis

Human Rights	Labour Rights
Corruption	Environment

Exclusion of the most controversial companies in respect of the **10 principles UN Global Compact**

Controversial Activities Analysis

Sustainable exclusions

Issuers must respect exclusion thresholds on controversial activities

Candriam ESG Positive Screening

Business Activities Analysis

Climate Change	Resource Depletion
Digitalisation	Health & Wellness
Demographic Evolution	

Stakeholder Analysis

Environment	Employees
Customers	Suppliers
Investors	Society

Sustainable Investment

ESG rating from positive screening

ESG 1	ESG 2	ESG 3	ESG 4	ESG 5
-------	-------	-------	-------	-------

+
DNSH from negative screening

Comply with PAI and min. Safeguards (UN GC, OECD Guidelines)

+
Good Governance

Investors score > 10

+
Min. Contrib E/S

E and/or S score > 50⁽¹⁾

Minimum SFDR requirements



ART. 9

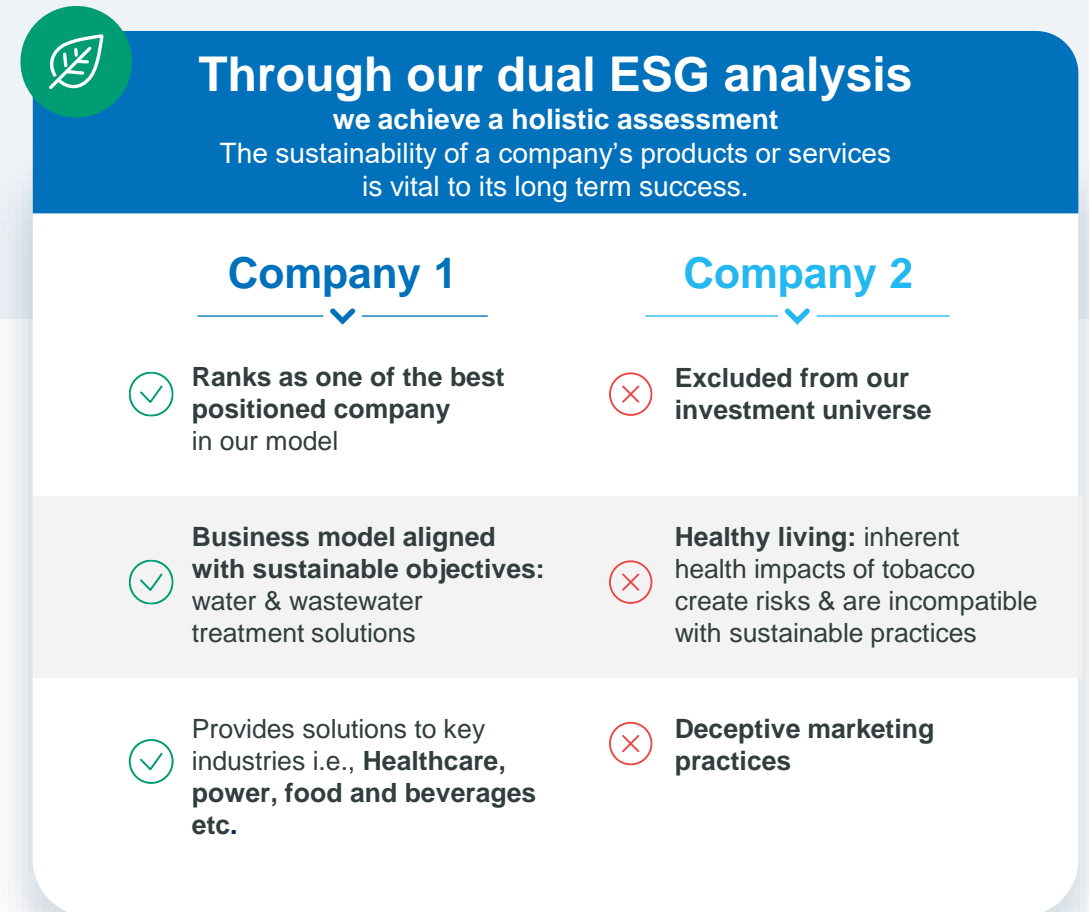
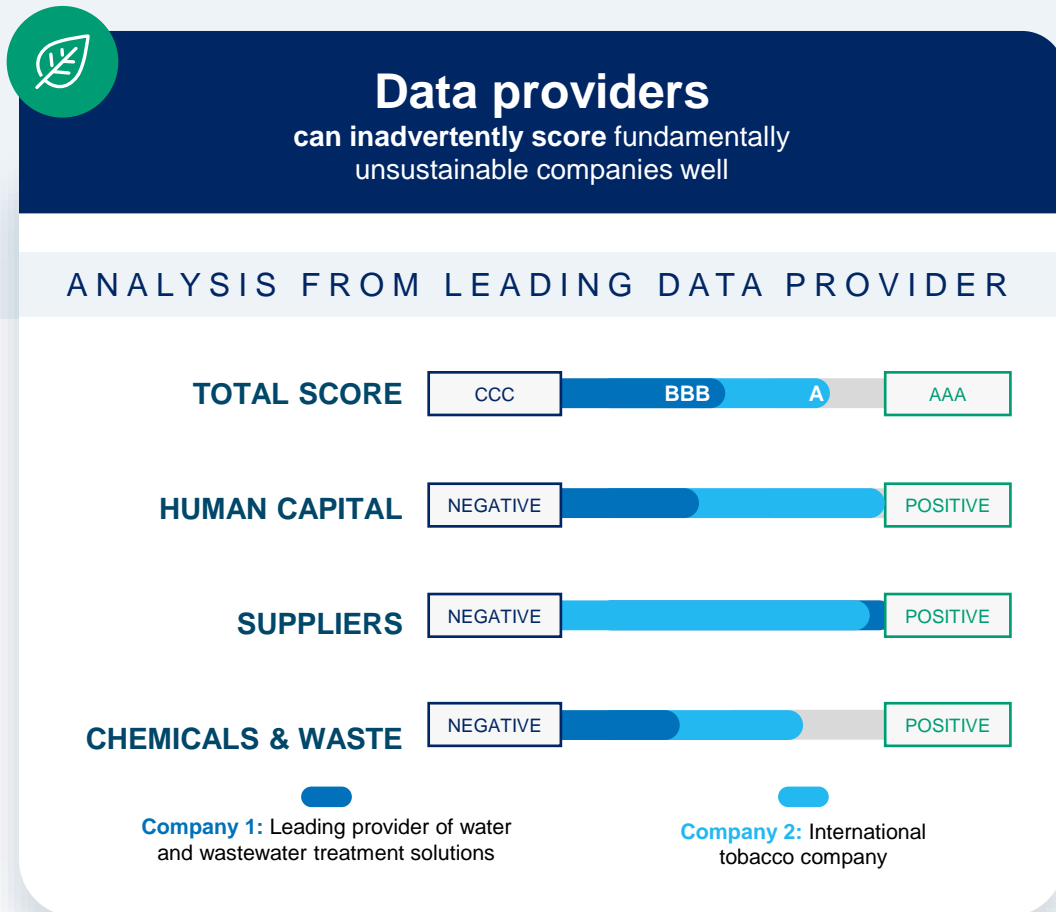
ALL Issuers in Portfolio comply with Candriam's Rules on Sustainable Investment⁽²⁾

(1) Environmental and/or social sub pillars contribution may change depending on the sector

(2) Exclusion of cash and derivatives that were considered as sustainable investments at the moment of the investment and are not fully aligned anymore with the Candriam sustainable investment criteria



Our dual ESG Analysis Provides a Holistic ESG Assessment



02

Sovereign Research



Sovereign Framework Philosophy

Our approach adopts the concept of **Environmental Efficiency** as a Tenet of Sustainable Development



Putting the Environment in focus

- › **Climate crisis: tipping point with insufficient response from the industry**
- › **Natural Capital: finite, damage is often irreversible and considered a cost. Can not be freely substituted by other forms of capital.**
- › **Environmental preservation and climate change: cornerstone of our Sovereign Sustainability assessment**



Materiality-based framework for all countries

- › **Analysing countries for ESG issuers is complex**
- › **Relevance of each issue differs from country to country**
- › **Materiality is used for weighting issues and factors**



Sovereign Sustainability Analysis

POSITIVE SCREENING
NEGATIVE SCREENING

Human Capital

Stock of human productivity potential of individual people based on their knowledge, skills, labor & health

Social Capital

Refers to social interactions: Stocks of trust, norms and institutions that people can rely on to solve common problems & create social cohesion

Natural Capital

Stock of natural resources in the form of renewable & non-renewable resources and in the form of environmental services/processes

Economic Capital

Sustainability of the economic fundamentals “To what extent is the current level of economic activity viable?”



Highly Oppressive Regimes

Minimum Standards of Democracy

Discretionary Exclusions

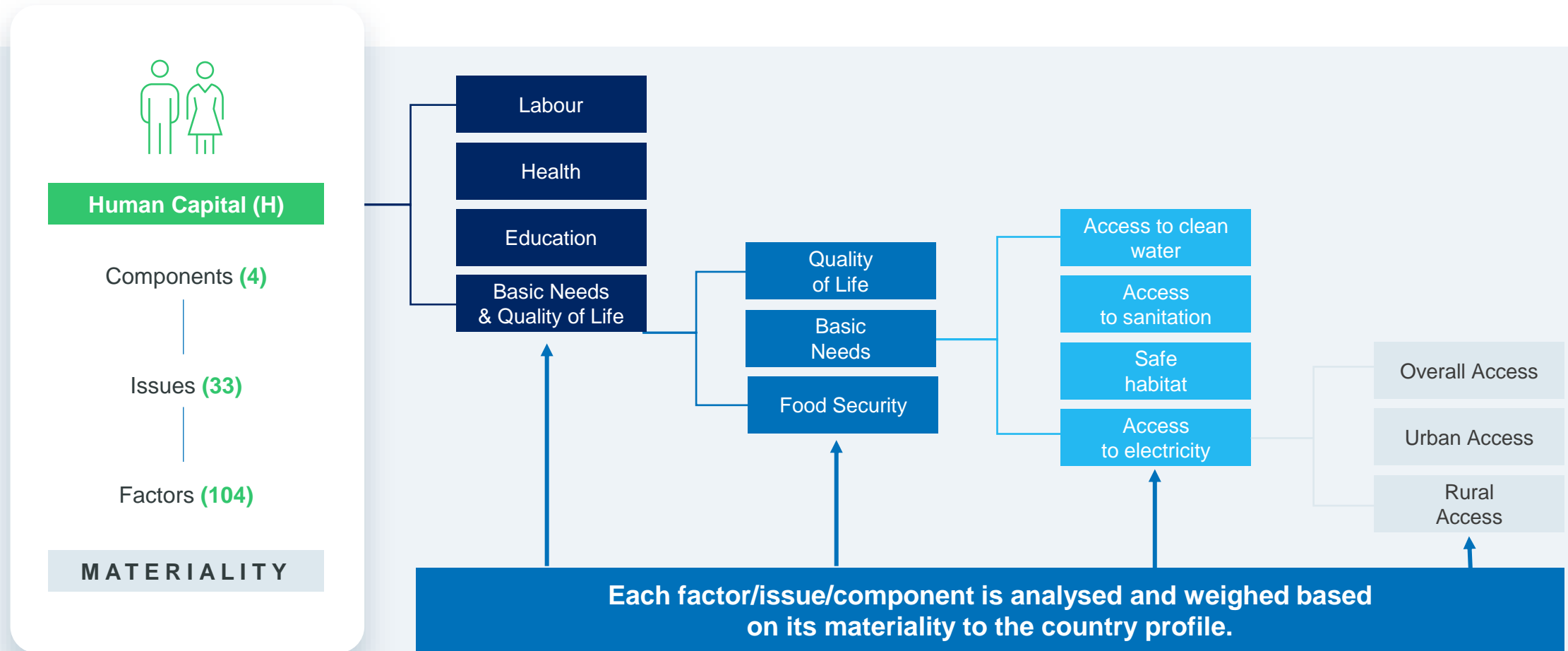
Country List established by Financial Action Task Force

We calculate an ESG score for each country

We exclude 25% of the worst ranked countries



A materiality-based framework



- › For each issue, we designate specific key performance indicator (KPIs)
- › **Materiality assessment is performed** on every level in the model & more relevant issues for a given country are given more weight.



Materiality: Linking the Short Term and the Long Term

We adapt the materiality of the data to the developmental stage of each individual country

WEIGHT IN THE CAPITAL SCORE



Under this approach, our country evaluations put the most weight on those Factors which will influence the future development of the country and less weight on Factors which have little effect.

