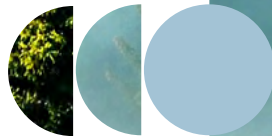
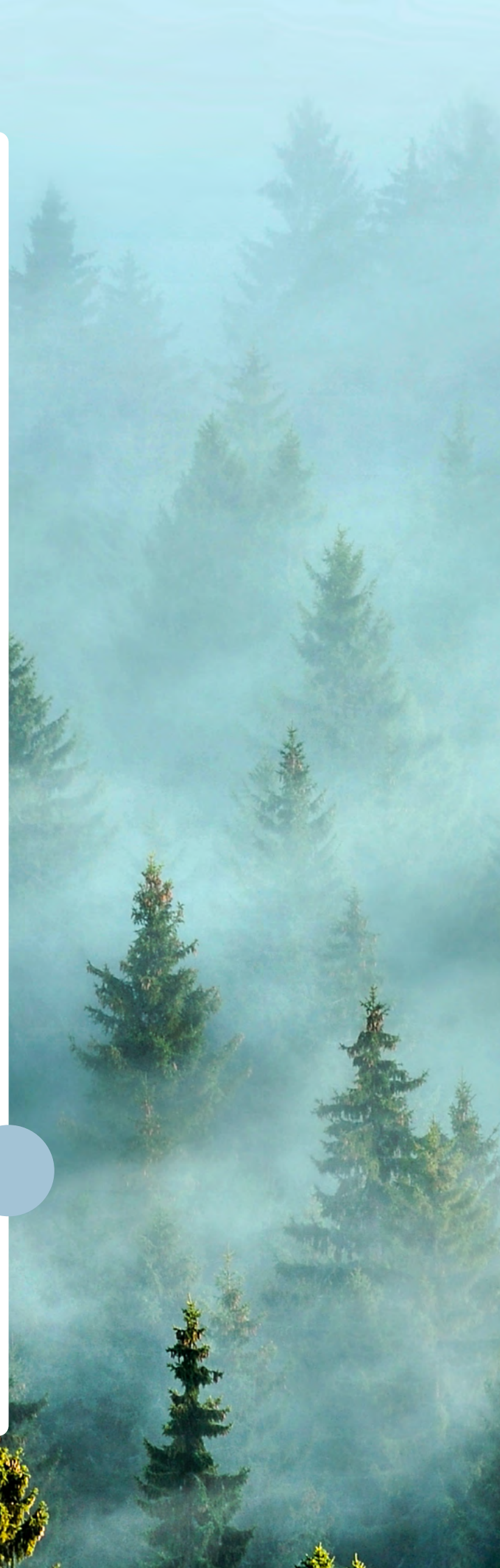


Candriam Stewardship Report 2022



OCTOBER 2023



FERC

report

Inside.

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CIO Letter	4
Principle 1: Our Purpose and Culture	6
Principle 2: Resources and Governance	8
Principle 3: Clients First	24
Principle 4: Managing Systemic Risks	26
Principle 5: Effective Stewardship	30
Principle 6: Meeting Client Needs	32
Principle 7: Integrating ESG Principles	36
Principle 8: Monitoring	50
Principle 9: Engagement	51
Principle 10: Collaborative Action	58
Principle 11: Escalation	60
Principle 12: Exercising Shareholder Rights on behalf of Clients	62





From our Chief Investment Officer

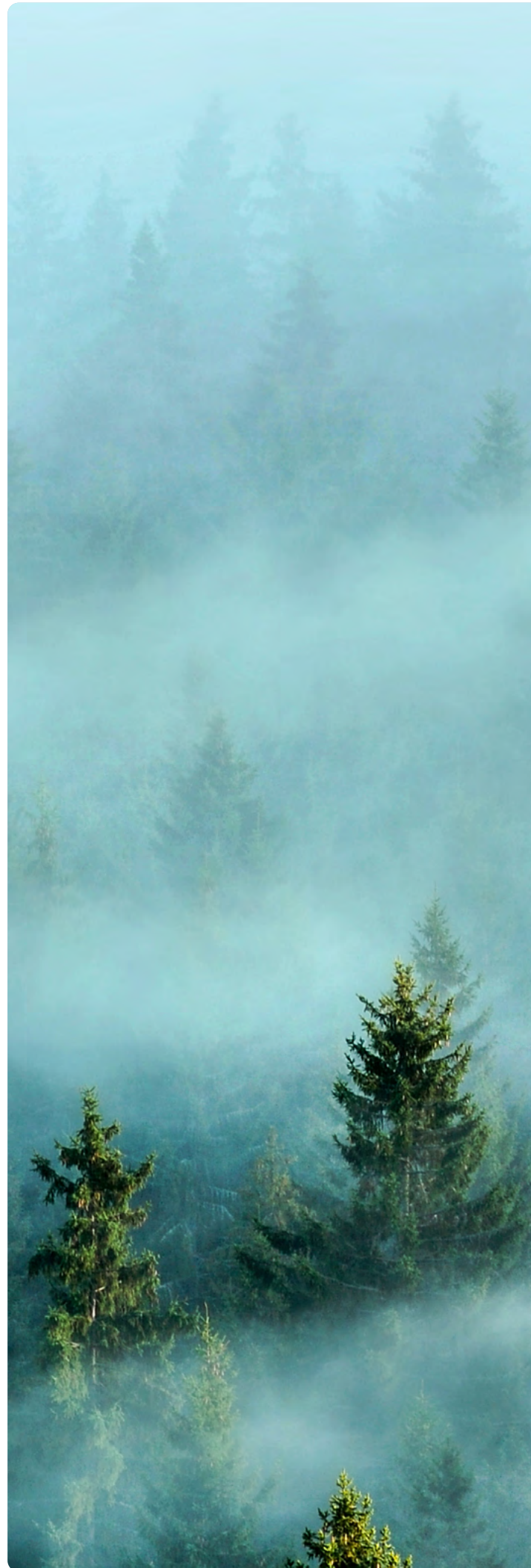
At Candriam, we continually strive for deeper and more widespread adoption of ESG and CSR practices across our organisation. True to our name, **Convictions AND Responsibility In Asset Management**, we hope to be a leader in managing climate change, reducing the impact of both our investments and our own operations.

