

LUX IM – ESG CANDRIAM ONCOLOGY SCIENCE

Sustainability-related disclosures required for Article 9 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Preamble

LUX IM - ESG CANDRIAM ONCOLOGY SCIENCE ("the Sub-Fund") is a feeder structure following Art. 77 of the UCI Law. It invests at least 85% of its net assets in shares of Candriam Equities L Oncology Impact (the "Master UCITS"). The Master UCITS is a sub-fund of Candriam Equities L, an open-ended umbrella investment company with variable capital incorporated in Luxembourg and authorized as an undertaking for collective investment in transferable securities pursuant to the Part I of the UCI Law.

The below information refers to the sustainable investment approach and related disclosures of the Master UCITS.

The Master UCITS seeks to produce a return for investors while generating a positive social impact over the long term, by selecting companies that address certain societal challenges and mobilise resources in the fight against cancer. The sustainable investments of the Master UCITS don't have systematically one or more environmental objectives. However the Master UCITS, through its sustainable investments that are defined by the Investment Manager's proprietary ESG analysis may contribute on the long term to one or more of the following environmental objectives set out in Article 9 of EU Taxonomy:

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

The Master UCITS reference benchmark has not been designated for the purpose of attaining the sustainable investment objective of the Sub-Fund. The Master UCITS' reference benchmark does not qualify as an EU Climate Transition Benchmark or an EU Paris-Aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011.

As the Investment Manager being part of the Net Zero Asset Management initiative, the Master UCITS aims to reduce greenhouse gas emissions in line with the objectives of the Paris Agreement.

Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
<p>Summary</p> <p>SFRD L2 Article 37, 38</p>	<p>In the website section ‘Summary’ referred to in Article 37, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that have sustainable investment as their objective. The summary section shall have a maximum length of two sides of A4-sized paper when printed.</p> <p>The website section ‘Summary’ referred to in Article 37, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	<p>Please refer to the standardized 2 pager summary https://www.bgfml.lu/site/en/home/sustainable.html</p>
<p>No significant harm to the sustainable investment objective</p> <p>SFRD L2 Article 39</p>	<p>In the website section ‘No significant harm to the sustainable investment objective’ referred to in Article 37, point (b), financial market participants shall explain whether and why the investments of the financial product do no significantly harm any of the sustainable investment objectives, and provide all of the following information:</p> <p>a) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account;</p>	<p>The Investment Manager of the Master UCITS ensures that its sustainable investments do not cause significant harm to any environmental and/or social sustainable investment objective by means of its ESG research and analysis of corporate issuers. Based on its proprietary ESG Ratings and Scorings, The Investment Manager's ESG methodology sets clear requirements and minimum thresholds to identify those issuers that qualify as 'sustainable investment' and, in particular, do not cause significant harm to any environmental and/or social sustainable investment objective.</p> <p>The 'Do not significant harm' principle, in particular, is assessed for corporates through:</p> <ul style="list-style-type: none"> - the consideration of “principal adverse impacts” (“PAIs”) - the alignment with the OECD Guidelines for Multinational Enterprises and the UN Global Compact to ensure minimum environmental & social safeguards. <p>The consideration of adverse impacts is central to the Investment Manager’s sustainable investment approach applied to the Master UCITS. PAIs are taken into account throughout the entire ESG research and analysis process and through a wide range of methods:</p> <ol style="list-style-type: none"> 1. ESG rating of corporates: the ESG research and screening methodology considers and assesses the PAIs on sustainability from two distinct, but interlinked, angles: <ul style="list-style-type: none"> - the company's issuers' business activities and how they impact, either positively or negatively, key sustainable challenges such as climate change and resource depletion; - company’s interactions with key stakeholders. 2. Negative screening of companies, which includes a norms-based exclusion and an exclusion of companies involved in controversial activities. 3. Engagement activities with companies, through dialogue and voting activities, which contribute to avoiding or reducing the extent of the adverse impacts. The ESG analysis framework and its results feed our engagement process, and vice versa.