- **HUMAN CAPITAL**
Labour: Participation & Employment
- **ECONOMIC CAPITAL**
Energy Transition: Renewable energy capacity & generation



SUDAN



SWITZERLAND

5.7%

1.9%

1.6%

2.5%



Country Ranking and Exclusion

A two-level exclusion

The bottom 25% of countries are excluded from our eligible investment universe

Overall Ranking

25%

EXCLUDE

MODEL EXCLUSION

Countries are also subjected to our normative filter, with a hard exclusion for countries that do not pass our three-pronged Democracy and Freedom filter:

- 01 Classified as **Not Free** by Freedom House
- 02 On Candriam's **Oppressive Regimes List**
- 03 Classified as **Call to Action** by FATF

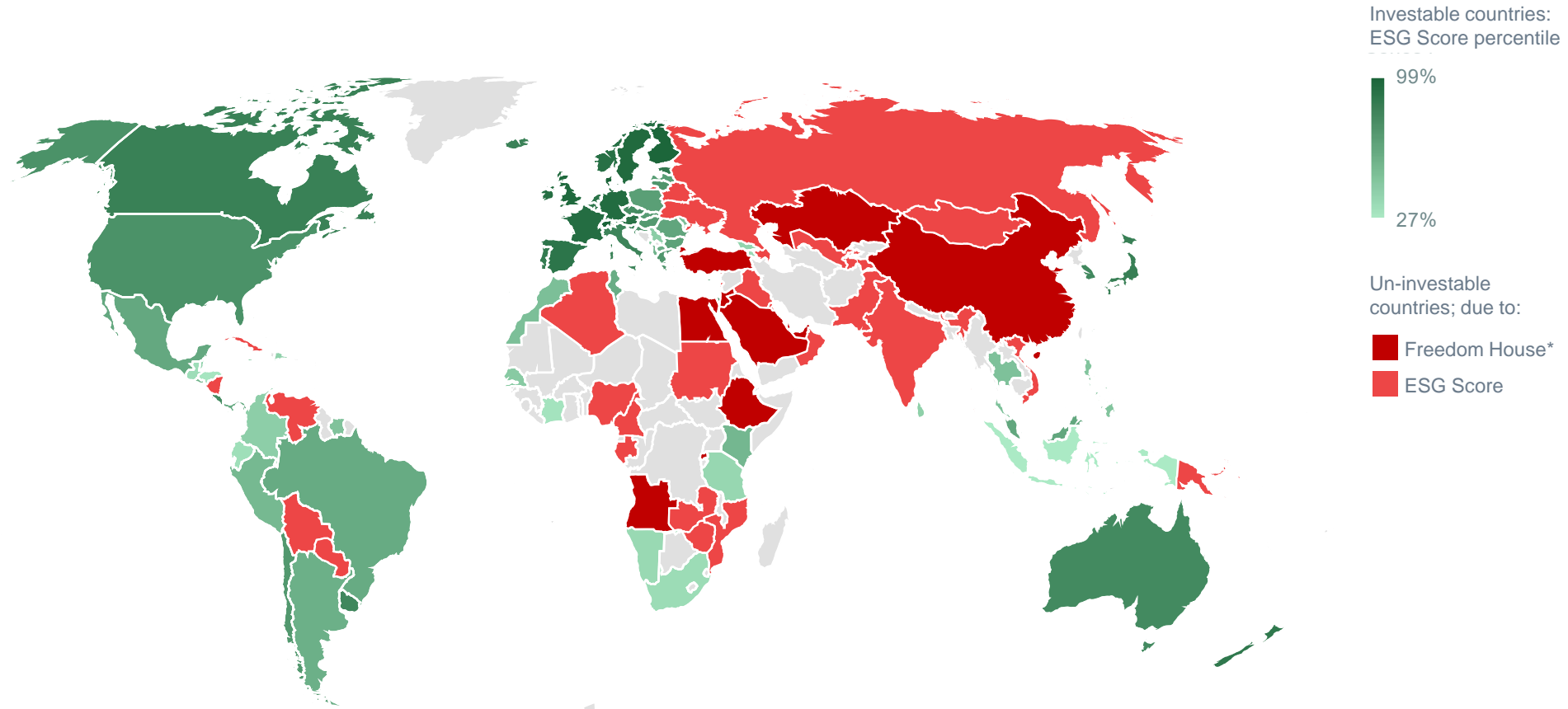
Discretionary decisions will take into account participation in international conventions (SDG 17)

e.g: Second Optional Protocol to the International Covenant on Civil and Political Rights (aiming at abolishing the death penalty)



Sustainable sovereign universe

Included and excluded countries



Source: Candriam - Indicative data which may change over time. Some countries excluded as a result of insufficient ESG score are also classed as "Not Free" by Freedom House. Unshaded countries are out of Scope of the Sovereign Sustainability Model.





Engagement

Use our voice as an active investor
**to encourage transparency, foster
sustainable practices and support
investment decisions.**



Exercising our voting rights as active shareholders

Exercising our voting rights is an essential pillar of our active ownership strategy.

We use our voting rights to act in our clients' best interests, promote good corporate governance practices & help drive change within a company



Candriam's Proxy Voting Policy

4 CORNERSTONES

Shareholder Rights

Equal Treatment of Shareholders

Transparency and Integrity of Financial Statements

Board Accountability & Independence



Key voting topics

BOARD OF DIRECTORS



- › Separation of Chairman & CEO
- › **Minimum** independency level
- › **Diversity, efficiency**
- › Sufficient **oversight of ESG risks**



REMUNERATION

- › **Disclosure**
- › Pay for **sustainable & long-term performance**



AUDIT & REPORTING

- › **Independence**
- › Accuracy of **audit process**
- › Adequate **corporate reporting**, including **climate risks**



SHARE CAPITAL

- › **Equality of shareholders**
- › **Dilution limits**

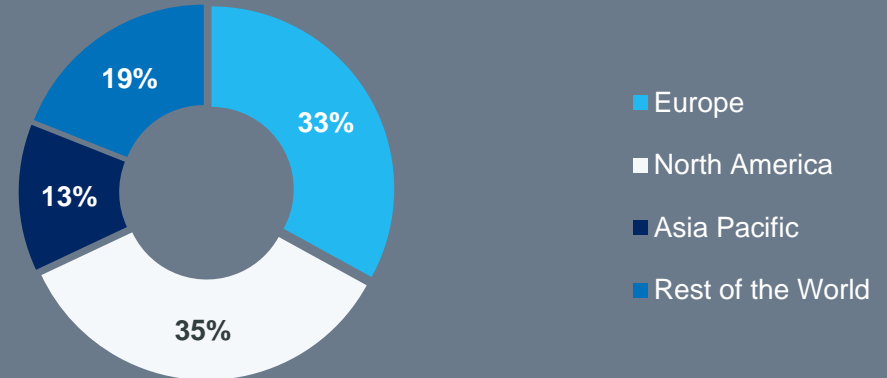


A review of our 2023 **Voting** activities



Engaged votes
79.4%
of Meetings with at least
one vote against
management

Geographical split of meetings



1,876
Voted Meetings

Compensation of management and directors



A donut chart with a light blue background. The chart is mostly filled with a darker blue, representing 49.7% of the total. The remaining 50.3% is left empty.

49.7%
votes against



Dialogue between Candriam & issuers, constructively addressing material ESG issues

Key goals

& outcomes

Priority topics

Since 2014

Engagement channels

Encouraging improved corporate ESG disclosure



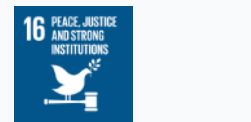
Direct dialogue
Led by dedicated engagement team in conjunction with investment teams

Supporting investment decision making



Collaborative dialogue
when appropriate – through various initiatives in collaboration with other investors

Influence corporate practices on ESG issues



A review of our 2023 dialogues

Direct Dialogue



Concerns **36%**
of our AUM*

Collaborative Dialogue

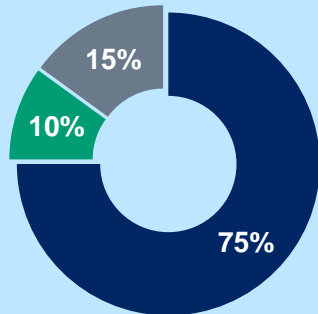


Concerns **89%**
of our AUM*



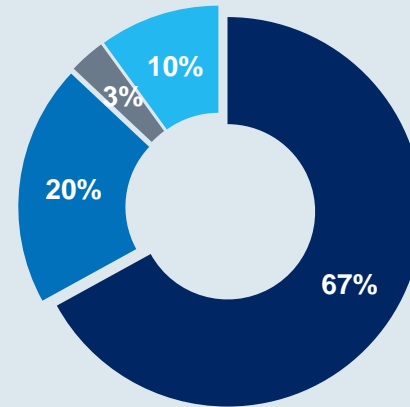
314
Corporates
contacted
individually

Impact on our decision (direct dialogue)



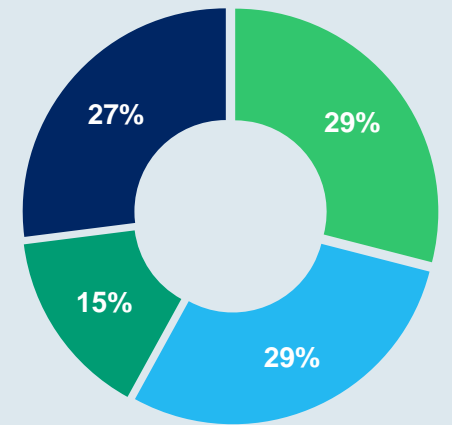
- Reinforced existing opinion
- Positive impact
- Negative impact

Region (direct dialogue)



- Europe
- North America
- Asia Pacific
- Emerging Markets

Dialogue Topics (direct dialogue)



- Environment
- Social
- Governance
- Mix ESG



Example of a direct & collaborative approach – Teleperformance



Teleperformance is a global leader in digitally integrated business services, including call centers or web platforms, with over 418,000 employees in 80 countries.

WHY ARE WE ENGAGING?

- › Teleperformance has a history of social and governance issues
- › 2021:
 - “French Duty of Vigilance law” report, requiring employers to monitor the respect for human rights and environmental risks of suppliers, was **insufficiently prepared**
 - **Media and unions escalated the issue** threatening the reputation of the company
- › **November 2022:** Forbes and TIME magazine **outline alarming working conditions** faced by employees in Colombia (TikTok content moderators). Allegations include widespread occupational trauma, inadequate psychological support, demanding or impossible performance targets, punitive salary deductions, extensive surveillance.

WHAT HAVE WE DONE?

- › **Since 2019:** Engagement on a direct individual and collaborative basis, focused on social and governance issues. We have shared our concerns and examples of good practices we would like to see the company adopt.
- › **2021:**
 - Monitoring the unfolding of the controversy very carefully, including **calls with Teleperformance’s representatives** and continuous **contacts with unions**
 - Our **2021 exchanges** have notably focused on the Human Rights Due Diligence & Risk Mapping, the effectiveness of whistleblowing system, social dialogue and transparency of disclosure on social matters.
- › **2022: Questions to the board April 2022 AGM.**