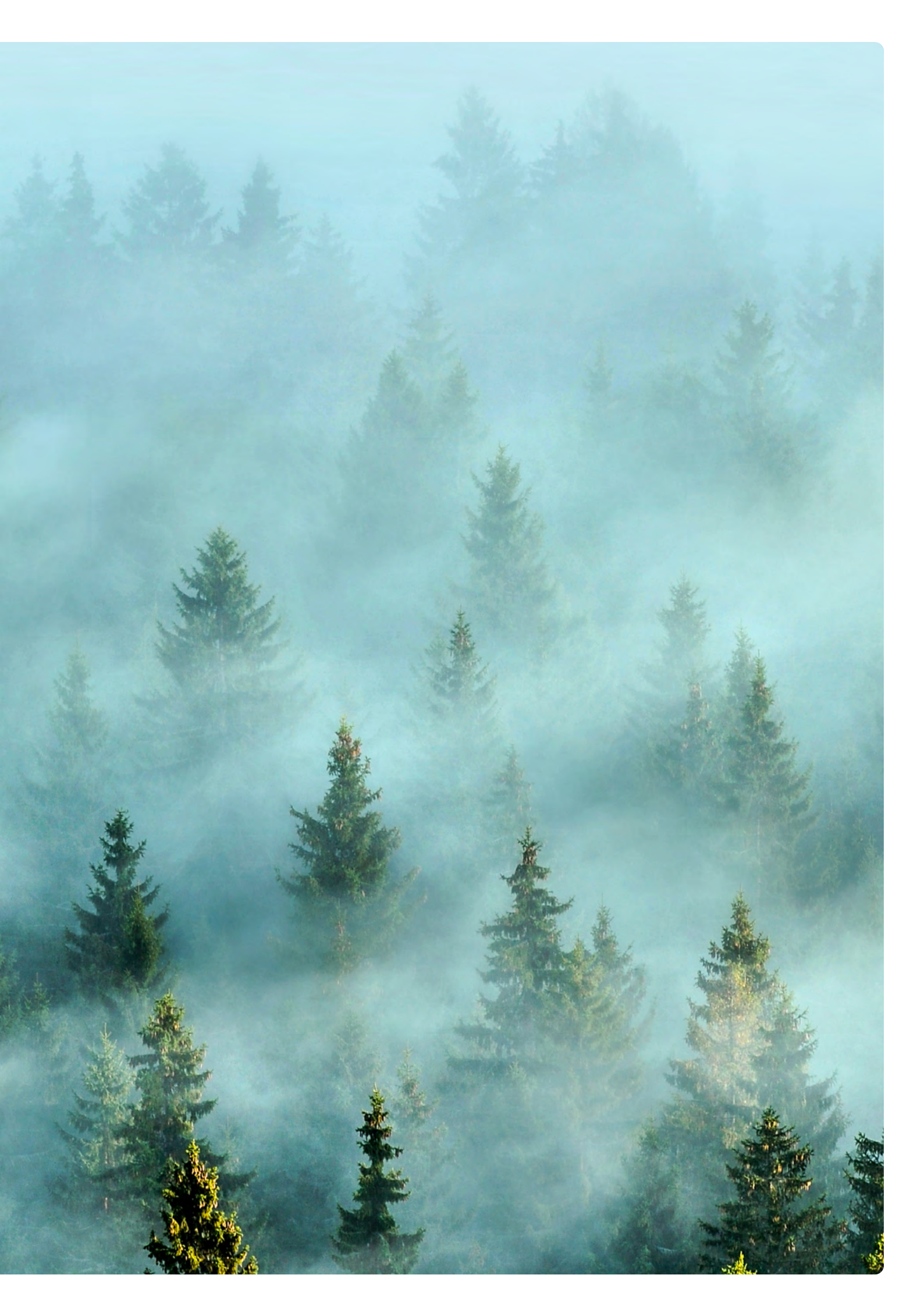
Listening to our clients and understanding their needs is critical to our stewardship functions, and central to our duties as a responsible investor and a responsible company. We have been pursuing responsible investment practices since 1996. Today, we put sustainability and ESG principles at the core of our investment philosophy because of its deep connection to the risk/return profiles of issuers, helping our clients to meet their unique long-term objectives.

As finance is our business, one way we can 'give back' to the community is by sharing our expertise. We were a founding signatory of the UN PRI in 2006, sharing our experience and knowledge with other early sustainable investment companies. In 2017, we launched the Candriam Academy, the world's first free-to-access accredited training platform for sustainable and responsible investing. In six languages, the Academy brings the foundational concepts of sustainable investing to both investors, and to anyone in public who wishes to understand how finance can be used to enhance our society.

Sustainable investing is at the core of Candriam's investment strategy. It is both our investment strategy, and our fundamental belief, that markets can and should allocate capital to companies and sovereigns which proactively address the challenges of tomorrow. We believe this both delivers favourable long-term outcomes for our clients, and contributes to society as a whole. Through this approach, we aim to create a positive impact that resonates far beyond financial gain.

Nicolas Forest
CIO, Candriam





Principle 1:

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

CANDRIAM: Conviction AND Responsibility In Asset Management

Candriam holds a deep-rooted Conviction that it is essential for the international investment community to take a broad, holistic view on the interplay between economic development and the opportunities and risks stemming from sustainability, and to fully appreciate the socio-economic value of considering and integrating sustainability in investments for our clients.

Candriam, whose name is an acronym that stands for Conviction and Responsibility in Asset Management and resulted from surveying our employees, is fully committed to contributing to that mission, to the sustainability objectives of the Paris Agreement and to the United Nations Sustainable Development Goals. Our name articulates a clear message to our clients, the investment community and society on how Candriam strive to be stewards of capital.

As an active and responsible asset manager, we consider that the explicit and systematic integration of environmental, social and governance (ESG) issues is a necessary and central part of sustainable investment strategies across all asset classes in order to create sustainable long-term value for our clients.

As an asset manager, Candriam is dedicated to providing clients with a sustainable value proposition that meets their financial goals, manages both financial and non-financial

risks and contributes positively to the world's sustainable goals. Upholding our commitment as a responsible company, we consider the interests of all stakeholders including customers, employees, and suppliers, to carefully minimise any potential negative impacts of our activities on the environment, societal well-being including human rights, and the planet at large. Our mission is to provide asset management services driven by Conviction and Responsibility.

This is reflected in our overall approach to Corporate Social Responsibility (CSR), which is not just a commitment, but at the heart of who we are as an organisation. Through our sustainable investment platform and philanthropic efforts, we hope to contribute to a more equitable and environmentally-conscious world. We believe that sustainability and social responsibility are integral to building a resilient global community.

As an investor, we are unwavering in our belief that sustainable investing not only helps safeguard our clients from ESG-related risks, but is also a means to generate long-term, risk-adjusted positive returns. Active ownership remains at the heart of our commitment to reduce the carbon intensity of our portfolios by 50% by 2030 and reach net zero by 2050. Engagement is one of the most powerful ways to create real-world outcomes. In addition, Candriam engages – on our clients' behalf – in dialogue with issuers to influence their activity and/or behaviour, through both direct/collective engagement and voting-related activities. We consider active ownership, and engagement in particular, as core contributors to risk mitigation but also to the protection and enhancement of long-term value creation for our clients. They are integral parts of Candriam's fiduciary duty to our clients, supporting an overall investment strategy exercised with reasonable

care, skill and caution.

From an employer perspective, we have made significant progress in creating a corporate environment that is both inclusive, equitable and sustainable, which is reflected in our diversity & inclusion strategy, initiatives supporting workplace well-being, flexible home working policy, and environmentally-conscious operations.

In our role as an asset manager, we believe in the power of partnership and collective action. Our active involvement in industry associations, constructive collaborations with educational institutions, and contributions to policy debates at the EU level are all testament to our proactive approach to embedding sustainability across society. These networks are some of the ways that we can share our expertise and help shape the broader investment landscape to reflect sustainable and responsible practices. We also bring ESG education to investors of all levels, whether clients or not, through our free on-line Candriam Academy.

Through the Candriam Institute for Sustainable Development, we extend our ESG commitment to impactful philanthropic activities. We are dedicated to restoring fragile ecosystems, fostering social inclusion, and supporting innovative cancer research. We also understand the critical role of education in empowering individuals, which is why we partner with leading academic institutions across the world to support research that advances the field of sustainable finance.

In every aspect of our operations, we aspire to drive positive change, not only within our organisation and for our clients, but also for the wider communities and societies we touch. Our efforts serve to build a more resilient and inclusive future where the principles of ESG are deeply entrenched in our collective conscience, helping to ensure that no one is left behind in the race towards a more sustainable world.

Candriam listens. Our principle means of assessing how we best serve our clients and stakeholders is through their feedback. This can be through client conversations, employee town halls, or even by examining the progress of our AuM and which types of investment strategies are growing. We have been managing sustainable investments for 25 years. Some of the specific products have more than 15 years of performance history, allowing us to assess how much of their performance can be attributed to our internal ESG recommendations.



Candriam is a recognized leader and specialist in sustainable and responsible investment solutions for our clients and prospects. As a Client-Centric organization, Candriam's goal is to provide investment solutions across a wide range of asset classes that tailor to the needs of our clients and integrate Candriam's strong sustainable and responsible investment convictions.

Candriam's Sustainable product range has evolved considerably over the last few years thanks to the direct feedback from clients and prospects, both retail and institutional. It led Candriam to diversify its fund range and expand into ESG Thematic strategies that fully rely on Candriam ESG analysis, engagement and voting activities.

As a result, Candriam's Asset under Management has grown considerably thanks to our range of sustainable solutions. Currently, Candriam manages over \$50 billion in pure sustainable and responsible investment strategies (Article 9 products according to EU SFDR regulation) and another \$50 billion in traditional strategies that integrate ESG into the investment strategy. As a recognition and demonstration of our expertise and innovation in the field, Candriam's sustainable and responsible investing assets under management has grown considerably over the last years, to two-thirds of our total AuM of Euro 139 at year-end 2022.

