

**LUX IM – CANDRIAM EURO CORPORATE HIGH YIELD BOND (“Sub-fund”)**

**Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”)**

Section	Disclosure
<b>No sustainable investment objective</b>	<p>The Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. The Sub-fund invests at least 10% of its holdings in sustainable investments in pursuit of its investment objective. The sustainable investments which the Sub-fund intends to make for part of the portfolio aim to contribute to a reduction in greenhouse gas emissions by means of exclusions and the use of climate indicators in the analysis of companies, and they aim to have a positive environmental and social impact in the long term. Concerning sustainable investments with environmental objectives, the Sub-fund, through its sustainable investments defined by Candriam’s exclusive ESG analysis, may over the long-term contribute to one or more of the following environmental objectives as set out in Article 9 of Regulation (EU) 2020/852: 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> <p>Candriam performs ESG research and analysis on the sovereign and corporate issuers to ensure that these investments do no significant harm to any of the environmental and/or social sustainable investment objectives.</p>
<b>Environmental or social characteristics of the financial product</b>	<p>The Sub-fund promotes environmental and social characteristics as follows:</p> <ul style="list-style-type: none"> <li>- by seeking to avoid exposure to companies that present both significant and severe structural risks and that are the most seriously in breach of the normative principles, taking account of their practices with regard to environmental and social issues and of adherence to norms such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises;</li> <li>- by seeking to avoid exposure to companies that are significantly exposed to controversial activities such as but not limited to the mining, transport or distribution of thermal coal, the production or retail of tobacco, and the production or sale of controversial weapons (anti-personnel mines, cluster bombs, chemical, biological, white phosphorus and or depleted uranium weapons);</li> <li>- by seeking to achieve a lower carbon footprint than its investment universe.</li> </ul> <p>In addition to the above, Candriam’s ESG research methodology is an integral part of the investment process.</p>
<b>Investment strategy</b>	<p>The objective of the Sub-fund is to use discretionary management to benefit from the performance of the market in high yield bonds denominated in EUR and issued by private sector issuers. These high yield securities are generally poorly rated and exposed to higher credit risk and liquidity risk than more highly rated securities; they may be subject to greater market value fluctuations and lower liquidity.</p> <p>The investment strategy is applied according to a well-defined investment process and a rigorous risk framework. Adherence to these elements is subject to risk monitoring by Candriam.</p> <p>Regarding the environmental and social aspects of the investment strategy, Candriam’s proprietary ESG analysis and a normative controversy evaluation (including the controversial activity exclusion policy) are applied, making it possible to define the investable universe for the Sub-fund. Furthermore, Candriam’s ESG analysis, which includes an analysis of the issuer’s activities and its interaction with its main stakeholders, is an integral part of the financial management of the portfolio, enabling the asset manager to identify the risks as well as opportunities around the serious challenges of sustainable development. The company’s governance is a core aspect of the stakeholder analysis performed by Candriam. It can be used to evaluate:</p> <ul style="list-style-type: none"> <li>- how a company interacts with and manages its stakeholders;</li> <li>- how a company’s board of directors discharges its governance and management functions regarding disclosure and transparency and regarding consideration of sustainability objectives.</li> </ul> <p>In order to evaluate a company’s governance practices specifically regarding the stability of the management structures, labour relations, staff remuneration and tax compliance as defined by the SFDR, Candriam’s ESG analysis includes five key pillars of governance.</p>
<b>Proportion of investments</b>	<p>The Sub-fund commits to have a minimum 60% of its total net assets in investments aligned with the E/S characteristics promoted and a minimum of 10% in sustainable investments. The investments which have environmental and social characteristics are investments which undergo Candriam’s proprietary ESG analysis. In addition, these investments must respect Candriam’s exclusion policy concerning controversial activities and the normative filter. The investments which have E/S characteristics must demonstrate good governance practices. Sustainable investments are defined on the basis of Candriam’s proprietary ESG analysis. An issuer which respects Candriam’s exclusion filters is either eligible or not as a sustainable investment on the basis of its ESG rating. The remaining investments of the Sub-fund (“#2 Other”) may be invested in i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws, (ii) non single name derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) securities of issuers no longer aligned with the promoted environmental or social characteristics and which are intended to be sold and (iv) other investments including single name derivatives which may be purchased for diversification purposes and which cannot undergo ESG filtering or for which ESG data is not available. Minimum safeguards apply for direct investments and single names derivatives in terms of compliance of the target issuers with good governance criteria and with the exclusion policy applied.</p>

Section	Disclosure
	<pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics Min 60%"]     Investments --&gt; N2["#2 Other Max 40%"]     N1 --&gt; N1A["#1A Sustainable Min. 10%"]     N1 --&gt; N1B["#1B Other E/S characteristics"]     N1A --&gt; N1A1["Other environment"]     N1A --&gt; N1A2["Social"] </pre>
<b>Monitoring of environmental or social characteristics</b>	The continued monitoring of environmental or social characteristics is crucial, and is ensured by an ESG investment policy, committees and independent compliance check. It is the responsibility of the ESG team to alert portfolio management teams and risk management if sector models, rules or principles change over time. Similarly, it is the responsibility of ESG team to alert portfolio management teams and risk management if the list of controversial activities, including thresholds, changes. Apart from the portfolio management teams, risk management is responsible for second line-of-defence controls. The Sub-fund's Management Company will oversee the information provided by the Investment Manager and ensures that the ESG compliance of the Sub-fund is met.
<b>Methodologies for environmental or social characteristics</b>	For corporate issuers, the ESG quality of the Sub-fund is assessed through internally developed ESG scores. The ESG quality is tracked by using an overall ESG score as well as E, S and G scores compared to the investment universe. For sovereign issuers, Candriam aspires to obtain a better Freedom House and Environmental Performance score compared to the investment universe. In addition, for portfolio exposure to corporate issuers, the Sub-fund aims to reduce its carbon emissions relative to the investment universe. Moreover, the Sub-fund takes into consideration the principal adverse impacts on its investment decisions.
<b>Data sources and processing</b>	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 the ESG analysis/convictions.
<b>Limitations to methodologies and data</b>	Limitations to methodology and data are mainly due to the lack of disclosed or verified data. The limitations to the attainment of the promoted environmental and social characteristics, are deemed non-material, as the investment universe of the Sub-fund provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment methodology.
<b>Due Diligence</b>	In order to qualify for initial investment, the target 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.
<b>Engagement Policies</b>	Candriam prioritises its engagement activities based on an evaluation of the most significant and the most relevant ESG challenges faced by the sectors and the issuers, taking account of the financial and social impacts and of the impacts on the stakeholders.
<b>Designated reference benchmark</b>	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.