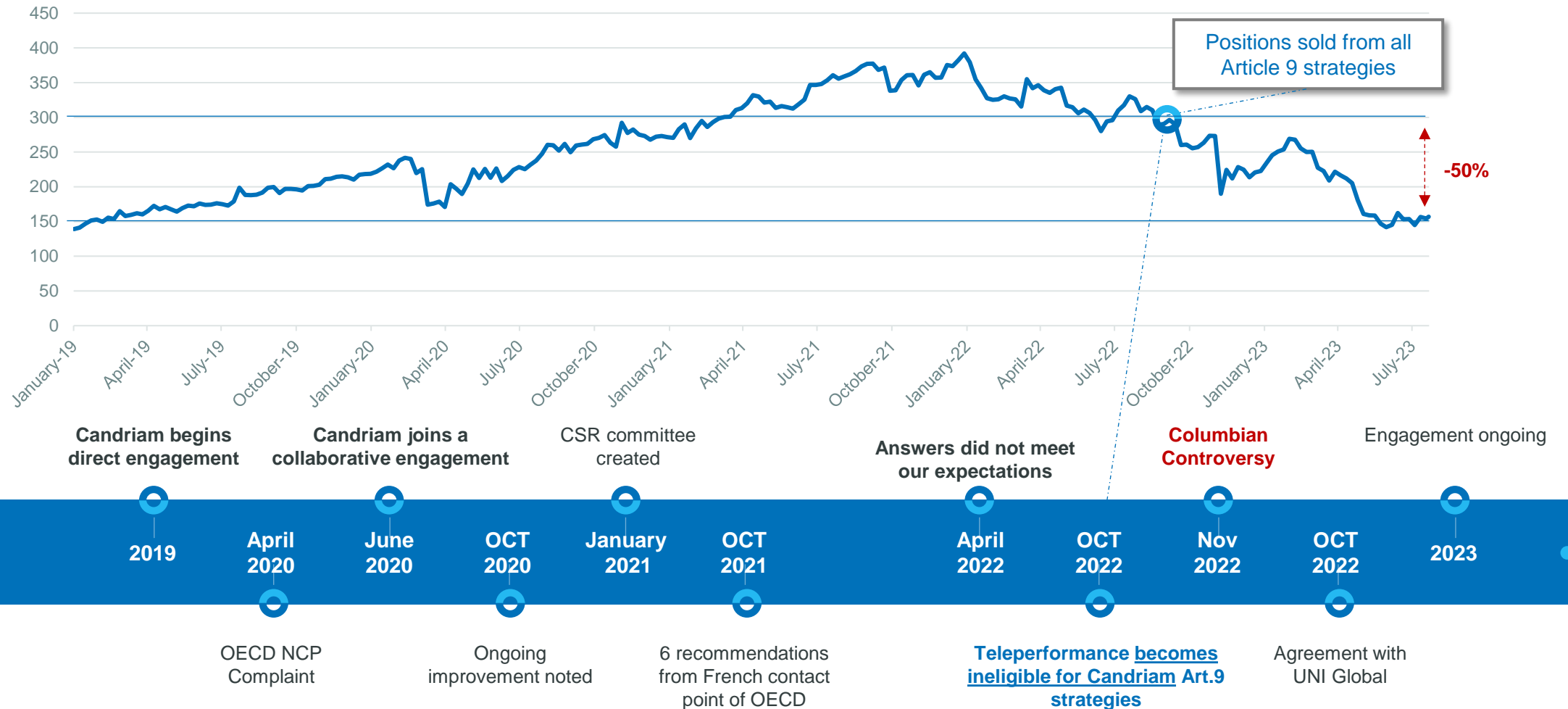
WHAT ARE THE RESULTS?

- › **January 2021:** next to Audit, Risk & Compliance / Remuneration & Appointments Board Committees, a **CSR Committee was created**
- › **August 2021 :** OECD NCP’s mediation conclusions aligned with Candriam: **need to strengthen its due diligence** and stakeholder engagement processes
- › TP has incorporated some of the NCP recommendations but there was clearly still room for improvement
- › While the dialogue contributed to **progress on some aspects, we did not observe sufficient progress on crucial points** such as: quality of social dialogue and its measurement, completeness of external social audits, robustness of social performance indicators, balance of power at board level. This triggered **questions to the board at the April 2022 AGM.**
- › The answers to our concerns were not considered convincing enough, we took **escalation measures: Teleperformance turned non-eligible for our Article 9 portfolios** in September 2022, even before the recent spotlight put on Colombia operations in the press and the market reaction that followed.



Leverage from our engagement activities

Teleperformance SE



Human Capital in Small and Mid-Sized Firms

Active Engagement



JANUARY 2022

Marketing communication



Example of direct dialogue campaign - Human Capital in Small and Mid-Sized Firms

Why are we engaging?

- › Campaign specifically targeting Small & Medium sized European companies on human capital management as the topic seems particularly material & challenging as :
 - › Highly-competitive operating environments and typically rapid growth can strain employees,
 - › SMIDs are competing in same employment and talent market as larger firms.
- › We want to support these SMIDs in their growth, **understand main challenges, share with them expectations of responsible investors and best practices in both ESG disclosure and practices' fields.**

What have we done?

- › Between November 2020 and December 2021, **data / key KPIs collection** : 65 companies contacted (74% response rate).
- › From January 2022 on, data analysis and identification of **5 priority targets**
- › Mid May, target companies receive our survey + detailed appendix enable them to position vs peers in terms of HCM disclosure

What are the results?

- › **Engagement welcome** by target companies
- › **Top 5 priority targets** : majority of our concerns have been cleared but we continue dialogue with some of them on specific points such as staff turnover, absenteeism or annual evaluation coverage.

Next Steps?

- › Continuation of engagement with some of our top 5 priority targets of phase II
- › Long term engagement : the focus of our phase III of engagement is still under discussion with our investment teams





Impact

Measure and report
on the contribution of investments to a
more sustainable future.

Promote and support
sustainable development.



Innovative Impact Measurements

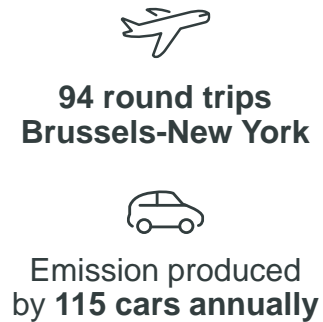
Example: **Bringing Materiality** through impact indicators

CARBON EMISSIONS

tons CO₂eq per million € invested fund/benchmark

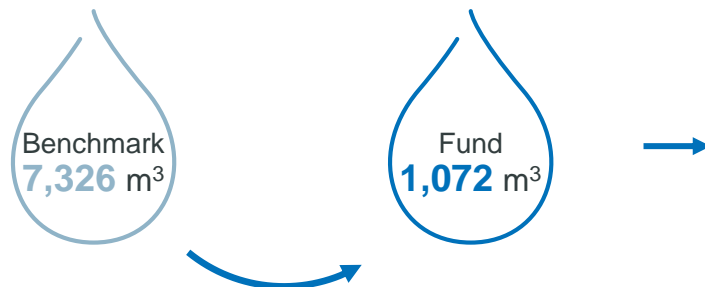


Difference equivalent to

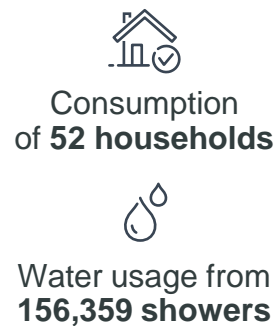


WATER CONSUMPTION

Cubic meter of water per million € invested in fund/benchmark



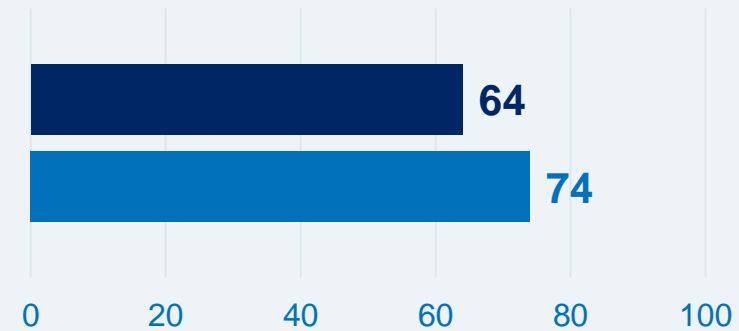
Difference equivalent to



Source : Candriam, Trucost / Coverage Rate (Fund/Benchmark): 95,7% / 95,0%

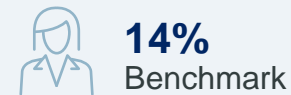
OVERALL COMPANY

Esg score



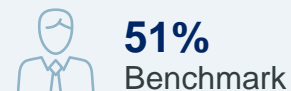
PERCENTAGE OF WOMEN

On the board



PERCENTAGE OF INDEPENDENT

Board members



Score goes from 0 (worst) to 100 (best) Coverage Rate (Fund/Benchmark): 94,7% / 95,1%
Source : Candriam, ISS-Oekom Coverage Rate (Fund/Benchmark): 52,8% / 53,1%



Promoting Sustainable Development

The **first free-access accredited** training platform on sustainable investing



SPECIALISED ESG MODULES



> **Climate change**



> **Circular economy**



> **ESG analysis of companies**



Objectives & Funding Principles



FUNDING

10% of net management fees*



ESG Education & Research

Social Inclusion & Community

Environment

Fight Against Cancer

SELECTED THEMATIC STRATEGIES

SELECTED SUSTAINABLE STRATEGIES





CONCLUSION



What makes Candriam an ESG Leader?



Track record

25 years of successfully combining sustainability and financial objectives and building in-house ESG expert teams and databases



Research

Expert ESG Analyst Team develops & implements tried and tested **proprietary frameworks** for fundamental corporate and sovereign ESG analysis



Active shareholder

Dedicated voting and engagement team advances sustainability of issuers and informs investment decision-making ESG practices



Impact

Detailed, transparent ESG reporting

Walking the talk on **corporate responsibility** through education, public debate and charitable projects



Agility & Innovation

Sustainable investments across asset classes, **thematic innovation** and **tailor-made sustainable solutions**



ESG Partner

Partner to investors in their journey towards sustainability through various **ESG-related services**



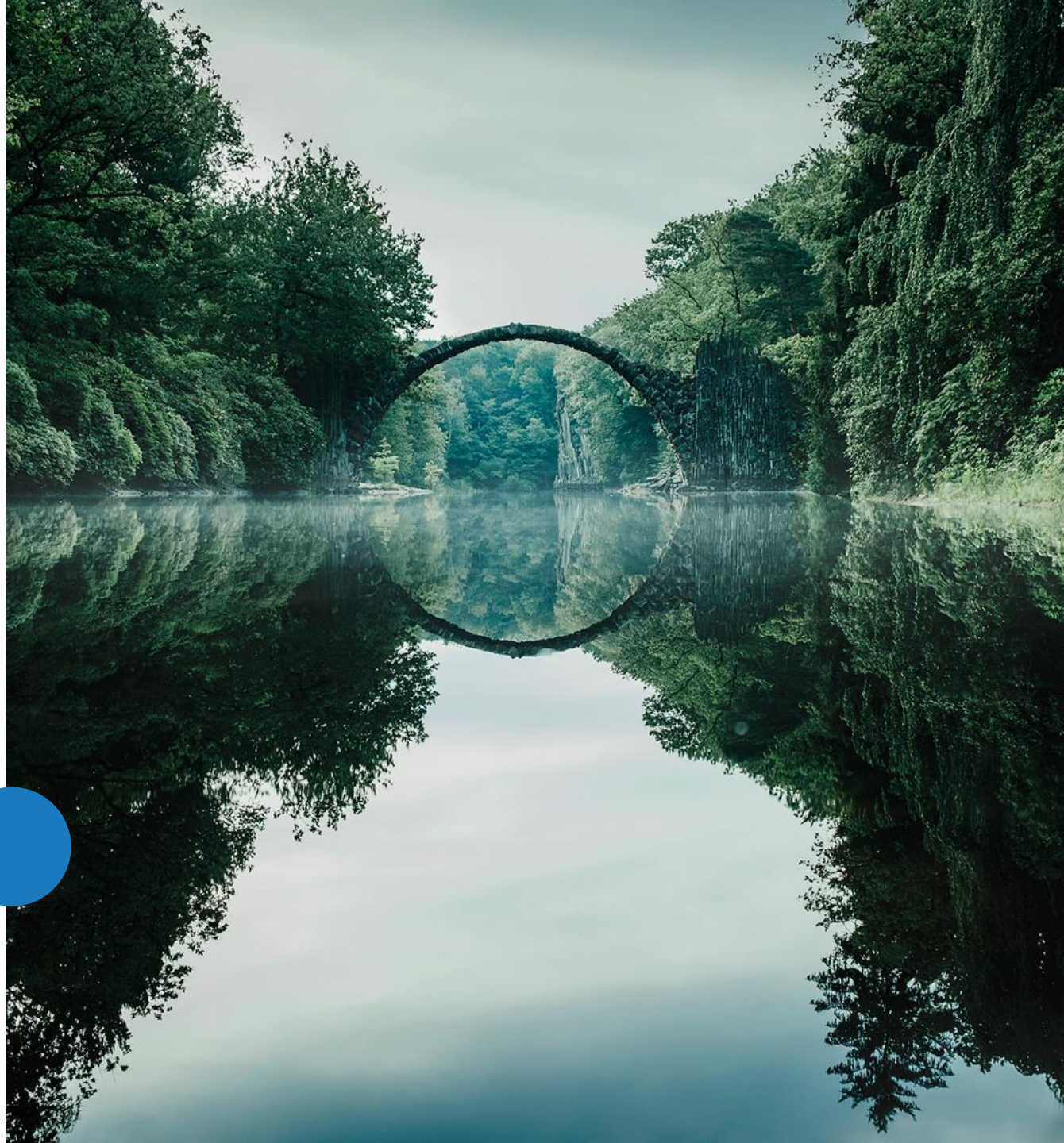
Candriam ESG Sectoral Model

CAPITAL GOODS
(Electric Equipment & Machinery)

Jessica Carlier
ESG Analyst

OCT 2024

Marketing communication intended for Professional Investors and Qualified Investors



Agenda

- 1. Composition, Macro Trends & Model**
- 2. Business Activities analysis**
- 3. Stakeholder Management analysis**
- 4. Analysis Example**



Capital Goods – Sector Composition

A heterogenous sector



- **Electric Equipment:** Companies that produce electric cables and wires, electrical components or equipment not classified in the Heavy Electrical Equipment Sub-Industry.
- **Industrial Machinery:** Manufacturers of industrial machinery and industrial components. Includes companies that manufacture presses, machine tools, compressors, pollution control equipment, elevators, escalators, insulators, pumps, roller bearings and other metal fabrications.
- **Industrial Conglomerates:** Diversified industrial companies with business activities in three or more sectors, none of which contributes a majority of revenues. Stakes held are predominantly of a controlling nature and stake holders maintain an operational interest in the running of the subsidiaries.
- **Construction Machinery & Heavy Transportation Equipment:** Manufacturers of heavy duty trucks, rolling machinery, earth-moving and construction equipment, and manufacturers of related parts. Includes non-military shipbuilding.
- **Agricultural Machinery:** Companies manufacturing agricultural machinery, farm machinery, and their related parts. Includes machinery used for the production of crops and agricultural livestock, agricultural tractors, planting and fertilizing machinery, fertilizer and chemical application equipment, and grain dryers and blowers.