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	<p>b) whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>The integration of the PAIs on sustainability factors is based on the materiality or likely materiality of each indicator for each specific industry / sector to which the company belongs. The materiality is dependent on several factors, such as: type of information, data quality and breadth, applicability, relevance, and geographical coverage.</p> <p>The Master UCITS' investments are subject to a norms-based controversy analysis that considers the compliance with the international social, human, environmental and anti-corruption standards, as defined by the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. The International Labour Organisation and International Bill of Human Rights are part of the many international references integrated into our norms-based analysis and ESG model. This analysis aims to exclude companies that have significantly and repeatedly breached any of these principles.</p>
<p>Sustainable investment objective of the financial product</p> <p>SFRD L2 Article 40</p>	<p>In the website section 'Sustainable investment objective of the financial product' referred to in Article 37, point (c), financial market participants shall describe the sustainable investment objective of the financial product.</p>	<p>The Master UCITS seeks to produce a return for investors while generating a positive social impact over the long term, by selecting companies that address certain societal challenges and mobilise resources in the fight against cancer. The sustainable investments of the Master UCITS don't have systematically one or more environmental objectives. However the Master UCITS, through its sustainable investments that are defined by the Investment Manager's proprietary ESG analysis may contribute on the long term to one or more of the following environmental objectives set out in Article 9 of EU Taxonomy:</p> <ul style="list-style-type: none"> (a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control.
<p>Investment strategy</p> <p>SFRD L2 Article 41</p>	<p>In the website section 'Investment strategy' referred to in Article 37, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> ▪ the investment strategy used to attain the sustainable investment objective; 	<p>The objective of the Master UCITS is to use discretionary management to benefit from the performance of the market in global equities of companies in the field of oncology (cancer research, diagnosis, treatment, etc.) in order to respond to one of the serious long-term challenges of sustainable development. The investment strategy is implemented following a well defined investment process and a strict risk framework. Respect of these elements are subject to the Investment Manager risk monitoring.</p> <p>With regard to the environmental and social sustainability aspects of the investment strategy, the Investment Manager's proprietary ESG analysis, leading to ESG Rating and scoring, as well as the norms-based controversy assessment and controversial activities exclusion policy are implemented as they enable to define the investable universe for the Sub-Fund.</p> <p>In addition, the Investment Manager's ESG analysis, comprising an analysis of the business activities of an issuer and of its interactions with its key stakeholders, is integrated into the financial management of the portfolio to enable the fund manager to identify the risks as well as opportunities that arise from the major challenges of sustainable development.</p> <p>The Investment Manager has put in place a monitoring framework as described within the sustainability risk policy. Risk monitoring of the investment strategy of the financial product aims</p>

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	<ul style="list-style-type: none"> the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance. 	<p>to ensure that investments are aligned with and take into account the environmental, social and governance indicators and sustainability thresholds as explained above.</p> <p>Corporate governance is a key aspect of the Investment Manager's Stakeholder analysis. It allows to assess :</p> <ol style="list-style-type: none"> 1) how a company interacts with and manages its relevant stakeholders and ; 2) how a company's board fulfils its governance and management duties with respect to disclosure and transparency as well as the consideration of sustainability objectives. <p>To assess a company's governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance as defined by SFDR, The Investment Manager's ESG analysis comprises, among others, 5 key governance pillars:</p> <ol style="list-style-type: none"> 1. Strategic direction which assesses the independence, expertise and composition of the board and ensures that the board acts in the best interests of all shareholders and other stakeholders and can act as a counterbalance to management; 2. Audit committee & auditor independence evaluation to avoid conflicts of interests; 3. Transparency on executive remuneration, which enables executives and the remuneration committee to be held accountable by shareholders and helps align interests of both top executives and shareholders and focus on long term performance; 4. Share capital to ensure all shareholders have equal voting rights; 5. Financial conduct and transparency.
<p>Proportion of investments</p> <p>SFRD L2 Article 42</p>	<p>In the website section 'Proportion of investments' referred to in Article 37, point (e), financial market participants shall insert the information referred to in the section 'What is the asset allocation and the minimum share of sustainable investments?' in the template set out in Annex III to this Regulation and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.</p>	<p>The Master UCITS will invest at least 75% of its net assets in sustainable investments as defined in Article 2(17) SFDR</p> <p>The Sub-fund will be invest at least 85% of its net assets in the Master UCITS. As a consequence the minimum proportion of the Sub-fund's net assets invested in sustainable investments is 64%.</p> <div data-bbox="1724 1207 2537 1402" data-label="Diagram"> <pre> graph LR A[Investments] --> B["#1 Sustainable Min 64%"] A --> C["#2 Not sustainable"] B --> D[Social] </pre> </div> <p>#1 Sustainable covers sustainable investments with environmental or social objectives. #2 Not sustainable includes investments which do not qualify as sustainable investments.</p> <p>The Investment Manager's proprietary ESG research and analysis, including its ESG Rating framework enables to set clear requirements and minimum thresholds to identify the companies that qualify as 'sustainable investments'. It ensures that those companies:</p> <ul style="list-style-type: none"> - engage in economic activities that contribute to an environmental objective or to a social objective - do not cause significant harm to any environmental and/or social sustainable investment objective and in particular comply with minimum safeguards and - respect good governance principles.

