

# PAI Consideration at Product Level



**DECEMBER 2022**

Marketing communication

Table  
**Table of contents.**  
contents



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## **Context 4**

---

## **Scope 4**

---

## **Consideration of PAI at – product level 5**

---

Monitoring 5

---

Exclusions 5

---

Engagement & Voting (if applied) 5

---

## **Data sources and quality of data 6**

---

## **Consideration of PAIs depending on the type of product 8**

---

## **Important copyright Information 11**

---

MSCI ESG Research 11

---

Trucost 11

---

ISS 11

---

# Context.

The European Union’s Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Investment decisions and advice have direct or indirect impacts which may result in negative effects on sustainability factors.

“Principle adverse impact” (PAIs) are defined as negative, material or likely to be material effects on sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.



# Scope.

The PAI Consideration At Product Level Policy is applicable to all funds Article 8 and 9 over which Candriam has full discretion as management company and investment manager (the “Portfolios”). This policy therefore encompasses most of Candriam’s asset under management, with some exceptions.

For more information, please directly refer to the product-related documentation on our website:

<https://www.candriam.com/en/professional/>

# Consideration of PAI at –product level.

Candriam considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process.

At portfolio level, the consideration of the principal adverse impacts on sustainability factors occurs through one or several of the following means:

## Monitoring

Calculation and evaluation of principal adverse impact indicators, including in the regular reporting at financial product level. Some of these indicators may have explicit targets and can be used to measure the attainment of the sustainable investment objective of the product.

## Exclusions

Candriam’s negative screening of companies and countries aims at avoiding investments in harmful activities and practices and may lead to exclusions linked to issuers’ adverse impacts.

## Engagement & Voting (if applied)

In order to avoid and/or reduce adverse impacts on sustainability objectives, the financial product also considers adverse impacts in its interactions with companies, through dialogue and voting. Candriam prioritises its engagement and voting activities according to an evaluation of the most material and relevant ESG challenges facing industries and issuers, by considering both the financial and societal/stakeholder impacts. Therefore, the level of engagement with each company within the same product may vary and is subject to Candriam’s prioritisation methodology.



# Data sources and quality of data.

Candriam combines several data sources. Each data source is analysed to evaluate data quality and relevance. Based on this analysis, Candriam has chosen what we consider to be the strongest provider for each PAI. This selection may change at any time.

## Indicators applicable to investments in investee companies

Climate and other environment-related indicators	
PAI 1. GHG emissions	Trucost
PAI 2. Carbon footprint	Trucost
PAI 3. GHG intensity of investee companies	Trucost
PAI 4. Exposure to companies active in the fossil fuel sector	MSCI
PAI 5. Share of non renewable energy consumption and production	MSCI
PAI 6. Energy consumption intensity per high impact climate sector	MSCI
PAI 7. Activities negatively affecting biodiversity sensitive areas	MSCI
PAI 8. Emissions to water	MSCI
PAI 9. Hazardous waste and radioactive waste ratio	MSCI
Social and employee, respect for human rights, anti-corruption and anti-bribery matters	
PAI 10. Violations of UN GC principles and OECD Guidelines for Multinational Enterprises	Candriam & MSCI
PAI 11. Lack of processes and compliance mechanisms to monitor compliance with UN GC principles and OECD Guidelines for Multinational Enterprises	MSCI
PAI 12. Unadjusted gender pay gap	MSCI
PAI 13. Board gender diversity	OEKOM
PAI 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Candriam & ISS OEKOM



## Indicators applicable to investments in sovereigns & supranationals

Climate and other environment-related indicators	
<b>PAI 15. GHG intensity</b>	EDGAR
Social and employee, respect for human rights, anti-corruption and anti-bribery matters	
<b>PAI 16. Investee countries subject to social violations</b>	Candriam

The specific principal adverse impact indicators that are taken into consideration are subject to data quality and availability. They may evolve with improving data quality and availability.

Periodic reviews of data sources are performed to continue to ensure the best-possible quality of data according to our analysis.



# Consideration of PAIs depending on the type of product.

Candriam differentiates two categories of products, resulting in a different integration of PAI.

The PAI Level 2, the highest level of PAI integration, occurs for all Candriam Article 9 products and Article 8 products with a positive screening approach, the mention «sustainable» in their name or the Belgium SRI label «Towards Sustainability».