Key Macro Trends - Capital Goods

Focus areas of in-depth analysis

Low- Carbon Transition

- › Scope 3 can represent up to 99% of emissions and up to 80% in the use phase
- › End-markets include the highest emitting sectors
- › Capital Goods are enablers via solutions provided to these high-emitting end markets

*“We are on the verge of a **low carbon industrial revolution**. Regulators and markets are **demanding decarbonizing** of high emitting sectors... **The good news is that the capital goods sector is starting to meet this challenge.**”*

-Head of Investor Research, Carbon Disclosure Project

- › **Focus: Climate objectives, Product Portfolio, Scope 4**



Climate related
regulation / National
Pledges



Digitalization – Industry 4.0

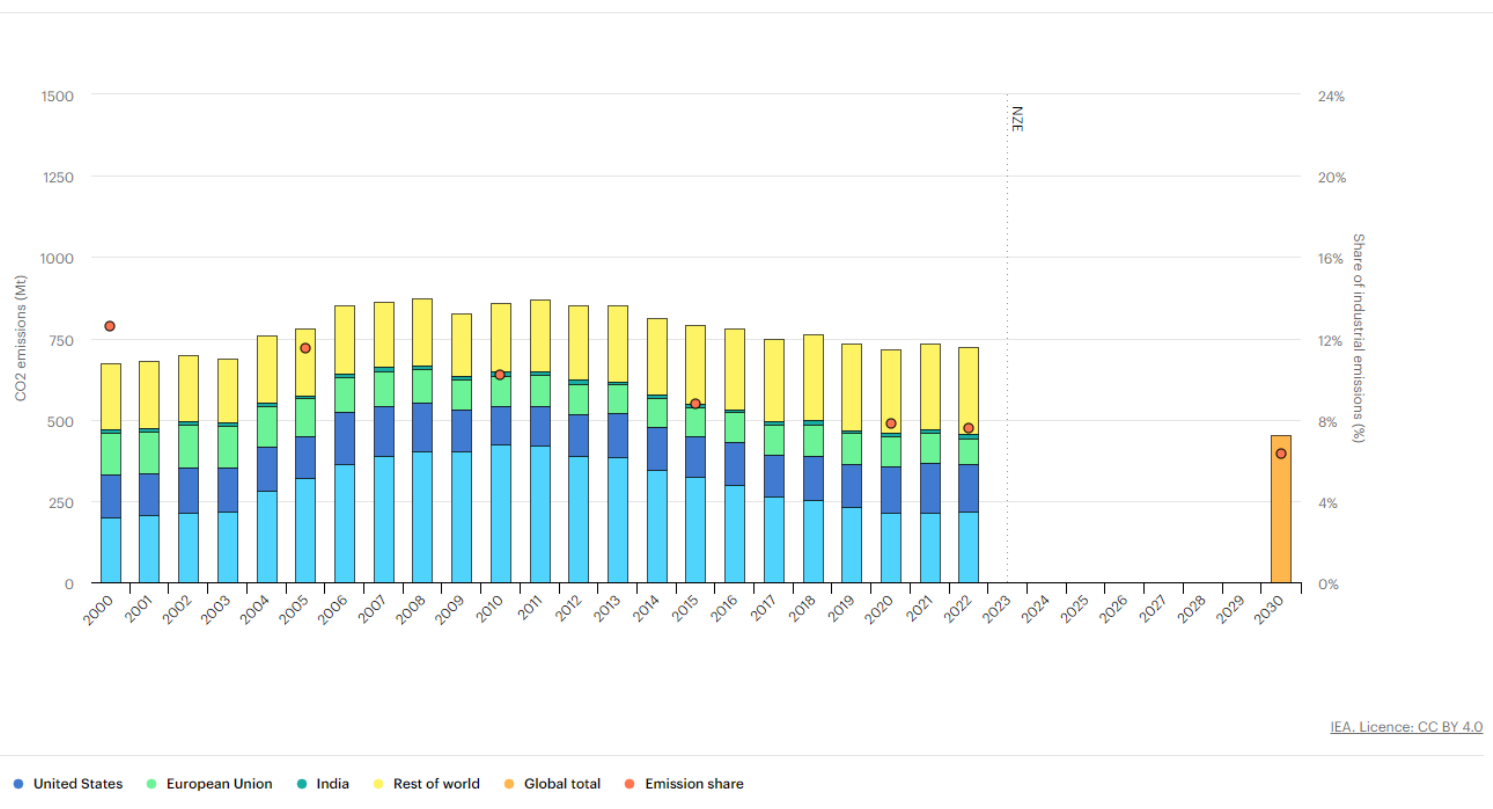
- › **4th Industrial Revolution** :
Manufacturers are integrating new technologies, including Internet of Things (IoT), cloud computing and analytics, and AI and machine learning into their production facilities and throughout their operations.
- › IIoT and connected products to optimize operations and enhancing sustainability
- › New digital technologies to enhance and capitalize on product performance and changing the landscape of offerings
- › **Focus: Digital offer / IIoT capabilities**



Climate Change - Light Industry Emissions



Although a small part of Industry Emissions, efforts must accelerate to reach NZE by 2050



- Capital Goods emissions are counted within “**Industry**” emissions **23%** of global emissions, more specially the ‘**Light Industry**’ which is **8%** of the sector (IEA)
- **Light industry** describes a range of sectors with lower absolute energy use than heavy industry such as steel and cement.
- Key components of light industry include the production of food (30% of light-industry emissions), **machinery (16%)**, textiles (7%), vehicles (6%) and timber (3%), construction (21%) and mining (18%).
- **Efforts must accelerate** to get on track with the Net Zero Emissions by 2050 Scenario, emissions decline by 6% per year to 2030, compared to 1.6% on average over the past decade.

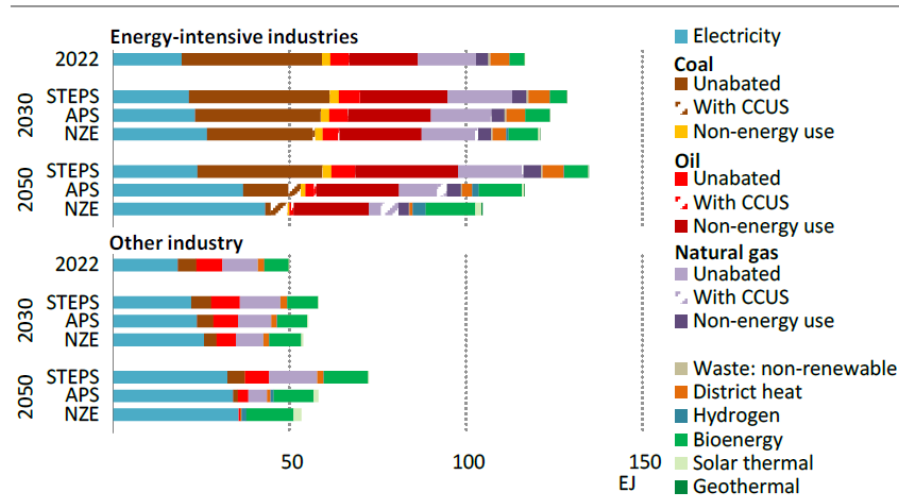


Climate Change – Electrification

End-Markets & Decarbonization



Figure 3.5 ▶ Energy demand by fuel for energy-intensive and other industries by scenario

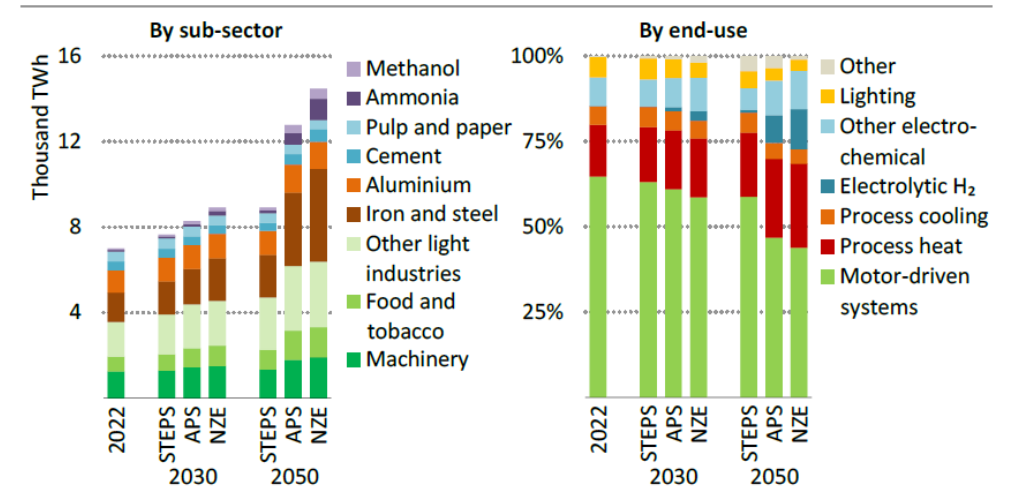


IEA. CC BY 4.0.

Achieving climate ambitions in industry relies on electrification: electric heaters and heat pumps in light industries, and electric processes and onsite hydrogen for steel, ammonia and methanol

Notes: CCUS = carbon capture, utilisation and storage; EJ = exajoules. Where low-emissions hydrogen is produced and consumed onsite at an industrial facility, the fuel input, such as electricity or natural gas, is reported as final energy consumption, not the hydrogen output.

Figure 3.6 ▶ Electricity demand by selected industry sub-sector, end-use and scenario, 2022-2050



IEA. CC BY 4.0.

All industry sub-sectors depend on electricity and demand rises notably for process heat and hydrogen in the APS and NZE Scenario

Notes: TWh = terawatt-hours; H₂ = hydrogen. Machinery sub-sector refers to the production of machines and their components. Other electro-chemical includes primary aluminium production, chlor-alkali industry and some organic synthesis.

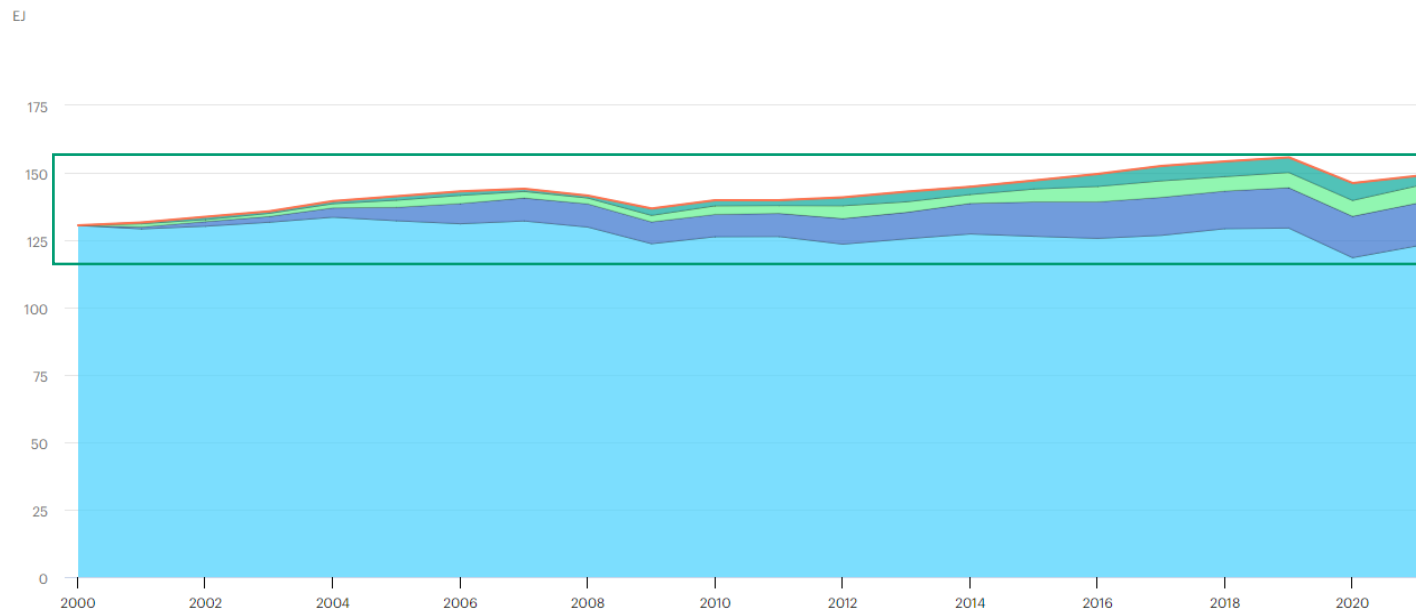
- ▶ **Industry is the most energy consuming and CO₂ emitting end-use sector**, 38% of TFC and 47% of CO₂ emissions (including emissions from electricity and heat).
- ▶ **Electrification of process heat increases in all scenarios**, reduces energy demand since **more efficient** vs fossil fuel processes that it replaces. To the extent that it **draws on low-emissions sources** of power, electrification also **drives down CO₂ emissions** from the industry sector.