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		<p>The Investment Manager's ESG research and analysis allows us to identify and assess company ability to contribute to environmental and/or social sustainability objectives. Therefore, in order to define whether an company is a sustainable and meets the requirements and philosophy outlined in SFDR, the Investment Manager:</p> <ul style="list-style-type: none"> - applies corporate exclusionary screenings based on a norms-based controversy and a controversial activities analysis. These include minimum safeguards with respect to international norms and conventions and allow for the exclusion of activities that the Investment Manager deems harmful to environmental and/or social sustainability objectives. - applies and integrates ESG research and analysis as a key component of its sustainability assessment of issuers. This enables the Investment Manager to identify and assess sustainability related risks and opportunities, as well as issuers' contributions to sustainability objectives. <p>As a result of the Investment Manager ESG research and Analysis, each issuer is assigned:</p> <ul style="list-style-type: none"> - a Business Activity Score that gauges how an issuer's business activities contribute to key sustainable challenges, and - a Stakeholder Score that measures how an issuers interacts with and manages its key stakeholder. <p>Together, these Scores determine an overall ESG Score and ESG Rating for each issuer.</p> <p>A company that is compliant with the Investment Manager's corporate exclusionary screenings is considered as sustainable investments on basis of its ESG rating.</p> <p>The Master UCITS does not commit to any minimum of Taxonomy alignment and therefore, the minimum percentage of alignment has to be considered zero.</p> <p>The Sub-fund may invest up to 15% of its net assets in cash for liquidity purposes and derivatives for hedging purposes.</p> <p>Not sustainable investments can be present in the Master UCITS for a maximum of 25% of the total net assets. These not sustainable investments can be:</p> <ul style="list-style-type: none"> - Cash: Cash at sight, cash deposit, reverse repo needed to manage the liquidity of the fund following subscriptions/redemptions and/or being the result of the market exposure decision of the Master UCITS; - Issuers that are complying with the minimum environmental and social safeguards that can be purchased for diversification purposes; - Issuers that were considered as sustainable investments at the moment of the investment and that are not fully aligned anymore with the Investment Manager sustainable investment criteria. These investments are planned to be sold; - Non single name derivatives can be used for efficient portfolio management and/or for hedging purposes and/or temporarily following subscriptions/redemptions.
<p>Monitoring of the sustainable investment objective</p> <p>SFRD L2 Article 43</p>	<p>In the website section 'Monitoring of the sustainable investment objective' referred to in Article 37, point (f), financial market participants shall describe how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p>	<p>The Master UCITS measures the attainment of the sustainable objectives through the following sustainability indicators:</p> <ul style="list-style-type: none"> ▪ Research and development: Research and development spending as a proportion of the company's market capitalisation to outperform the benchmark; ▪ Level of education: the level of education of management teams, measured as the percentage of senior executives holding a doctorate to outperform the benchmark. <p>Moreover, the following indicators are monitored:</p>