Our efforts were recognized by [Broadridge's Fund Buyer Focus](#), which interviewed some 1,200 leading fund selectors individually during 2022 and ranked us one of the Top 2 Best SRI Brands. Also in 2022, [Quantalys](#) recognized Candriam as one of the best ESG companies.

In addition, as a result of our ESG expertise, competencies and ESG integration capabilities, Candriam won several segregated accounts in equity and fixed income with European asset owners applying ESG investment strategies that have the transition to a Net Zero economy as an explicit and measured objective.

Principle 2:

Signatories' governance, resources and incentives support stewardship.

Do shareholders have more say on climate strategies?

Integral to our strategy is a commitment to transparency and full disclosure of our governance oversight, maintained through a robust governance structure.

Adhering to the highest standards of corporate governance, Candriam:

- Prioritises diversity in our decision-making bodies, ensuring a mix of experience and nationalities;
- Informs and augments governance through local management committees in Belgium, France, Germany, Italy, Luxembourg, Spain, The Netherlands, The United Arab Emirates, The United Kingdom and The United States;
- Publishes an annual activity report and a **Responsible Business** report on its website.

At Candriam, we take great pride in our strict adherence to responsible business principles and are constantly striving to progress in the fulfilment of these practices.

Our governance includes both the traditional types of committees, and sustainability committees (described below). We find the cross-membership among these committees allows effective communication and implementation, in particular, cross-pollination among asset classes.

Candriam's governance framework

Candriam operates under a comprehensive governance structure, which is crucial to our oversight functions:

- The **General Meeting of Shareholders** holds the broadest powers, overseeing significant corporate actions. These include the approval of annual accounts, appointment of directors and managers and amendments to the company's objectives or form of the company.
- The **Board of Directors – ("BoD")** is the governing body responsible for guiding our strategy and general policy, management control, risk monitoring and shareholder relations. It ensures that Candriam develops and executes a comprehensive ESG and corporate sustainability strategy. In this context the BoD is responsible for validating the organisation's relevant critical policies.

The BoD is supported by the following Committees:

- The **Board of Management ("BoM")** is responsible for the daily management of Candriam. Meeting monthly, the BoM is our key decision-making body on strategic issues including ESG and corporate sustainability. It examines and approves relevant policies governing the execution of Candriam's strategy and activities, including those covering sustainability risks, climate change and social and human rights.
- The **Group Strategic Committee** convenes twice a month to make strategic decisions and manage Candriam's financial situation. The committee sets the firm's strategy for sustainable investing, covering investment approach, and product and commercial positioning as well as corporate sustainability. It hosts sustainability focus-sessions supported by Candriam's ESG and CSR experts and oversees the due diligence approach across the value chain, including the development and review of appropriate practices.

- The **Executive Committee** meets bi-monthly.
- The **Remuneration Committee** convenes annually.
- The **Local Management Committees** meet quarterly in each branch and in Luxembourg. In the Belgian branch, they meet monthly, and in the French branch, they meet bi-monthly.

Sustainability Governance

Across the firm, Candriam has more than 50 professionals actively involved in the governance of sustainability matters for the organization as a sustainable investor and for Candriam as a responsible company. These professionals ensure a consistency of approach through a number of committees that govern Candriam's ESG investment practices and corporate sustainability:

- The **Sustainability Risk Committee (SRC)** oversees and steers the management of extra-financial risk in the context of Candriam's investment activities. The SRC is responsible for approving the ESG processes and framework for funds and mandates. It assesses and monitors sustainability risks and negative sustainability impacts, including climate change, and social and human rights risks, and defines company-wide ESG investment-restrictions for all Candriam investment activities. The SRC oversees monitoring of compliance and breaches as well as engagement actions plans.
- The **Proxy Voting Committee** provides strategic guidance on proxy voting best practices and monitors Candriam's voting policy, establishing our independent voting policies since 2003.
- The **Candriam Institute for Sustainable Development** oversees Candriam's philanthropy and community impact programmes through the support of initiatives in ESG research & education, social inclusion & communities, environment, and cancer research.
- The **ESG Steering Committee** coordinates the implementation of the strategic ESG roadmap, and consists of investment, operational, IT and regulatory team workstreams.
- The **CSR Steering Committee** coordinates the implementation of the CSR roadmap and CSR reporting in the context of Candriam's own operations across staff, clients, operational value chain, governance and the community.

- The **CSR Ethics Committee**, developed in 2022 and formalised in 2023, assesses and monitors human rights risks related to Candriam's operations, including human resources and suppliers. It oversees the due diligence process for human rights within Candriam's operations and follows up on issues flagged by operational, procurement or risk teams or via the Compliance whistleblowing procedure.

Sustainability Resources – Candriam invests in extensive stewardship resources to support well-functioning systems and effective research and analysis throughout the investment process

As the steward of our clients' assets, Candriam strives to conduct comprehensive and material ESG analysis prior to selecting the corporate and sovereign issuers in which to invest these assets. Once invested, it is our responsibility to exercise voting rights and dialogue with issuers in order to support their progress on key sustainability issues, encourage greater disclosure of non-financial information, and foster our understanding of their activities.

To fulfil this mission, we have built experienced and expert in-house teams since 2005, supported by proprietary models and systems. It is our conviction that such in-house, dedicated expertise is key to developing a fundamental, comprehensive understanding of issuers' sustainability and voting effectively. However, we also believe in the importance of drawing on external providers when and where relevant in order to offer our clients well-resourced stewardship.

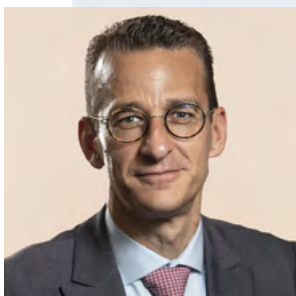
In September 2022, Candriam brought its newest proprietary stewardship system into production. This system logs the history of or engagement and voting activities, and the action plan, for each company within the scope. Holdings of each security are monitored, including the amount of holdings in SFDR Article 8 and/or Article 9 funds. Emails, meeting notes,

analysis, and history are captured, including the history of Candriam conversations and actions. Candriam concerns for each company are noted as they progress through stages – issuer acknowledging the concern, issuer committing to address the concern, and issuer putting an effective solution in place. Effectiveness is rated by not achieved, partially achieved, or fully achieved – with commentary and specifics. Our teams also note the impact any concerns, or subsequent actions, have on our ESG scores. This database has been populated with historical information through the efforts of our investment teams and their commitment to preserving the corporate memory and lessons of which types of engagement and contact have been most successful.

Areas in which we draw on such service providers include ESG Analysis as well as Proxy Voting (pages 17 and 20).



Our dedicated ESG team informs our overall stewardship:



Wim VAN HYFTE, PhD – Global Head of ESG Investments & Research | Member of the Executive Committee

Wim joined Candriam in 2006 and has been Global Head of ESG Investments and Research at Candriam since 2016 and became a member of Candriam's Executive Committee in 2023. He is responsible for research on environmental, social and governance issues, the implications for and the integration into portfolio and risk management across assets. Prior to that, he was senior fund manager–quantitative analyst at Candriam conducting empirical research on asset pricing, the quantitative modelling of alpha/risk factors and portfolio optimization. He co-managed over \$3 billion in global ESG quant equity funds and segregated accounts for nearly 10 years. Before joining Candriam, he spent several years in academia including: Visiting Professor at ULB Solvay School of Economics and Management teaching on Asset Pricing in Practice in an advance master in quantitative finance. He has also served as Visiting Professor at Vlerick Business School teaching on portfolio management in an MBA program; and strategic consultant for a Belgian pension fund and a venture capital fund. He holds a PhD in financial economics, an MBA in finance and a master's degree in applied economics. His academic research covers both empirical and corporate finance with a focus on asset pricing, risk modelling and portfolio management. His work has been presented at international academic conferences and published in peer-reviewed international academic journals.