Climate Change – Enabling Technology - Energy Efficiency



Estimated savings of final energy use in IEA countries, 2000-2021



IEA. All Rights Reserved

● Actual TFC ● Efficiency savings (Industry and services) ● Efficiency savings (Residential) ● Efficiency savings (Transport) ● Hypothetical TFC

- Energy efficiency, the “first fuel” in clean energy transitions, as it provides some of the quickest and most cost-effective CO2 mitigation options while lowering energy bills and strengthening energy security.
- Energy efficiency is the single largest measure to avoid energy demand in the Net Zero Emissions by 2050 Scenario, along with the closely related measures of electrification, behavioural change, digitalisation and material efficiency.
- IEA estimates that IEA members saved ~20% of energy since 2000-2021, equivalent to the final energy consumption of India
- Industry and Services sector accounted for 59% of these savings, buildings 23% and transport 18%.



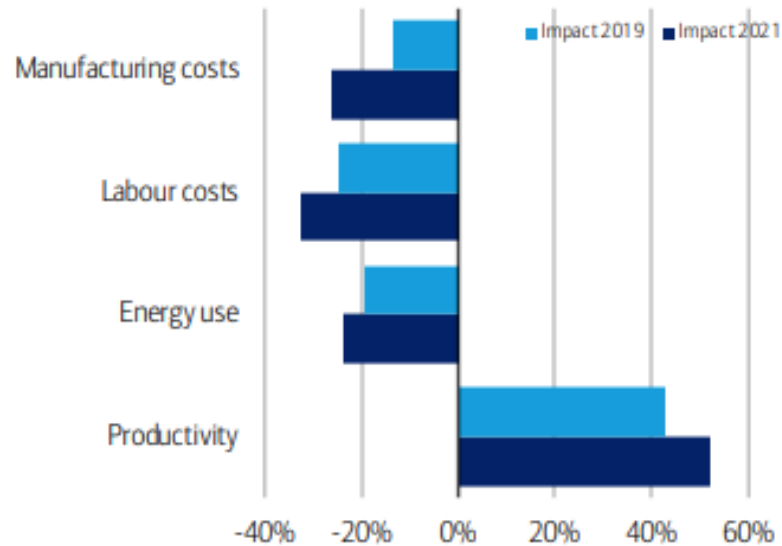
Digitalization - Industry 4.0

Further Growth To Come



Exhibit 1: Impact of digital transformation & Industry 4.0

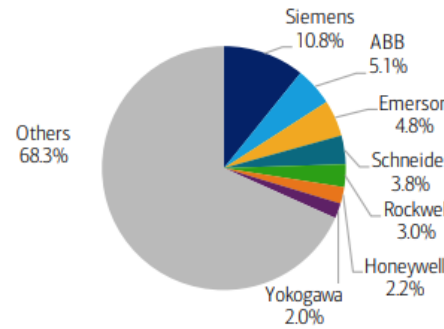
Energy, labour & manufacturing cost reductions of 24-32% have been achieved across the WEF Lighthouse Network



Source: WEF Global Lighthouse Network

Exhibit 66: Industrial automation market share in 2020

Siemens is still the largest automation vendor by a factor of 2

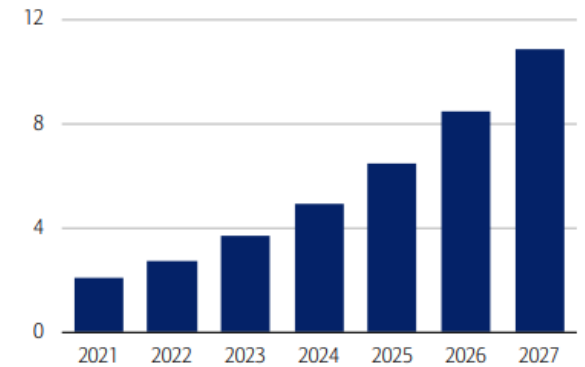


Source: Frost & Sullivan

BofA GLOBAL RESEARCH

Exhibit 77: IIoT platform market size (€bn)

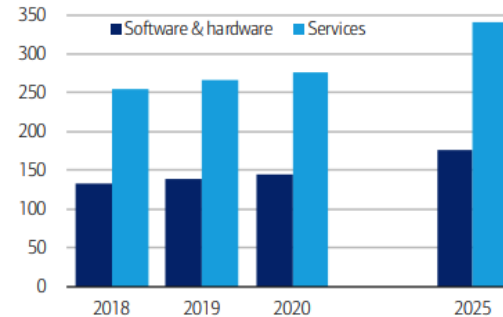
IIoT platform market is expected to grow at a 30.8% CAGR 2021-2027



Source: IoT Analytics, Dec 2021

Exhibit 44: Industrial Automation & Software market: Frost & Sullivan

4% CAGR 2020 to 2025

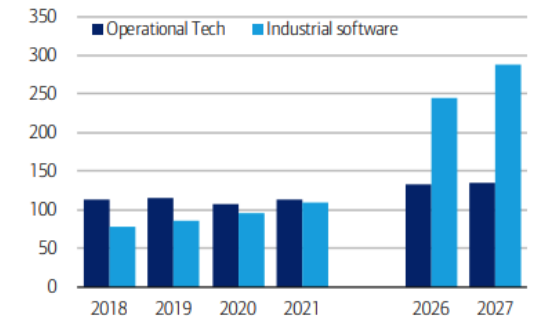


Source: Frost & Sullivan, Aug 2022

BofA GLOBAL RESEARCH

Exhibit 45: OT and Industrial Software market: IoT Analytics

3% and 18% CAGR respectively 2021-26



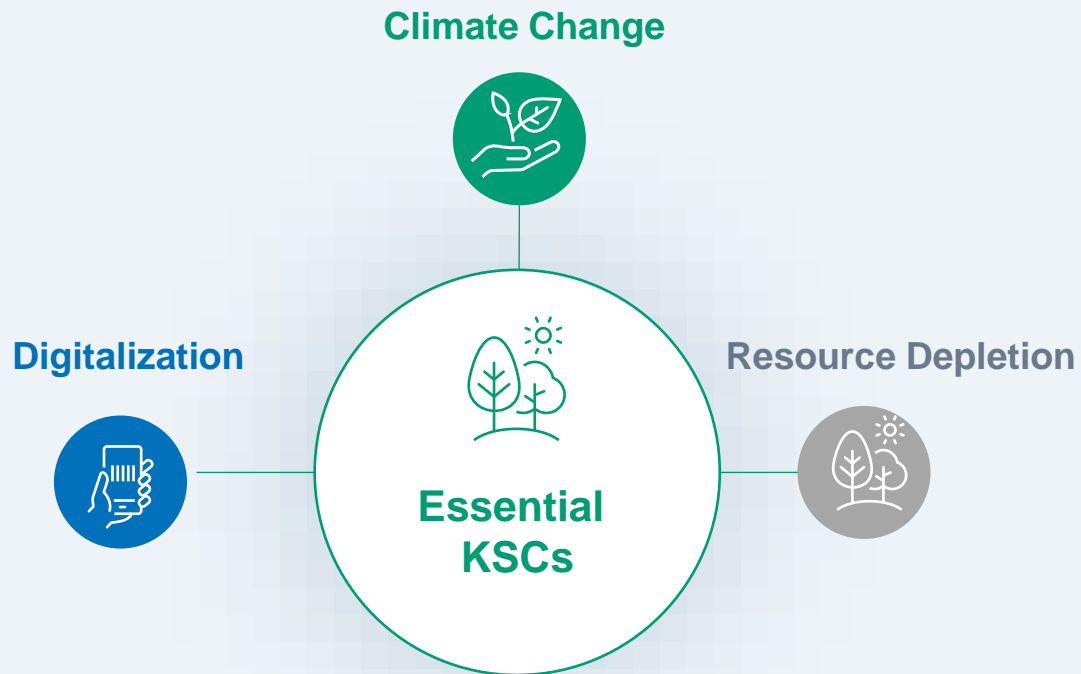
Source: IoT Analytics, Dec 2021

BofA GLOBAL RESEARCH

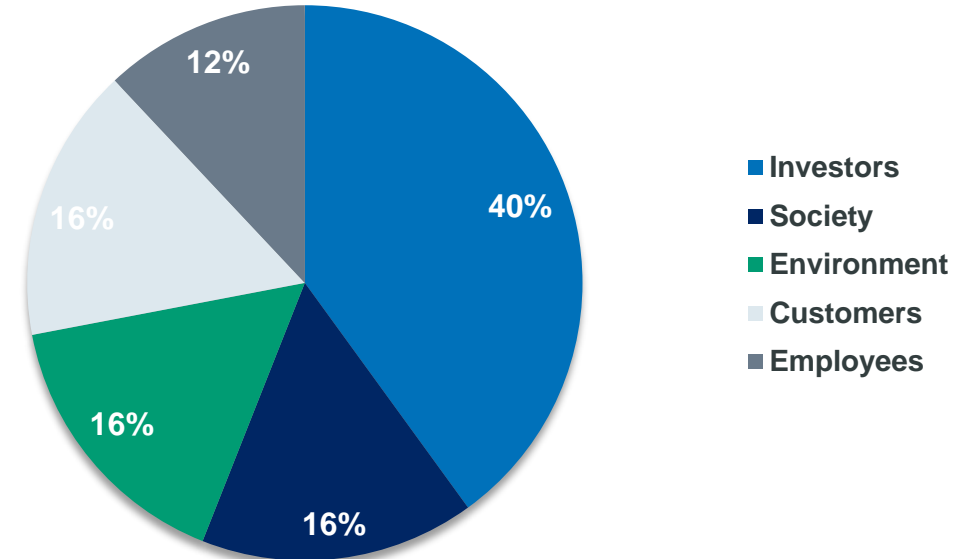


Capital Goods ESG Model

BUSINESS ACTIVITIES
50%



STAKEHOLDERS
50%



Themes	Weight
Investors: Corporate Governance	40%
Society: Relations with public authorities / corruption	16%
Environment: Energy & Climate Change	16%
Customers: Product Quality & Safety	16%
Employees: Recruitment & Retention	12%

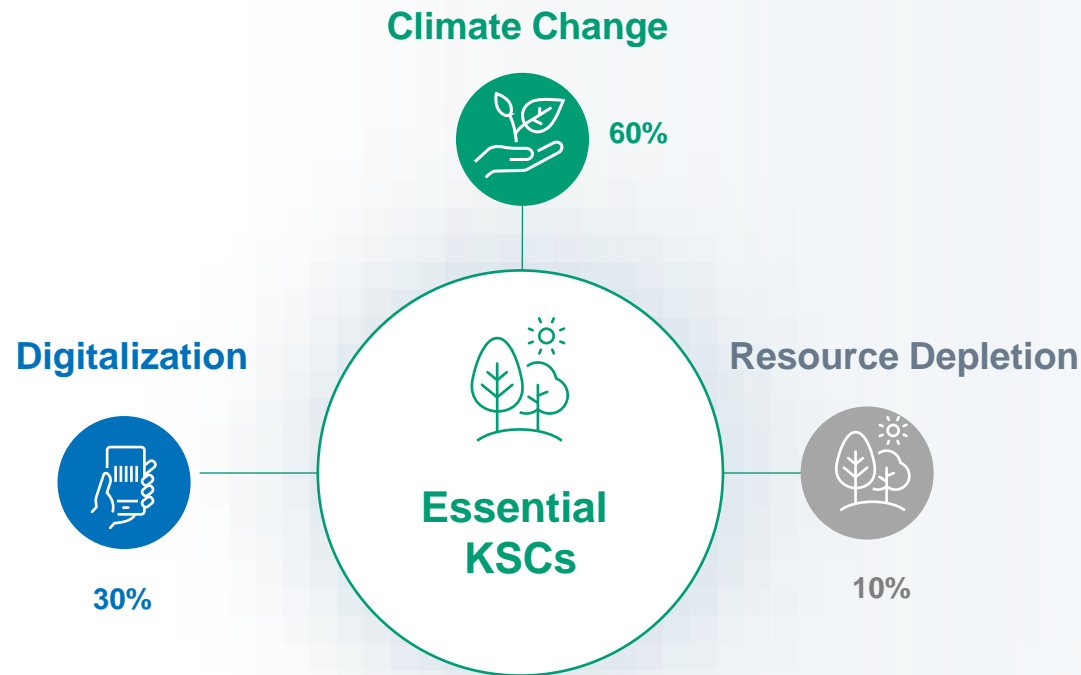


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Business Activities Analysis