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		<ul style="list-style-type: none"> ▪ to assure that there are no investments in companies that are in violation with the OECD Guidelines for Multinational Enterprises or the UN Global Compact; ▪ to assure that there are no investments in companies that are on the Investment Manager’s SRI exclusion list as a result of the application of the Investment Manager’s Exclusion Policy; ▪ Number of holdings for which the Investment Manager voted.
<p>Methodologies</p> <p>SFRD L2</p> <p>Article 44</p>	<p>In the website section ‘Methodologies’ referred to in Article 37, point (g), financial market participants shall describe the methodologies to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used.</p>	<p>In order to attain the sustainable investment objective, the eligibility of target issuers of the Master UCITS is assessed based on the above-described negative screening and positive screening procedures (see ‘Monitoring of the sustainable investment objective’).</p> <p>Internal controls are in place in respect of investment decision making for the Master UCITS. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times, and independent oversight by risk management functions as required.</p> <p>The investment manager is using internal research activity complemented with external research and data from specialised external providers.</p>
<p>Data sources and processing</p> <p>SFRD L2</p> <p>Article 45</p>	<p>In the website section ‘Data sources and processing’ referred to in Article 37, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> ▪ the data sources used to attain the sustainable investment objective of the financial product; ▪ the measures taken to ensure data quality; ▪ how data are processed; ▪ the proportion of data that are estimated. 	<p>The Investment Managers refer to external ESG data providers and internal research. Candriam’s ESG Investment & Research Team carries out ongoing, rigorous screening of ESG data providers. In particular, ESG Analysts check data quality and compare indicators and their materiality. An end-to-end data processing pipeline has been implemented in order to collect, transform, aggregate, exploit and visualize data.</p>
<p>Limitations to methodologies and data</p> <p>SFRD L2</p> <p>Article 46</p>	<p>In the website section ‘Limitations to methodologies and data’ referred to in Article 37, point (i), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> ▪ any limitations to the methodologies referred to in Article 37, point (g), and to the data sources referred to in Article 37, point (h); ▪ why such limitations do not affect the attainment of the sustainable investment objective. 	<p>Limitations to methodology and data are mainly due to the lack of disclosed or verified data. The proprietary analysis, using multiple data providers, allows to control the limitations by selecting the most relevant data in terms of sustainability. Candriam is using various data providers to compare, evaluate and use the most relevant data as a basis to our ESG analysis/convictions.</p> <p>Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Master UCITS.</p>
<p>Due diligence</p>	<p>In the website section ‘Due diligence’ referred to in Article 37, point (j), financial market participants shall describe the due diligence carried out on</p>	<p>In order to qualify for initial investment, the investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.</p>

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SFRD L2 Article 47	the underlying assets of the financial product, including the internal and external controls on that due diligence.	
Engagement policies SFRD L2 Article 48	In the website section 'Engagement policies' referred to in Article 37, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversies in investee companies.	In order to avoid and/or reduce the adverse impact on sustainable objectives, the Master UCITS also considers the adverse impacts in its interactions with companies, through dialogue and voting. The Investment Manager prioritise 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 the Investment Manager's prioritisation methodology.
Attainment of the sustainable investment objective SFDR L2 Article 49	In the website section 'Attainment of the sustainable investment objective' referred to in Article 37 point (l), financial market participants shall describe all of the following:	
	a) for financial products that have sustainable investment as their objective and for which an index has been designated as a reference benchmark, how that index is aligned with the sustainable investment objective of the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated;	There is no reference benchmark designated to meet the sustainable investment objectives. The Master UCITS is actively managed and the investment approach implies a reference to a benchmark. The selected benchmark does not explicitly take into account sustainability objectives.
	b) for financial products that have a reduction in carbon emissions as their objective, a statement that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b), of Regulation (EU) 2016/1011, and a hyperlink to where the methodology used for the calculation of those benchmarks can be found.	Not applicable.
	Where the information referred to in paragraph 1 a) is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information.	Not applicable.
	Where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as defined in Article 3, points 23a and 23b, of Regulation (EU) 2016/1011 is available, the website section 'Attainment of the sustainable investment objective' referred to in Article 38 point (l), of this Regulation shall mention that fact and explain how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement. Financial market participants shall explain the extent to which the financial product complies with the	Not applicable.

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	methodological requirements set out in Delegated Regulation (EU) 2020/1818.	