Vincent COMPIÈGNE – Deputy Head of ESG Investments & Research | Head of ESG Corporate Investments & Research.

Vincent joined Candriam in October 2017 as one of the ESG Investments & Research team's Senior ESG Analysts. In 2019, he was appointed Deputy Head of ESG Investments & Research. Vincent started his career at ERAFP, France's first 100%–SRI pension fund, where he monitored the company's mandates and drafted the annual SRI report. He then moved to Bloomberg, where, as an analyst, his job was to update the system with ESG data (BI ESG and FA ESG functions). In 2011, Vincent joined AXA IM as an SRI Analyst of the Transport and Industrial Goods sectors. There, he monitored the development and follow-up of green investments, including AXA Group and AXA IM's Green Bonds. His brief was to develop a methodology for analysing these investments, work on the inception of a series of funds and establish relations with the issuers and banks to elicit their engagement. Vincent holds a master's 2 in Economics and Finance from the Sorbonne.



Alix CHOSSON – Lead ESG Analyst – Environmental Investments & Research.

Alix joined Candriam in 2020 as the Lead ESG Analyst for Environmental Research & Investments. Alix has thirteen years of experience as ESG Analyst in SRI research and portfolio management teams. She started her career at Amundi in 2010 and has more recently been sell-side ESG analyst at Natixis before joining in 2018 DNCA to contribute to the creation of the SRI team and range of funds. Alix holds a master's degree in economics and finance from Science Po, Lyon and a master's degree in portfolio management from the IAE Paris 12.



Jessica CARLIER - ESG Analyst, Jessica has been an ESG Analyst since 2020.

Prior to this position, she held a Client Portfolio Management role covering Candriam's ESG strategies and beforehand an RFP Analyst role upon joining Candriam in 2015. Previously, Jessica worked at Amundi where she held a Product Specialist role within its Alternative Investments branch and beforehand a Marketing role within Amundi's Institutional business. She was Head of International Development & Marketing at Aktis Partners. Jessica holds a master's degree in international Affairs from IAE Caen and a B.A. from Bates College (Maine, USA).



Astrid PIERARD - ESG Analyst.

Astrid Pierard joined Candriam in 2020 on the graduate programme. She holds a bachelor's degree in economics and management and a Masters degree magna cum laude in Management with a specialization in Corporate Sustainability Management, both from the Université Catholique de Louvain.



Elouan HEURARD - ESG Analyst - Biodiversity.

Elouan joined Candriam in 2022 having joined Candriam as an intern that year. He was previously a freelance consultant at Circuli and was a member of the Allianz graduate programme at Allianz. Elouan holds a master's degree in chemistry from the Ecole Nationale Supérieure de Chimie de Lille, France



Rémi SAVAGE - ESG Analyst.

Remi joined Candriam in 2018, having previously worked as an SRI Junior Analyst at Axa in the UK. He holds a master's degree in economics & finance from Sciences Po Bordeaux, France.



Sairindri CHRISTISABRINA - ESG Analyst.

Sairindri joined Candriam in 2021, having worked as a sustainability officer at the Consumer Goods Forum and a research assistant at Human Rights Watch. She holds a master's in human rights and humanitarian action from SciencesPo in France and a B.A. in international relations from Bilkent University, Turkey.



Ariane VAN GHELUE - ESG Analyst - Impact Investing.

Ariane joined Candriam in 2022, having previously worked as a principal ESG analyst in private equity infrastructure at Pearl Infrastructure Capital in France and as a financial adviser/impact investment project at Allianz in France. Ariane holds a specialized master's in corporate and sustainable finance from Kedge Business School, France; a master's in business strategic management from the University of Bordeaux, France and a bi-licence in town planning and economy also from the University of Bordeaux.



Lucia MELONI - Lead ESG Analyst - Governance Investments & Research.

Lucia is a senior ESG analyst covering the financial sector with more than 10 years of experience in the ESG field and a proven and extensive track record in ESG fundamental analysis, development of solutions and ESG integration across various asset classes. In addition to this role, Lucia also played a key role to the development and follow-up of sustainable bonds investments within Candriam. Lucia holds a master's 2 in economics and finance from the LUISS Guido Carli Business School in Italy.



Jeanne GAUTIER - ESG Analyst.

Jeanne joined the Candriam ESG team as an ESG analyst covering the TMT, Construction and Textile & Luxury Goods sectors in June 2021. She joined Candriam in 2019 as an ESG analyst in the graduate programme. She then worked for the High Yield Credit team in Paris as well the ESG team at New York Life Investment Management. Jeanne holds a master's in science degree with a specialisation in finance and corporate sustainable management from the Louvain School of Management in Belgium).



Flavia NUCCITELLI - ESG Analyst.

Flavia joined Candriam Belgium in 2021, following an internship in the firm's ESG research & investment programme in 2020. She holds a master's degree in management of sustainable development goals from LUMSA in Italy and a master's degree in political science - development studies from the University of Bologna in Italy.



Hien NGUYEN - ESG Analyst.

Hien joined Candriam in 2021, after working as a sustainable finance consultant at Ernst & Young in France; a climate analyst at AXA IM and an SRI analyst at AXA Group in France. He holds a master's in international economic policy and a bachelor's in economics and international studies from Sciences Po Paris, France.



Sophie DELEUZE - Lead ESG Analyst - Stewardship.

Sophie has been Candriam's Lead Analyst in Stewardship since 2019 and since 2016, has specialised in Candriam's engagement, proxy voting, and stewardship efforts, coordinating our engagement in concert with our ESG analysis and with all our investment management teams. She joined Candriam's ESG Research Department at its inception in 2005 and spent more than a decade with Candriam as an ESG analyst. With a background in industry as a water engineer, she entered the SRI world at Arese in 2001. Sophie has been a participant in the Candriam charity Helping Those Who Help since 2014 and is active in local aid for seniors. She holds an engineering degree in water treatment, a master's degree in public environmental affairs, and is a recent graduate of EFB Belgium in Nursing and Retirement Home Management.



Benjamin CHEKROUN - Stewardship Analyst - Proxy Voting and Engagement.

Benjamin joined Candriam in 2018 as deputy head of convertible bonds before taking up his current role in 2020, where he is responsible for ethics, human rights, and social engagements. He previously spent almost two decades managing convertible bond portfolios and trading bonds, with experience in Asia, London, New York, and Paris. Benjamin holds a master's degree in international business from the Weller International School in Paris.



Luc RIOLS - Stewardship Analyst, Proxy Voting and Engagement.

Luc joined the Candriam ESG team in June 2019 as a VIE, working as ESG Analyst, dedicated to Engagement and Voting. Before joining Candriam, he completed an internship in Paris at CM-CIC Asset Management as an ESG Fund Manager Assistant. Luc holds a master's degree in finance applied to Climate and Energy from Paris-Dauphine and a master's degree in law, with a specialisation in energy from Paris I Panthéon-Sorbonne.



Cemre AKSU - Stewardship Analyst, Proxy Voting and Engagement.

Cemre joined the Candriam ESG Investment & Research team as Stewardship Analyst, Proxy Voting and Engagement in July 2021. Before that, she worked as cross market research analyst at Institutional Shareholder Services, analysing governance structures and performance of publicly listed companies in Benelux, Nordic countries, Southern and Eastern Europe as well as Russia and Israel, providing investors with consultancy on corporate governance-related topics and participating engagements between ISS and issuers. She holds a bachelor's degree in law from Ankara University, Faculty of Law and an advanced master's degree in international business law which she completed at the University of Ghent. She has also been enrolled in a bachelor programme in economics offered by Anadolu University.



Jules BARDY - ESG Analyst – Governance Specialist, Engagement & Voting.

Jules joined Candriam in Belgium in 2022 after having been an ESG analyst for SquareWell Partners, France); a freelance adviser at La Ferme de Viltain, France; mission's Head - Direction des émetteurs at Autorité des Marchés Financiers, France; and junior advisor in capital markets at Arendt & Medernach SA, Luxembourg. He holds a master's degree in international business and finance from Sciences Po Lille, France; a master's degree in financial law from Université Paris Saclay in conjunction with ESCP Business School, France; and a bachelor's degree in law from Université Lille 2, France.