KSC weights included for indicative purposes

- **KSCs activated and weights will vary according to product and/or end-markets**
- **Climate Change** tends to be the most material across the sector due its “enabler role” in low-carbon transition
- **Digitalization** via Industry 4.0 is enhancing the enabling capabilities of offerings
- **Resource Depletion** tends to be negative as industrial activities place a strain on natural resources



Climate Change – Enablers



Climate solutions supported by Regulation and Regional/National objectives



Energy Efficiency

Energy efficient components & Systems:
IE4/5 motors, AC drives, automaton, energy management solutions
Schneider Electric, Siemens, ABB, Rockwell

- **EU Climate Targets: -55% GHG by 2030 & carbon neutrality by 2050**
- EU Taxonomy & Recovery Plan (37% climate action, 20% digital)
- **EU Regulation energy efficiency motors/drives** (Effective July 2023) – Tighter requirements and larger scope of motors and drives. Motors must be at least IE4 rating



Renewable Energy & Hydrogen

Wind turbine solutions, energy storage, grids, electrolysis technologies, etc
Vestas, Siemens Energy, SGRE, PowerCell, Nexans, Prysians

- **EU Clean Energy Package** : 32% RE in Energy Mix by 2030
- **Electricity interconnectivity target** : at least 15% by 2030
- **EU Hydrogen strategy, electrolyser capacity of 40 GW capacity (10Mt) by 2030**



Low-carbon Transportation / e-mobility

Transport electrification infrastructure (EV & rail), components and grids, rail signaling, hydrogen rail
Alstom, NEL, Alfen, Siemens,

- EU Rail Objectives : **ERTMS, Rail Digitalization, renewal/upgrade of stock**
- **EU Truck Emission Reduction Proposal** :- 45%, -65% and -90% by 2030, 2035, and 2040
- **ZEV Regulation – California:** zero-emission truck targets 2035 and diesel truck phase 2045



Building & Energy

Smart building and energy management systems, LEDs
Schneider Electric, ABB, Siemens, Legrand, Signify

- **EU Building Renovation Wave** - double current investments as 75% of the building stock is energy inefficient,
- EC estimates 185bn per year to meet 2030 objectives



Climate Change - Carbon Emissions - Scope 3



Scope 3 is the most material part of emissions

Figure 1a: Sources of Emissions
by Sector (Global)

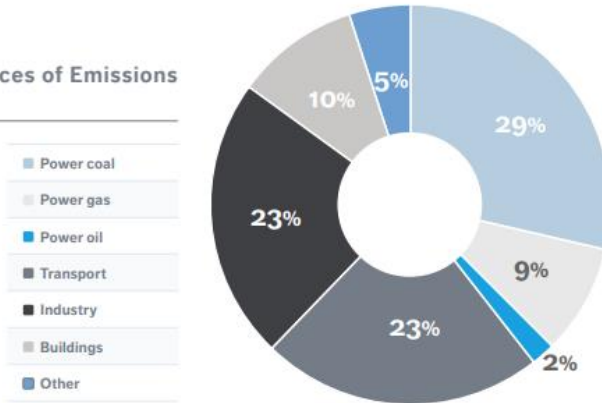
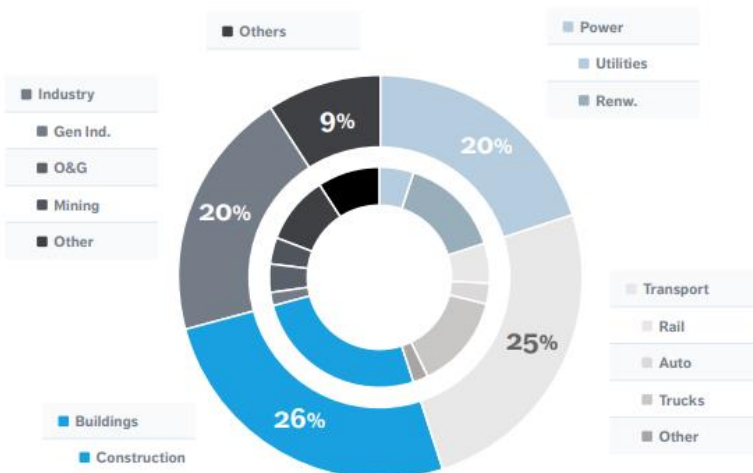


Figure 1b: Capital Goods Customers
by Sector (European)



- Capital goods serve high-emitting sectors, with **Scope 3 can account up to over ~90% of total emissions**
- **Longer product lifecycles**, ranging up to 40 years use phase of products' can represent over 80% of the end-to-end CO2 footprint.
- **Product Life Cycle**: increasing number of capital goods companies are designing/manufacturing their equipment using the life cycle assessment. This enables companies to limit the potential emission impact at each life cycle stage.
- **Cradle to Grave**: starting from the raw material used to build the equipment up to its end-of-life treatment.
- Trend is heterogenous in terms of progress and comparability can be difficult with increasing category reporting & methodology changes



Climate Change – Scope 4



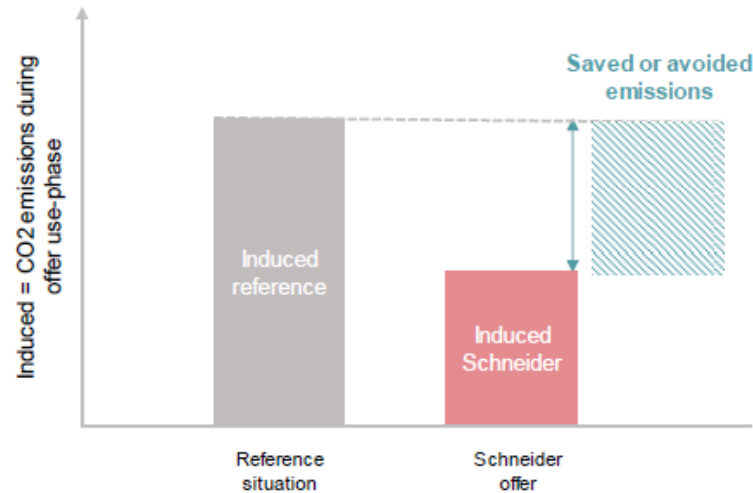
Scope 4 – Helping measure positive impact of Enablers capabilities

- **Scope 4:** CO2e savings or avoidance benefitting a customer vs a reference situation

Schneider - Industry Leader in emission disclosure

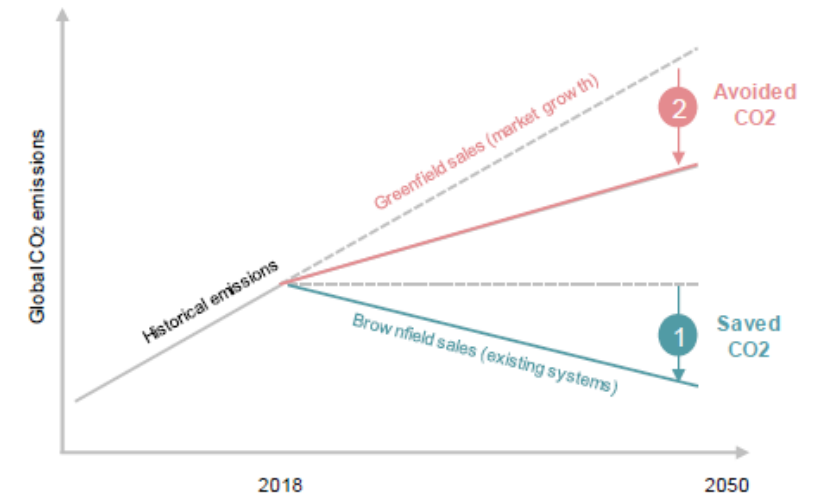
GHG Protocol [and](#) accounts for emissions saved and avoided (scope 4)

Induced, avoided and saved emissions



Source: SG Cross Asset Research/Equity, Schneider

Reference situation – Brownfield and greenfield



- **Brownfield (CO2 saved)** : Sales that enable the **reduction of CO2e emissions** compared to the previous year and are related to the **replacement/upgrade** of existing systems.
- **Greenfield (CO2 avoided)**: enable a **limitation on the increase of emissions** vs the most likely reference situation (including alternative technology or competitor offering).



Climate Change – Scope 4 Selected Examples

Helping measure positive impact of Enablers



Figure 7: Scope 4 Disclosure – Selected Capital Goods Companies

	Accounting Standard	Top-down/ Bottom Up	% of portfolio mapped	Savings Target & Year (in Mt)	Sales Period for savings Target	Key Savings Areas	Estimated lifetime
Schneider	Yearly	Bottom-up	20%	800+ (2025)	2018-2025	PPA, variable speed drives	5-15
Legrand	Yearly	Bottom-up	21%	12+ (2024)	2022-2024	Energy efficiency portfolio	4-15
ABB	Yearly	Bottom-up	"basket of 15 business cases" >20%	100+ (2030)	2021-2030	Variable speed drives, electric motors	Lifetime does not impact target as savings are only for the savings realized in the year 2030
Vestas	Yearly	Top-down	100%	-	-	Wind Turbines	21
Siemens	Cumulative	Top-down	32%	-	-	-	-

Source: Candriam, company reports, Société Générale

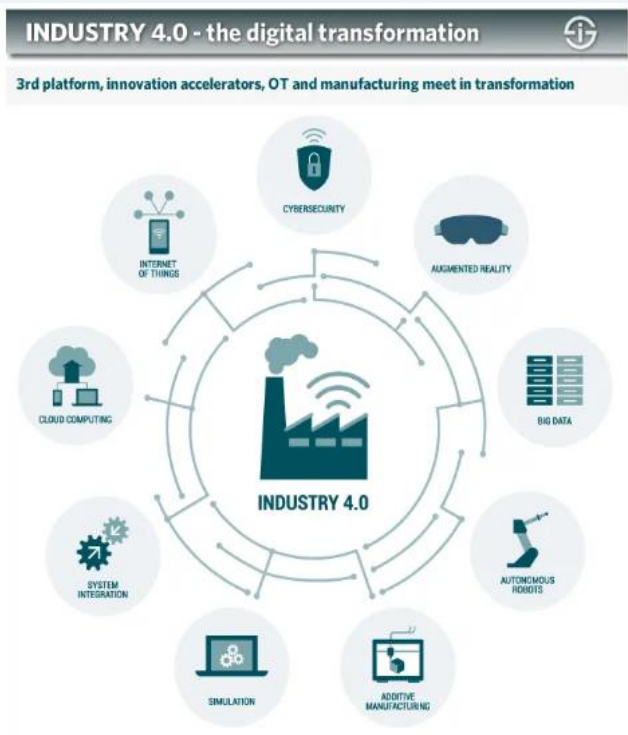
Obstacles & Challenges for Companies

- First hurdle is the lack of industry standard
- Best reference point and assumptions
- Deriving a simple but yet robust methodology
- Unfair comparisons vs peers
- A learning process, revision and improvements of methodologies



Digitalization – Industry 4.0

Industry 4.0 an enable in the optimization efficiency



- ### Digitalization/ Connected Assets

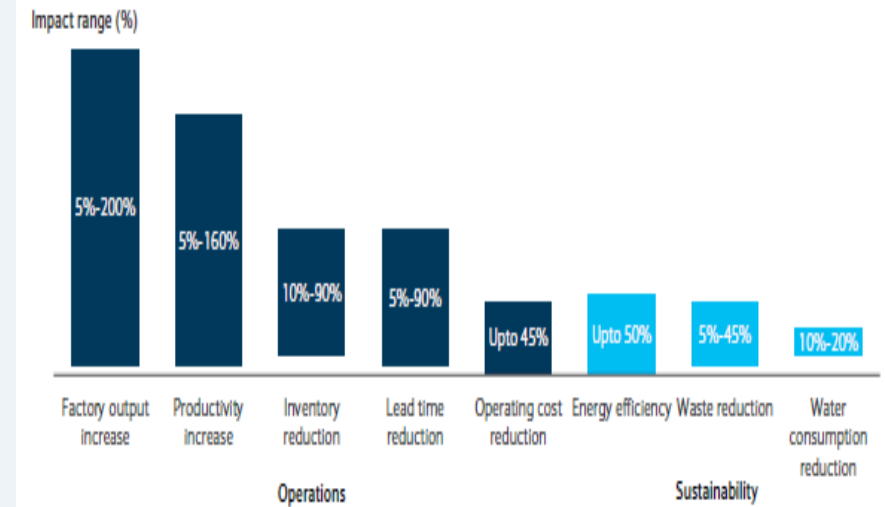
 - closing the loop on data to optimize information enabling **energy/resource efficiency** and interconnectivity with clients/value chain , improvement of legacy services and provide new offerings
- ### Electrification

 - smart grids, buildings, electric transport leading to **energy efficiency/better air quality**
- ### Automation

 - more **resource and energy efficient, quality assurance, cost effective**

FIGURE 10

Key performance indicators: Factory sites with IIoT technologies implemented at scale have seen improvement in operational and sustainability KPIs



Source: Global Lighthouses report – World Economic Forum, Dec. 2019



Business Activities - Examples

Cables – End-markets are important !