The remaining Article 8 products apply the PAI Level 1, a lighter level of PAI integration, with some exceptions:

- PAI 2 is monitored when the products follow their carbon footprint as a sustainability indicator.
- PAI 3 is monitored when the products are within the scope of Candriam's engagement with the Net Zero Asset Manager Initiative (NZAMI). Candriam joined the Net Zero Asset Manager Initiative (NZAMI) in November 2021. The NZAMI brings together asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C and to supporting investing aligned with Net Zero emissions by 2050 or sooner.

For some fund of fund products that are managed by Candriam and invest in external underlying funds and are not covered by these two product categories, please refer to the dedicated due diligence processes.





## PAI Level 2:

COMPANIES					
	Materiality	Quality of data	Monitoring	Exclusions	Engagement & Voting
<b>PAI 1. GHG emissions</b>	High	High	Yes		Yes
<b>PAI 2. Carbon footprint</b>	High	High	Yes		Yes
<b>PAI 3. GHG intensity of investee companies</b>	High	High	Yes	Yes	Yes
<b>PAI 4. Exposure to companies active in the fossil fuel sector</b>	High	Medium	Yes	Yes	Yes
<b>PAI 5. Share of non renewable energy consumption and production</b>	High	Low			Yes
<b>PAI 6. Energy consumption intensity per high impact climate sector</b>	High	Low			Yes
<b>PAI 7. Activities negatively affecting biodiversity sensitive areas</b>	Medium	Low			Yes
<b>PAI 8. Emissions to water</b>	Medium	Low			Yes
<b>PAI 9. Hazardous waste ratio</b>	Low	Low			Yes
<b>PAI 10. Violations of UN GC principles and OECD Guidelines for Multinational Enterprises</b>	High	High	Yes	Yes	Yes
<b>PAI 11. Lack of processes and compliance mechanisms to monitor compliance with UN GC principles and OECD Guidelines for Multinational Enterprises</b>	High	Low			Yes
<b>PAI 12. Unadjusted gender pay gap</b>	Medium	Low			Yes
<b>PAI 13. Board gender diversity</b>	Medium	High	Yes		Yes
<b>PAI 14. Exposure to controversial weapons</b>	High	High	Yes	Yes	Yes
SOVEREIGN AND SUPRANATIONALS					
<b>PAI 15. Sovereign-GHG intensity</b>	High	Medium	Yes		
<b>PAI 16. Sovereign-Investee countries subject to social violations</b>	High	Medium	Yes	Yes	

## PAI Level 1:

COMPANIES					
	Materiality	Quality of data	Monitoring	Exclusions	Engagement & Voting
<b>PAI 1. GHG emissions</b>	High	High			Yes
<b>PAI 2. Carbon footprint</b>	High	High	Only for funds with this as sustainable indicator		Yes
<b>PAI 3. GHG intensity of investee companies</b>	High	High	Only for funds in scope NZAMI		Yes
<b>PAI 4. Exposure to companies active in the fossil fuel sector</b>	High	Medium			Yes
<b>PAI 5. Share of non renewable energy consumption and production</b>	High	Low			Yes
<b>PAI 6. Energy consumption intensity per high impact climate sector</b>	High	Low			Yes
<b>PAI 7. Activities negatively affecting biodiversity sensitive areas</b>	Medium	Low			Yes
<b>PAI 8. Emissions to water</b>	Medium	Low			
<b>PAI 9. Hazardous waste ratio</b>	Low	Low			
<b>PAI 10. Violations of UN GC principles and OECD Guidelines for Multinational Enterprises</b>	High	High	Yes	Yes	Yes
<b>PAI 11. Lack of processes and compliance mechanisms to monitor compliance with UN GC principles and OECD Guidelines for Multinational Enterprises</b>	High	Low			Yes
<b>PAI 12. Unadjusted gender pay gap</b>	Medium	Low			Yes
<b>PAI 13. Board gender diversity</b>	Medium	High			Yes
<b>PAI 14. Exposure to controversial weapons</b>	High	High	Yes	Yes	Yes
SOVEREIGN AND SUPRANATIONALS					
<b>PAI 15. Sovereign-GHG intensity</b>	High	Medium			
<b>PAI 16. Sovereign-Investee countries subject to social violations</b>	High	Medium	Yes	Yes	

# Important copyright Information.



## MSCI ESG Research

“MSCI ESG Research LLC’s (“MSCI ESG”) Fund Metrics products (the “Information”) provide environmental, social and governance data with respect to underlying securities within more than 23,000 multi-asset class Mutual Funds and ETFs globally. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell,

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AUM at  
30 June 2022



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