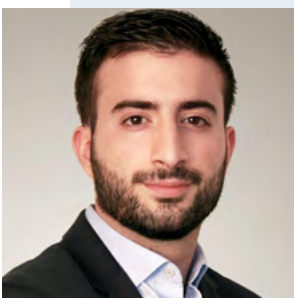
Kroum SOUROV - Lead ESG Analyst – Sovereign Investments and Research.

Kroum has been an ESG Analyst at Candriam since December 2018. He began his career as an analyst for Goldman Sachs, then worked for Barclays Capital, UBS and Mako Global and has also worked as a director in sustainable investment management at Resus Investments in the UK and Switzerland. He also worked in FX macro advisory & portfolio management at Salix Capital in the UK. Kroum holds a master's degree in international affairs with a specialisation in environment, resources and sustainability from The Graduate Institute in Geneva, Switzerland.



Marie Niemczyk - Head of ESG Client Portfolio Management.

Marie joined Candriam in 2018 as head of insurance relations. She heads Candriam's ESG Client Portfolio Management Team with a mandate to deliver Candriam's unique ESG expertise and sustainable solutions to investors. Before joining Candriam, Marie was previously, strategy & development director at AXA Investment Managers in Paris. She has also held several positions with Fidelity in London, Frankfurt and Paris. Before that, she was an economist with Ernst & Young in London, and a research associate with The Advisory Board Company in Washington D.C. Marie has a master of science degree from the London School of Economics, a B.A. from Swarthmore College, and also holds IMC and CISI qualifications.



Elie El Kadi - ESG Client Portfolio Manager.

Elie joined the Candriam ESG Team in July 2020. Before that, he worked as a client portfolio manager with the equity team at Candriam. Elie holds a master of science degree in financial markets & investments with a specialisation in asset management from the SKEMA Business School.



Alexandre TESSIER - ESG Client Portfolio Manager.

Alexandre joined the ESG Development team in October 2020. Previously, he worked as SRI investment specialist at BNP Paribas Asset Management, coordinating the relationship between the Impax AM SRI fund managers and the international BNP Paribas AM commercial teams. He holds a master's degree in business management from Rennes School of Business. He has also been enrolled in an exchange programme in operation, modelling and optimisation management offered by NOVA Business School in Lisbon, Portugal.



Marie THOMIN - ESG Client Portfolio Manager.

Marie joined Candriam in 2022, having previously worked as ESG DCM EMEA Associate at Sumitomo Mitsui Banking Corporation in the UK; DCM Associate SSA Origination at Crédit Agricole CIB in the UK; and Debt Capital Markets Advisory Analyst at Société Générale CIB in the UK. She holds a master's degree in finance from the European Business School in France.



Sandy ISSANCHOU - Senior ESG Project Manager.

Sandy joined Candriam, Belgium in 2023, having previously been head of product strategy and market intelligence and senior financial engineer at Candriam, Belgium. He holds a postgraduate in mathematics and financial science from (ISFA, France; a bachelor's degree and master's degree in mathematics from Nancy University, France; and postgraduate classes in mathematics and physics from Lycée Poincaré de Nancy, France.

ESG Analysis: Types and use of service providers in ESG analysis.

Candriam's ESG Investments & Research Department has built a proprietary framework, including industry sector and sovereign country models, for the ESG analysis of corporate and sovereign issuers. It is our objective to source information from a wide variety of diverse sources to feed into these internal models, while ensuring that the underlying methodologies and materiality of the data are clearly understood. Therefore, in applying our ESG analytical framework, our ESG analysts draw on ESG data providers, as well as international organisations, non-governmental organisations (NGOs) and other types of sources.

- **ESG data providers**

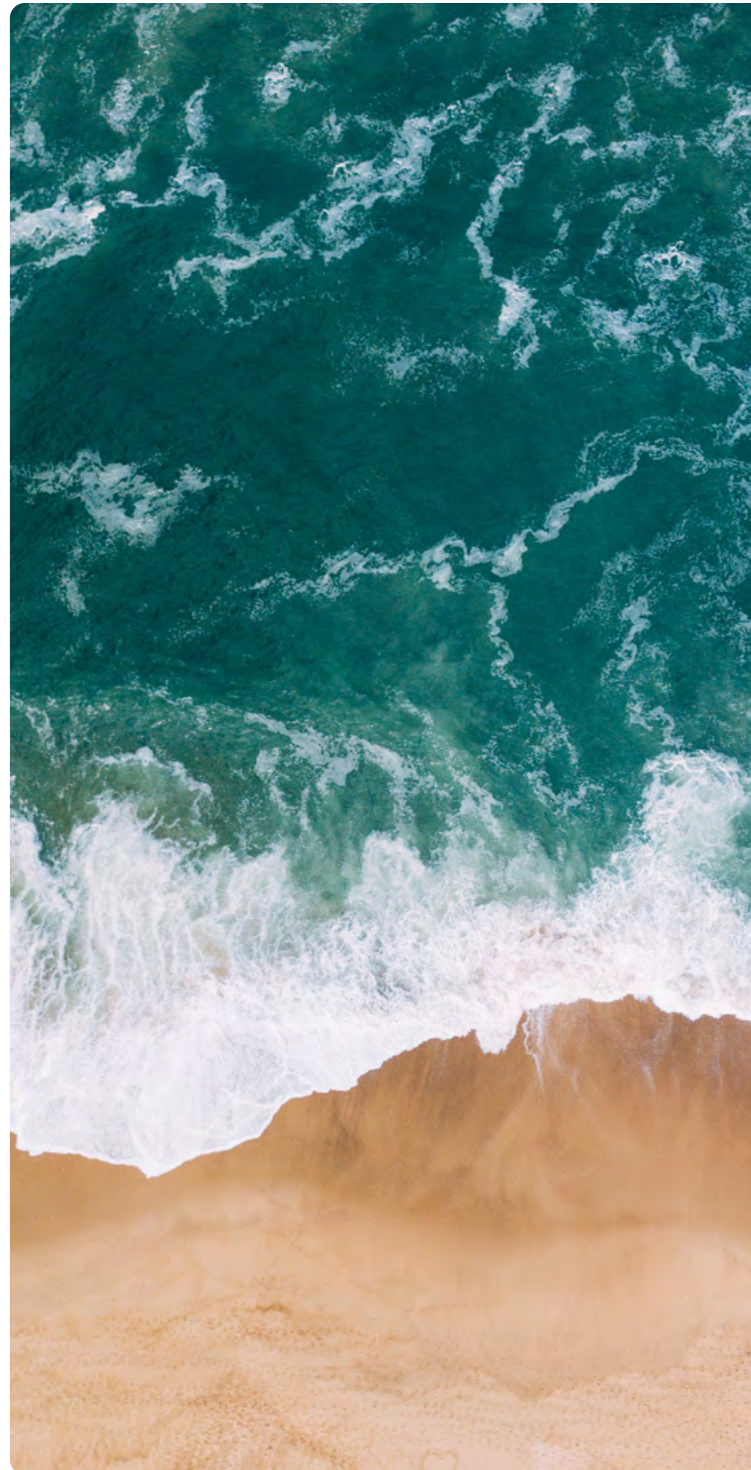
ESG data providers often have different coverage, methodologies, and cultures, frequently resulting in discrepancies in views, indicators and ratings. We focus on thoroughly understanding differences in methodologies in order to interpret data and assess its materiality. Accordingly, we believe that information drawn from different ESG data providers can often be complementary. In fact, different assessments enable our ESG analysts to have a more holistic view of issuers and allow them to put into perspective their own views.

- **International organisations**

Data drawn from international organisations has different applications in our models: Certain data are an integral part of the sovereign analytical framework, while other data serve as complementary information in our analysis.