*** Climate Change Rationale**

- **Climate Change is positive mainly due to its exposure to renewables and utility grids.**
- **Cables play a critical role in the energy transition at various levels:**
 1. Cable connection between turbines/solar panels
 2. Renewable energy generated needs to be exported using high voltage cables to connect it to the broader electrical grid
 3. interconnection cables between regions via land or submarine installation which will enhance grid optimization and energy independence.
- **Negative exposure from O&G/Mining and the Transport sector (significant exposure to automotive industry).**



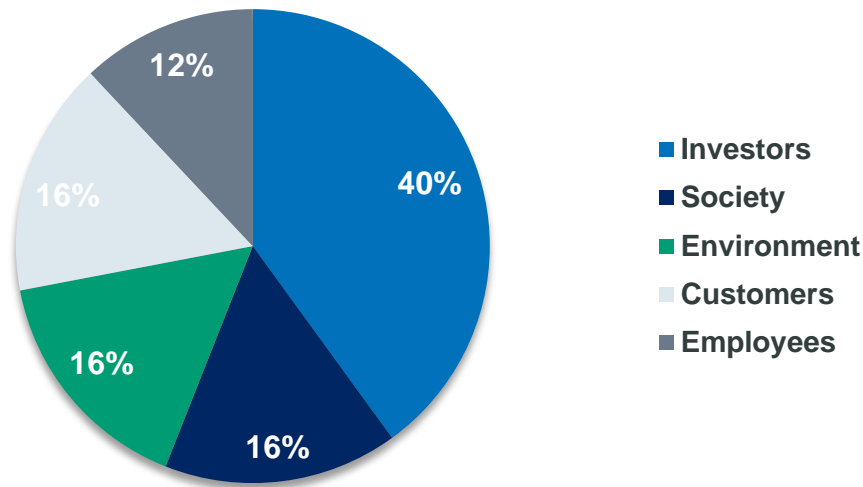
Agenda

1. Composition, Macro Trends & Model
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4. Analysis Example



Candriam Stakeholder Analysis

Capital Goods Stakeholder Management – 50%



Themes	Weight
Investors: Corporate Governance	40%
Society: Relations with public authorities / corruption	16%
Environment: Energy & Climate Change	16%
Customers: Product Quality & Safety	16%
Employees: Recruitment & Retention	12%

OCT 2024

Corporate Governance

Company governance structure is key in industries inherently prone to corruption. Efficient board oversight, independent committees, shareholder rights enable a sustainable long-term company strategy

Relations with public authorities / corruption

- ▶ High exposure to government contracts and bidding processes represent high risk corruption/anti-competitive practices

Energy & climate change

- ▶ Companies have a significant carbon footprint, addressing scope 1-3 is key

Product & Safety

- ▶ Companies are suppliers of complex machinery and services and if defected could represent safety risks

Recruitment & Retention

- ▶ Companies are highly dependent on high skilled labor due increasing digitalization and must be able to attract and retain talent



Governance & Society – Corruption a Key Risk

- High exposure to government contracts and bidding processes represent high risk corruption/anti-competitive practices
- Corruption & anti-competitive risks are considered via two Stakeholders :

Investors (40%)
Corporate Governance

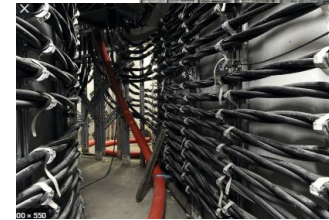


- ▶ Board structure, independence, composition, diversity
- ▶ Separate CEO / Chairman
- ▶ Independence and composition of committees (pay, audit,..)
- ▶ Management Track Record
- ▶ Remuneration policies
- ▶ “One share, One vote”
- ▶ Financial conduct & related controversies

Society (16%)
Relations with public authorities/corruption



- ▶ Frequency & severity of corruption controversies
- ▶ Anonymous whistleblower system
- ▶ Ethics training & coverage
- ▶ Corruption Perception Index
- ▶ Public vs private market exposure



Power Cable Cartel, 1999-2009

- ▶ European Commission fined 10 companies **€301.6 million**.
- ▶ 11 producers of underground and submarine power cables operated a decade allocating projects by region/customer providing sensitive information to ensure lowest bid vs competitors
- ▶ Companies: ABB, Nexans, Pysiams, Hitachit, Mistishibi

Truck Cartel, 1997-2011

- ▶ European Commission fined 5 trucks constructors **€2.93 billion**
- ▶ 14 years of price fixing of constructors that represented 90% of the European markets
- ▶ Companies: Daimler, Volvo, Iveco, DAF, Scania and MAN



Environment - Analysis Example

Environment (16%)
Energy & climate change



Climate Objectives

SBTi Validated Targets - Net Zero across value chain by 2050
2030: Scope 1 & 2, - 50%, Use phase targets per operating segment

Progress vs Baseline: Trucks, -4%, Buses, -7%, Construction Equipment -11%) except for Volvo Penta with an increase of 5%.

Neutral operations - US, Japan & India (2025), Globally (2039)
No scope 3 reporting or Targets, and use of offsets !!

Scope 1 & 2 reduction by 42%

Renewable Energy

48% renewable energy

29% renewable energy

Certifications

ISO 14001: 95% of production facilities & 90% of distribution centers.

ISO 14001 certified, representing 92% of relevant locations

Product Strategy

- 2030, electric vehicles should account for at least 35% of vehicle sales globally across all segments
- Ambition in Europe: 70% for all new trucks sold in 2030
- 100% fossil free vehicles starting from 2040 (including BioLNG and Biofuels)
- **3 levers for product decarbonization: 1) Battery-electric 2) Fuel cell-electric 3) Internal combustion engines running on lower carbon fuels (biofuels)**
- Various partnerships & initiatives, batteries, EV infrastructure, fuel cells, etc

- 2030: Sales share of up to 60% vehicles CO2-neutral in driving operation (EU, Japan, United States)
- 2039: 100% offer of new vehicles CO2-neutral in driving operation (EU, Japan, United States)
- 2050: 100% offer of new vehicles CO2-neutral in driving operation worldwide

Strategic focus on two complementary technologies to decarbonize transport: batteries and hydrogen fuel-cells

- Various partnerships & initiatives, batteries, EV infrastructure, fuel cells, etc

Suppliers /Green Sourcing

First Movers Coalition - Swedish steel manufacturer SSAB on fossil free steel for its vehicles. First manufacturer to deliver a construction machine made with fossil-free steel to a customer (NCC).

No evidence of active green sourcing strategy.
 Aims to have 70% of production material volume covered by environmental certificates

Recycling

85% over the past 3 years with metal scraps accounting for a significant amount of the recycled materials

Recovery rate of waste: 85%



Employees – Human Capital Snapshot

Employees (12%) Recruitment & Retention



- ▶ Turnover rate, voluntary rate, absenteeism rate
- ▶ Employee share plan
- ▶ Training programs and hours
- ▶ Health & Safety Program, accident rate
- ▶ Diversity & inclusion programs, female %
- ▶ Collective bargaining agreement coverage
- ▶ HCM Targets

Company	Total Turnover	Voluntary Turnover	Collective Bargaining	% Women Workforce	% Women Senior Mgt/ExCo	Avg Training Hours	LTFIR
Schneider SE	16.60%	9.60%	70%	33%	41%	24%	0.32
Legrand SA	15%	5.10%	47%	38%	24.40%	20	1.92
Siemens AG	11.60%	6.60%	ND	27%	25%	21	1.3
ABB Ltd	16%	ND	ND	28%	22%	30	0.85
Alstom SA	12.80%	7.20%	63.70%	20%	19%	22.2	0.8
Nexans SA	23.00%	ND	ND	39%	14.70%	19.0	2.31
Vestas	15.20%	ND	ND	16%	4%	61	1.2



Customers - Snapshot & Example

Customers (16%)
Product & Safety



- ▶ Quality assurance system & Certification
- ▶ Product governance disclosure
- ▶ Recall, claims and lawsuits
- ▶ Frequency & severity of quality related controversies

3M Science.
Applied to Life.™



- ▶ ISO 90001 certification coverage not disclosed
- ▶ Disclosure on product governance
- ▶ **Involved in various controversies:** Between 2014 and 2022, the company was implicated in incidents related to its single-use facemasks, respirators, surgical warming blankets and Combat Arms earplugs, which led to various recalls, lawsuits, and personal injury and health claims
- ▶ Class Action lawsuit: Military Ear Plugs
 - Indications that 3M knew their earplugs were defective
 - Attempt to avoid lawsuit by filing for Chapter 11
 - Settlement of \$6.01 billion, paid over 2023-2029



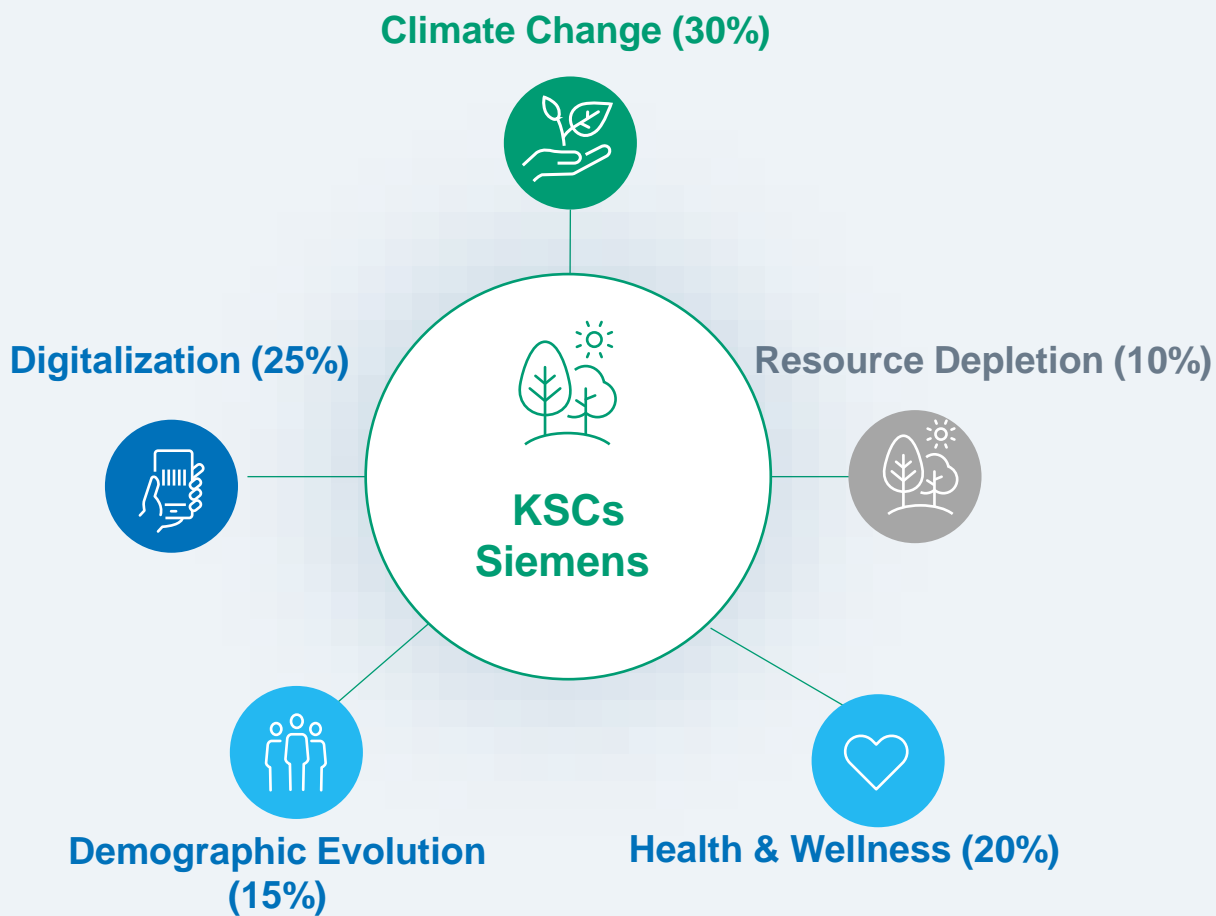
Agenda

1. Composition, Macro Trends & Model
2. Business Activities analysis
3. Stakeholder Management analysis
4. Analysis Example