- **Other data sources:**

Our ESG analysis also uses data and information from sources such as NGOs, academic experts, and sector federations to feed our proprietary models and complement their analysis.



Current main data providers and sources

Please find below in Figure 3 and Figure 4 an overview of the external ESG data providers and sources used at the time of compilation of this report. NB: This list is non-exhaustive and may change over time.

Rating Agencies	Certification	Scope	Types of Screening	Link
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/
Bloomberg	Gender-Equality Index	International Companies	International standardised reporting and disclosure method for workplace gender data	www.bloomberg.com/GEI
MSCI ESG Research	-	International Companies	ESG Criteria – Controversial activities – Norms-based criteria	https://www.msci.com/esg-integration
ISS-Ethix	-	Emerging Markets Companies International Companies	Norms-based criteria Screening criteria used to exclude the economic activities related to weapons	https://www.sustainalytics.com/
S&P Trucost	-	International Companies	Environmental data: Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	https://www.trucost.com/
Sustainalytics	-	International Companies	ESG criteria – Controversial activities – Norms-based criteria	https://www.sustainalytics.com/
Wood Mackenzie	-	International Companies	Energy and mining sectors screening used to exclude unconventional extractions and thermal coal	https://www.woodmac.com/
ISS-Oekom	-	International Companies	Sustainable Development Goals measurements	https://www.issgovernance.com/esg/
MapleCroft	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/
RepRisk	-	Sovereign Issuers	ESG Country risk metrics and analysis	https://www.reprisk.com/
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/
Beyond Ratings	-	Sovereign Issuers	ESG performance of economies – Sovereign credit risk – Climate objectives alignment	https://www.beyond-ratings.com/

International organisations, NGOs and other sources	Scope	Types of Screening	Link
World Bank	Sovereign Issuers	Country reported data on a number of sustainability issues	data.worldbank.org
Freedom House	Sovereign Issuers	Measure of freedom and democracy, understood via electoral process, political pluralism, functioning government, rule of law etc.	https://freedomhouse.org/
Transparency International (CPI)	Sovereign Issuers	Measure of public sector corruption	https://www.transparency.org/
Reporters Without Borders	Sovereign Issuers	Advocate for press freedom worldwide.	https://www.rsf.org/
Environmental Performance Index (EPI)	Sovereign Issuers	Ranking of countries which are best addressing the environmental challenges that every nation faces	epi.yale.edu
Paris Equity Check	Sovereign Issuers	Assess fairness of countries' climate pledges under the Paris agreement	paris-equity-check.org
ND-Gain Index	Sovereign Issuers	Assess countries' vulnerability to climate change and other global challenges in combination with its readiness to improve resilience	gain.nd.edu

In addition to the sources outlined above, our ESG analysts can also draw on data and information from other international organisations such as the International Monetary Fund, the World Health Organisation, the United Nations Programme for the Environment, the International Labour Organisation, the United Nations Development Programme, the United Nations Organisation Food and Agriculture Organisation, and the International Energy Agency.

ESG data provider selection

Prior to selecting a data provider, Candriam's ESG analysts conduct in-depth due diligence on the provider's services and data quality, to ensure their service and offerings match our expectations and ultimately serve our clients' best interests. In their assessment of external data, analysts focus on data quality and consistency, indicator relevance and materiality, data gaps, and on understanding underlying approaches and methodologies.

Following on from this due diligence, Candriam's Purchasing Department manages the contractual negotiations with providers.

ESG data provider monitoring

We continuously monitor the quality of our ESG data providers, tracking for example the ability of data providers to:

- increase or improve research coverage, such as by geographic region or asset class;
- respond to our requests and requirements, such as additional analysis and solutions to technical difficulties.

To date, we have not ended a contract with any of our providers due to unsatisfactory research or services.

Controls on ESG data integration are implemented to ensure that ESG data is integrated into our information systems in a correct and consistent fashion. Candriam's Data Team is responsible for defining and implementing such data controls.



Proxy Voting.

Type and use of service providers in Voting

Candriam's Proxy Voting Committee is the 'guardian' of our voting policy and is responsible for its implementation. The Committee defines the general policy for the exercise of Candriam's voting rights, reviews voting proposals made by ESG analysts and ensures that Candriam's voting policy is properly implemented into operating procedures.

To exercise voting rights efficiently, Candriam uses proxy voting service provider ISS. ISS is also engaged to provide custom voting recommendations based upon Candriam's voting policy.

More specifically, ISS is tasked with:

- Receiving the lists of every position held in voting portfolios from custodians / sub-custodians and informing Candriam of upcoming related shareholders meetings;
- Analysing resolutions according to Candriam's custom voting guidelines, and detailing for each voting item, our principles of votes, as defined in the Candriam Voting Policy;
- Providing access to an electronic voting platform for the exercise of voting rights, and registering our instructions and rationales of votes;
- Transmitting voting instructions to the end issuer via the appropriate custodian and sub-custodian network.

Every item listed in the AGM agenda is assessed based on Candriam custom voting guidelines.

While taking voting recommendations into consideration, Candriam has the final say in the votes we exercise. Especially in more complex situations, Candriam's dedicated ESG voting analysts may perform a full internal analysis of some or all of the items to be presented at a shareholder meeting, in addition to any custom recommendations provided by ISS or others. The decision to re-assess voting items internally is based on several factors, including:

- The nature of these specific voting items;
- The potential for controversy regarding the issuer;
- The potential for controversy of items subject to intervention during the meeting;
- The existence of a direct or collaborative dialogue with the company with respect to one or more of the agenda items of the meeting, or a dialogue whose nature may influence Candriam's vote;
- The relative importance of Candriam's share ownership;
- The relative importance of the involved issuer in Candriam's managed assets.

Should our proxy advisor miss its deadlines and not provide custom recommendations, or declare itself unable to provide such recommendations, then the full analysis of the meeting items will be performed internally as soon as the meeting is part of our voting scope and when materially feasible.

The merits of every shareholder resolution are systematically assessed internally.

In all cases—and while we recognise the help our proxy advisers provide in meeting our ownership responsibilities—every voting instruction is driven by the Candriam Voting Policy and/or custom policies of clients and remains our ultimate responsibility.

Monitoring of proxy voting service provider

An assessment of the quality of our proxy voting service provider's research and service is performed at least annually by Candriam's Voting & Dialogue Team, in collaboration with Candriam's Middle Office. A due diligence addressing, amongst other items, information security risks and business continuity risks, is also performed regularly by Candriam's Risk Department.



Resourcing experienced and diverse teams

We seek to create an inclusive and sustainable workforce, continuously striving for diversity, equity and inclusion. This can be seen within our dedicated stewardship resources as well as across the broader organisation.

Our stewardship resources have diverse backgrounds and career paths. Our resources are multilingual, multicultural and have varying levels of experience.

- **Global Head of Corporate Development:** Master's Degree in Business Engineering, 35 years of experience in asset management, various senior positions (fixed income management, finance, corporate communications, strategy & corporate development)
- **Global Head of Corporate Sustainability:** Master's Degree in Economics, 35 years of experience (from academia to finance: macro-economic research, institutional portfolio management, ESG research)
- **Junior CSR Officer:** Master's Degree in Global and Sustainable Business, two years' experience in impact investing, philanthropy and CSR
- **Senior Project Manager** (focus on cross-company sustainability projects): Master's degree in Banking, Finance and Risk Management, 26 years of experience in operational and project management functions.

More information can be found in the CVs on pages 11 through 16.

Candriam's commitment to diversity

Across Candriam, Diversity & Inclusion principles are incorporated into enterprise-wide policies and initiatives such as the firm's Diversity & Inclusion Charter, Anti-Harassment and Non-Discrimination Policy, and mandatory education on the prevention of discrimination and harassment.

As a spin-off of Candriam's CSR committee, the D&I committee (composed of Candriam staff) develops D&I initiatives that raise awareness and participation in some local professional initiatives and international charters.

Candriam reinforced its D&I accountability through several initiatives, including the Belgian Febelfin Charter, Edge Certification, the Workforce Disclosure Initiative, the French Asset Management Association of Asset Managers AFG, and UN Women Empowerment.

Candriam staff is further engaged via the "Candriam Communities" ('Millennials', 'Digital Ambassadors', 'Women @ Candriam', Local CSR committees), which empower participants to present and work on corporate projects in a direct exchange with Candriam's senior management.

Candriam Team Members are incentivised to support Candriam's overall mission and commitment to stewardship.

Candriam's overarching objective is to provide long-term investment performance to its clients. Candriam's remuneration and performance management philosophy supports Candriam's business strategy and, where appropriate, the strategy of the managed funds. In 2020, Candriam implemented a policy embedding ESG objectives in long-term compensation, along with targets to reduce the gender pay gap. Acting to ensure the quality of our governing structure and bodies, we monitor and ensure that the boards of our funds are well-balanced, including independent directors, with an array of diversified skills and backgrounds.

Candriam manages the yearly performance evaluation process based on qualitative and quantitative measures, including the achievement of pre-established objectives and the employee's professional and personal skills.

The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of his/her business unit and the overall results of Candriam.

When assessing individual performance, Candriam will take into account both financial and non-financial criteria. Qualitative performance evaluation includes the evaluation through a range of factors like risk management including sustainability risks, awareness of sustainability impacts, governance and compliance, teamwork, people leadership, people development and alignment to Candriam's goals and values.

Our robust resources and processes drive effective stewardship

Candriam strives to hold itself to a high bar, constantly evaluating the effectiveness of our systems, policies, procedures and resources. The CSR Committee is responsible for monitoring progress using a CSR roadmap that includes specific KPIs. The review process includes topics such as responsible operations and supply chain, responsible employer, responsible and transparent governance, relationships with clients, and responsible investing. Each year, a CSR report is published describing key initiatives and progress towards the voluntary targets.

In 2023, we are seeking to improve the governance of corporate due diligence in the following ways:

- Strengthen the CSR Committee by increasing its meeting frequency and the reporting on corporate due diligence topics to Candriam's Management Committee.
- Optimise the synergies between the ESG Research and Corporate due diligence by having a dedicated session of the Sustainability Risk Committee focused on human rights across the company's value chain.
- Enhance the governance of Investment Stewardship topics at the Sustainability Risk Committee by appointing the Head of the Stewardship team as a permanent member of the SRC (evolution from being represented as invited expert or via the Head of ESG). This is to increase connectivity between engagement activities and management of ESG risks.



Principle 3:

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Ethical Behaviour in Business

We adhere strictly to ethical behaviour across all our operations and comply with established regulations through the implementation of specific policies and charters. These include a compliance charter and policy, a client charter, a code of ethics, and a supplier charter.

Additionally, Candriam discloses its ESG promotion and influence activities, such as industry association memberships and roles, and visibility over its financial metrics and taxation. This commitment to transparency underscores our dedication to accountability and reinforces our commitment to ethical practices across Candriam.

Actively Managing Conflicts of Interest

In the normal course of business, as in any financial institution, Candriam may encounter situations resulting in potential or actual conflicts of interest during the performance of its various activities for its clients. As an asset management company, we are committed to acting honestly, fairly, with due skill, care and diligence in the best interest of our clients and the integrity of the market. Candriam has several policies and procedures dealing with the management of conflicts of interests.

Candriam exercises voting rights in compliance with its voting policy. Procedures are in place to identify and manage potential conflicts of interest within all Candriam activities, including our voting activities. Examples of potential conflict of interest include flawed voting decisions through lack of independence, i.e., the person making the voting decision is not fully independent of the issuer in question, such as:

- The company to be voted on has relevant commercial relations with Candriam;
- Candriam Directors are acquainted with the Board members of the issuer being voted on;
- A Candriam employee who is involved in the proxy voting decision-making process has a significant personal or family relationship with the particular company;
- Resolutions are voted for any other reason—not in the best interest of shareholders—but to the benefit of a third party.





For Candriam open-ended funds, should a conflict of interest arise regarding a vote, the Global Head of Compliance is to be immediately notified, as well as the Proxy Voting Committee. The best approach will be determined in full cooperation with the Compliance Department. When voting, voting instructions will follow recommendations of the Candriam Voting Policy. The Proxy Voting Committee will consider the facts and circumstances of the pending vote and the potential or actual material conflict and make a determination as to how to vote: following proxy advisor's recommendation without any intervention or abstain votes will be considered, as well as obtaining voting instructions from clients in case of concerned mandates.

To manage potential conflicts of interest, and in addition to the regular monitoring of our Compliance Department, several measures have been taken, in particular:

For issuers belonging to Candriam's largest funds, relationships are identified ahead of each voting season. When these specific issuers' shareholder's meetings appear in our voting scope, ISS voting custom guidelines will be applied without any intervention from the analysts in charge of the voting activities. Any exception to this approach should be validated by the Proxy Voting Committee, taking into consideration the Compliance opinion. When Candriam-managed funds are present in a voting portfolio, and in the framework of the vote for this specific portfolio, no vote will be cast for the annual or special meetings of these Candriam-managed funds. A post-vote review of our voting decisions is performed by our Proxy Voting Committee.

During the reporting period of 2022, Candriam has not identified any actual conflicts of interest in connection with its stewardship or engagement activities.

More information on our Conflicts of Interest Policy is available online, on this link (<https://www.candriam.com/en/professional/SysSiteAssets/medias/legal/regulatory-information/conflict-of-interests-policy-en.pdf>.)



Principle 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

ESG Promotion & Influence

As a founding signatory of the PRI when it was established in 2006, Candriam is committed to promoting ESG in its relationships with all stakeholders to promote the continued improvement of the financial markets.

Candriam's **Global Strategic Committee** monitors the association membership and decides who represents Candriam within those associations.

The organisation's ESG experts are in charge of PRI implementation principles within Candriam and also externally, based on Candriam's own ESG practices, which favour stewardship to elevate ESG standards, promote ESG

integration and ESG practices in investments.

In the specific case of consultation on policies, ESG experts contribute to the association's answers and statement disclosed. Candriam's communication strategy focuses on promoting ESG practices and sharing Candriam's expert ESG views, using a variety of media platforms and industry conferences. The Candriam Institute puts into practice our commitment to ESG development and promotion by financing independent academic ESG research and promoting ESG education (via the free-for-all Candriam Academy).

Candriam actively engages with both industry associations and think tanks or similar—via involvement as part of working groups—and by connecting with policymakers and policy-setters at the EU level, focusing in particular on new ESG standards and regulations. The list of the associations and groups below outline policy engagement activities where Candriam is an active member.



Industry Associations & Responsible Investment Working Groups

	Name of Association	Joined in
SRI Working Groups within:	BEAMA - Belgian Asset Managers Association	2004
	AFG - Association Française de La Gestion financière	2003
	EFAMA - European Fund And Asset Management Association	2010
Several Social Investment Forums, such as:	Eurosif - European Sustainable Investment Forum	2003
	VBDO - Dutch Sustainable Investment Forum	2007
	Forum Nachhaltige Geldanlagen (Germany, Switzerland & Austria)	2010
	Swiss Sustainable Finance (Switzerland)	2014
	Forum pour la Finance Responsable (French SIF FIR)	2014
	Forum per la Finanza Sostenibile (Italy)	2015
	UKSIF - United Kingdom Sustainable Investment Forum	2016
	US SIF - United States Forum for Sustainable & Responsible Investment	2016
Other sustainability-oriented investor bodies	ABIS - The Academy of Business in Society	2005
	IIGCC - The Institutional Investors Group on Climate Change	2020
	Investor Alliance for Human Rights (ICCR Initiative) https://investorsforhumanrights.org/	2021

Candriam also actively engages in broader industry events to promote strong ESG practices. In 2022, we actively participated in a number of conferences and events including:

- LuxFLAG Sustainable Investment Week 2022, 17-19 October 2022, Luxembourg, Presentation Title: ESG Corporate Analysis
- German Sustainability Network, 19 September 2022, Cologne, Presentation Title: Genesis of Information

We seek to align our engagements with our investments so our engagement covers the full range of issuers and regions to address our complete investment universe, with priority given to issuers covered through our ESG analytical framework. We engage across equity and bond assets, and across

corporate and non-corporate issuers, including private equity.