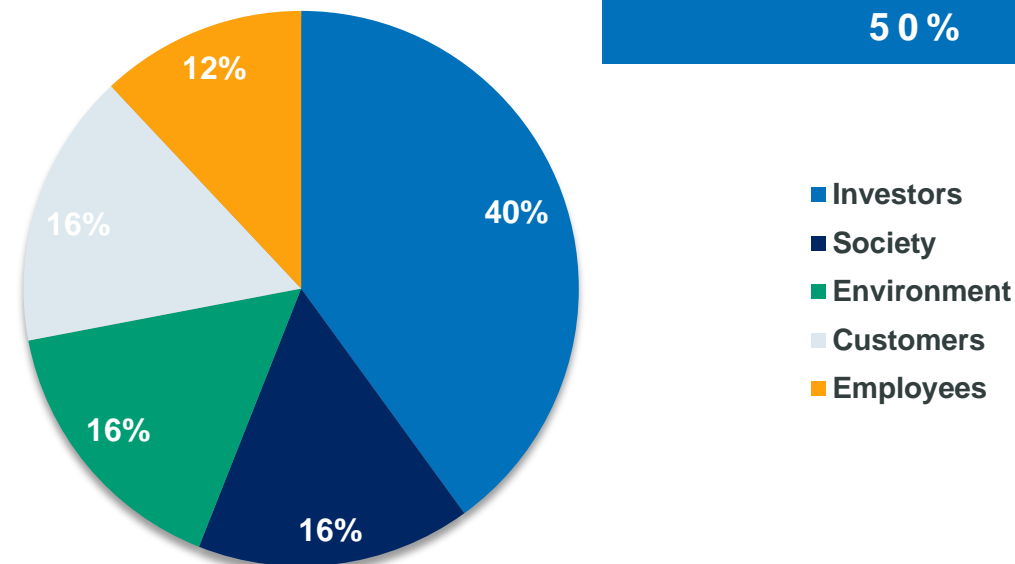
Siemens AG – ESG Model

BUSINESS ACTIVITIES
50%



OCT 2024

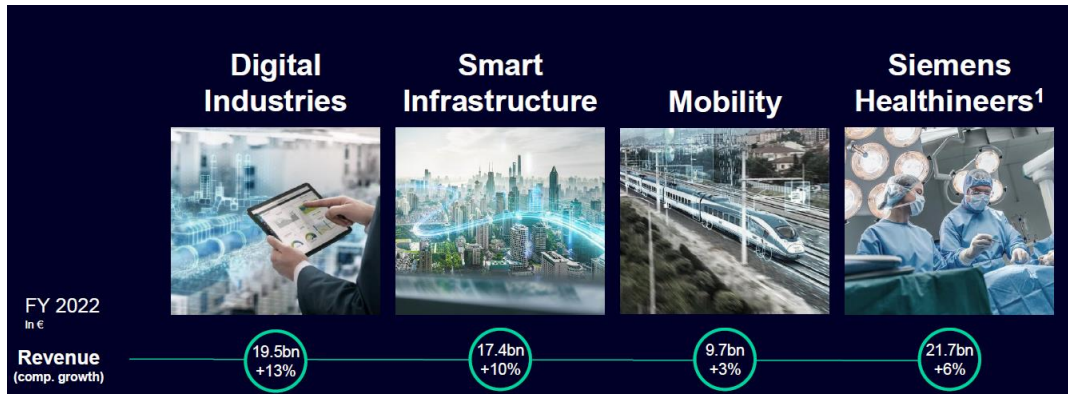
STAKEHOLDERS
50%



Themes	Weight
Investors: Corporate Governance Company governance structure is key in industries inherently prone to corruption. Efficient board oversight, independent committees, shareholder rights enable a sustainable long-term company strategy	40%
Society: Relations with public authorities / corruption High exposure to government contracts and bidding processes represent high risk corruption/anti-competitive practices	16%
Environment: Energy & Climate Change Companies have a significant carbon footprint, addressing scope 1-3 is key	16%
Customers: Product Quality & Safety Companies are suppliers of complex machinery and services and if defected could represent safety risks	16%
Employees: Recruitment & Retention Companies are highly dependent on high skilled labor due increasing digitalization and must be able to attract and retain talent	12%

ESG Company Analysis in practice

SIEMENS AG (ESG3)



Business Activities

66*50%



80 Climate Change

- › “Enabler” solutions across all segments, except SHS allowing decarbonization of high-emitting sectors Transport, Industry & Buildings
- › DI – automaton & motion energy efficient products & Systems
- › SI – Smart building management & Grid equipment & systems
- › Mobility – battery & hydrogen trains
- › Bonus: High R&D (7.8%), low carbon solutions 30-50%

67 Digitalization

- › MindSphere—Siemens' IIoT solution embedded across different platforms
- › Mobility – ATO capacities and traffic signaling solutions
- › Software-as-a-Service (SaaS) model in the Digital Industries successful transitioning (18%)

46 Resource Depletion

- › Manufacturing activities represent a high environmental footprint in terms of use of natural resources including various metals for electrical components
- › Company's digital capacity allow to lessen negative impact

63 & 56 Health & Wellness & Demographic Evolution

- › Offering addresses growing needs with an ageing population and the expected rise in cancers in all
- › Global market-leading provider of healthcare imaging equipment, dominating the CT-scanners and MRI segments.

	Exposure	Climate Change	Demographic Evolution	Health & Wellness	Interconnectivity	Resource Depletion
Business Activities						
Automation - Industries Ex. Energy	20	54	50	50	70	45
Automation Industries - Related Services	2	50	50	50	50	50
Diagnostics --HCEAS--	32	50	70	90	50	50
Industrial Software (IIoT Capabilities)	7	65	50	50	100	55
Machinery Rail - Rolling Stock	7	80	50	50	70	40
Machinery Rail - Services	2	80	50	50	70	40
Machinery Rail - Signalling	5	80	50	50	100	40
Smart Buildings - Electrical Equipment	18	65	50	50	70	45
Smart Grid Technology & Equipment (Smart Meters, Switchgears, Etc)	7	70	50	50	75	40
Bonus						
Green Technology Strategy Bonus		20	0	0	0	0
Total						
Score		80	56	63	67	46



ESG Company Analysis in practice

Siemens AG (ESG3)

55*50%



61

Stakeholder Analysis

52 Investors

Governance

- › Board independence (95%), 45% diversity; independent CoB and 2/3 committees
- › Oversized board, 20 members
- › Widely-held, Equal voting rights, limited rights to act by consent (100% votes needed)
- › No ESG Committee
- › votes against remuneration 8.3% and 7.9%, CIC arrangement, single cash trigger
- › Remuneration, 200% and 300% STIP & LTIP, ESG factors included – targets unclear
- › Financial conduct – frequent & ongoing corruption controversies

74 Environment

Energy & climate change

- › **SBTi targets, 1.5C Targets:**
 - 2025 – 55% reduction of Scope 1 & 2
 - **2030 – Net Zero Operations**, including 90% reduction of Scope 1&2 vs 2019 baseline, **30% emissions reduction in Scope 3**
 - **2050 – net zero value chain, Scope 3 by -90%**
- › **Engagement:** Upward revision of Scope 3 mentioned, information on levers, etc
- › **Scope 4:** 150 million tons avoided, FY22 Sales, 189M FY23
- › 2030 : **EP100, RE 100 & EV 100**
- › Certification scope – ND
- › Product Circularity KPIs – ND

50 Customers

Product Quality & Safety

- › In overall, minor product controversies, excluding SHS which has had more incidents
- › ISO 9001 certified operations is not disclosed.
- › NPS not disclosed
- › Increased disclosure on product governance encouraged

69 Employees

Recruitment & Retention

- › **HCM Targets across various areas: Training, H&S, Diversity Top Management, Employee share plans**
- › TO rate 9.6% vs 11.6%, voluntary rate 5.3% in FY23 vs 4.7% FY21
- › Women Total & Mgmt: 27%, 31.3% (vs25%)
- › Collective bargaining agreements coverage – Total ND (79% Germany, FY23)
- › Employee share plan (99.9 vs 98% eligibility)
- › Limited information on benefits at Group level
- › H&S certification coverage: 59%
- › LTIFR: 0.24 FY23 vs 0.26
- › Survey (65% participation rate)

39 Society

Public Authorities Relations

- › Independent & anonymous whistleblower system
- › Disclosure on complaints
- › Activities in Occupied Palestine and allegation of Uyghur forced labor in China
- › Despite reinforcements, controversies still haunt the company
 - Spain (railroad cartel), Italy (Milan subway cartel), and Turkey (bribery of government officials, railroads) and India (money laundering).



Net Zero Alignment assessment:



Final assessment: **Aligned to net zero pathway**

Ambition	Long-term 2050 goal consistent with achieving net zero	<i>SBTi targets, 1.5°C by 2030, and "committed" Net Zero.</i>
Targets	Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)	<p><i>'Scope 3 represents 99% of emissions of which 93% are from the use phase from products and 2% from purchased goods and services and 4% from Investments (category 15).</i></p> <p>Targets:</p> <ul style="list-style-type: none"> • 2025 – 55% reduction of Scope 1 & 2 • 2030 – Net Zero Operations, including 90% reduction of Scope 1&2 vs 2019 baseline, Scope 3 emissions, upstream and downstream (including use of product emissions), by 30% vs 2019 • 2050 –net zero value chain, Scope 3, reduction by -90% <p>During engagement company stated it would upgrade targets for scope 3 to obtain SBTi validation. Official upward revision and validation in September 2024. However, to note that at this stage 10% of Scope 1 & 2 will be offset, company hopes to hey hope to offset less than that.</p>
Emissions performance	Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets	<p>Scope 1&2: 55% reduction since 2019 baseline (FY23, -50%). On track.</p> <p>RE100: 80% renewable electricity for Siemens / EV100: 11% electric vehicles at Siemens / EP100: There are currently 33 Siemens sites with no net CO2 e emissions during regular operations</p> <p>Scope 3:overall good performance and on track to meet target</p> <p>Baseline Scope 3 (CDP): 538,126,563 (total), 442,175,000 (use of products), 8,098,000 (supply chain)</p> <p>Total Scope 3: -10.21% vs baseline (2019)</p>
Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions	<p>Overall good disclosure across KPIs, including qualitative and methodological details. Scope 3 comprehensive disclosure since 2021</p> <p><i>To note: in 2021 and 2022 we observed methodology changes and restatements/recalculations. This was due to a double counting of energy used in drives and motors.</i></p>
Decarbonization strategy	Quantified plan setting out the measures that will be deployed to deliver GHG targets	<p>'Scope 1 & 2 levers: <i>In its 2030 objectives, it commits to doubling energy productivity (EP100), 100% renewable electricity (RE 100) and 100% electric vehicle fleet (EV 100)</i></p> <p>Scope 3 levers: Use phase levers: 1)product generation updates 2)digitalization, 3)end-user electricity mix</p> <p><i>The breakdown of contribution of each lever is not disclosed, however, the most important will be the energy mix. To be noted that 90% of scope 3 emissions come from motors which will highly depend on the energy mix.</i></p> <p>Supply Chain: <i>"Carbon Reduction @ Suppliers" to track and identify CO2 performance and reduction opportunities</i></p>
Capital allocation alignment	Clear demonstration that the capital expenditures of the company are consistent with achieve NZ emissions by 2050	<p>Low carbon R&D: 30-50% (engagement).</p> <p><i>Siemens has pledged to invest an additional €650 million in its own decarbonization efforts by 2030.</i></p> <p>1) <i>Investments focusing on buildings, PV installations, net zero construction, RE</i> 2) <i>Emission reduction on fleet,</i> 3) <i>Production emission reduction</i></p>

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