Our dedicated Engagement and Voting Team, part of the larger ESG team of 25, was created in 2016. It includes five ESG analysts specialised in engagement and voting. The Team coordinates dialogue and voting activities across Candriam. They work in close collaboration with the ESG Research Team's sector and thematic specialists, and of course, alongside the Investment Teams, who are regularly informed of engagement follow-up and often take part in the dialogues.

We believe that there must be consistency between ESG opinion and dialogue, and that voting with one consistent voice across the organisation is crucial. In order to ensure consistency between engagement, voting and our investment processes, ESG analysis opinion feeds the engagement design, while process and outcomes feed the investment process. Across the investment platform, we collectively decide which concerns to pursue and which best practices we want to promote and defend. This requires close collaboration across teams. Our multi-phase Small- and Mid-Sized Firms included the portfolio manager, analysts for European equities, ESG analysts, Engagement Team, and Candriam's own Human Resources specialists. We described this both in an [independent case study](#) and [followed up](#) in our 2022 Engagement report in the Appendix of this document.

Candriam actively identifies and responds to risks:

Candriam identifies and responds to market-wide and systemic risks in various manners.

Candriam Risk management is an independent team of 33 people based in Brussels, Paris, and Luxembourg, with over 10 years of average experience in risk management, and organised by specialised competences centres for each risk type.

Solid risk management governance is in place with risk committees covering all types of risks, including a specific Sustainability Risk Committee, in order to monitor business activity, discuss changes in the nature of risk, provide proactive risk management decisions, and provide summary information on the supervisory bodies via the minutes of these committee meetings. Sustainability risk is considered from all standpoints (market risk, credit risk, liquidity risk etc.).

Consultation answered via industry association*	Candriam individual answer
ESMA consultation on MIF ESG preferences	no
ESMA consultation – call for evidence on market characteristics for ESG ratings providers in the EU	yes
EC Survey on ESG Benchmark	yes
Targeted consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings	yes
ISSB consultation on IRS Sustainability Standards Exposure Drafts	yes
EFRAG Board Consultation on Sustainability reporting	yes
ESMA CALL FOR EVIDENCE ON IMPLEMENTATION OF SRD2 PROVISIONS ON PROXY ADVISORS AND THE INVESTMENT CHAIN	yes
2022 ESAS call for evidence greenwashing	yes

*All consultations answered by AFG and EFAMA

Risk are monitored not only at portfolio level, but also at a consolidated level, with global warning lists (e.g. vulnerable credit lists, liquidity warning lists) and global prudential limits (e.g. maximum consolidated group ratios). A risk grid is maintained across all of Candriam’s strategies categorising the most important risks for each. This allows Candriam to have an overview of the consolidated AuM subject to each type of systemic risk.

Candriam also actively participates in European asset management association (AFG, BEAMA) on discussions with regulators on risk topics and next ESG regulations.



Principle 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

To better understand how these policies are governed and improved we can look at the role of the Proxy Voting Committee previously described in Principle 2. Candriam's Proxy Voting Committee has established [our own approach to voting since 2003](#), which our external advisors such as ISS help us implement.

We strive for transparency. This year (2022) marked the 17th year of publicly-available reporting on our votes. Our long-term basic principles remain shareholder rights, equal treatment of shareholders, board accountability, and transparency and integrity of financial statements.

Proxy voting activities fall under the ultimate responsibility of the Candriam Global Strategic Committee as part of our investment process. The Candriam Proxy Voting Committee is the 'guardian' of our policy and is responsible for its implementation.

The Committee defines the general policy for Candriam's voting rights and for the evolution of the policy. The group reviews the policy annually and publishes changes and our rationale to reflect learnings and any developments in regulations. The Committee also reviews the associated detailed guidelines such as the Annual General meeting reading grid. You can find our current [voting policy](#) on our website.

The Proxy Voting Committee reviews proposals made by the ESG analysts and assesses the effectiveness of votes cast at shareholder meetings. Voting decisions are reviewed both a priori and a posteriori, focusing on meetings and resolutions viewed as sensitive.

The Committee ensures that Candriam Voting policy is properly implemented into operating procedures and that changes to policy are enacted in a timely manner once approved by the Committee. The Committee is also informed

of any operational incident or potential or effective deviation of proxy voting policy and agrees on a resolution.

Lastly, the Committee reviews and validates the proxy voting annual review before it is released.

Review and Assurance

As mentioned in the Governance section, we have created numerous sustainability policies to ensure we continue to follow sustainability best practices across the organisation. These policies are reviewed annually by the relevant industry experts and by the Global Strategic Committee and adjustments are made to reflect changes in the market.

Policies include:

- Sustainability Risk Policy
- Exclusion Policy
- SRI Transparency Codes (product specific engagement policy)
- Voting Policy
- Climate Policy
- Integration Policy

Candriam has a dedicated company-wide Sustainability Risk Committee. The Committee assesses corporate reputational and financial risks regarding sustainability, including climate risks, and defines a Controversial Company and Country Watch List for all Candriam activities. Systems are in place to prevent purchases of issuers which are on these lists, or which have been downgraded by ESG analysts.

In addition, several departments are in charge of internal control: Risk Management, Internal Audit and Compliance. Each department is independent of the Investment Management Teams and is under the direct authority of

Candriam's Group Strategic Committee.

The Risk Management department ensures that the investment teams comply with our ESG framework and screens.

One of the tools used is the constraints server, a tool that combines all the constraints and limits required to manage the investment funds. It contains regulatory and contractual constraints as well as internal limits and constraints used to prevent operational errors. Constraints are applied, for example, to the:

- ESG investment universe
- List of authorised investments
- Potential ratios (liquidity, dispersion) define;
- Main regulatory constraints applicable to the fund
- "List of credit warnings" and "List of equity warnings".

The Internal Audit Department carries out inspections and advises as necessary to ensure the performance and effective implementation of the internal control system. The inspection missions represent the lion's share of the Audit Department's work and aim to provide the Group Strategic Committee with an objective and independent assessment of a particular domain (function, process, system).

The ESG Research & Investment Team ensures that communication channels exist internally to provide updates on upcoming AGMs, stimulate exchanges with fundamental analysts and investment managers to explain our voting guidelines, and to discuss resolutions when more inputs are needed for taking a stand regarding voting instruction. Investment managers are informed of contacts taken with companies both in the context of shareholder meetings and also of any contact taken individually or collaboratively on specific ESG topics that may have impact on our voting decisions.

We use our corporate website as our main external means of communication for our annual Proxy and Engagement reviews, and to disclose the details of our votes. For Candriam open-ended funds, the list of AGMs in which the fund participates is published in our annual/semi-annual reports. Details of all votes cast based on Candriam policy can be found on the Candriam website.

In accordance with the European Shareholder Rights Directive II (SRD II), details at the voting open-fund level are available on our website and updated on a quarterly basis. With regard to the open-ended funds' annual reports, the website will also show our voting approach and information on how Candriam exercised the voting right as well as our rationale on the most sensitive votes and/or resolutions. Rationales are systematically available when we do not follow a company's management recommendation.

An explicit reference will also be made in the event that a conflict of interest was not properly managed by Candriam.

Rationales are available one day after the AGM. However, in case of escalation (cf. section 4.7) or to satisfy stakeholders' demand, our Proxy Voting Committee may decide to pre-declare our intention of vote.

Externally, Candriam assures alignment with best practice through alignment with SFDR 8 and 9 funds and definitions, and through French 'Label ISR' and Belgian 'Towards Sustainability' and other national or international certifications. We also monitor comments by industry consultants. Please refer to information provided in Principle 2 for additional information on assurance and governance of policies and overall stewardship.



Principle 6:

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Aligning our investments with a wide range of client needs

Responsibility to our Clients:

We strive to provide a wide range of investment solutions to our clients to meet varying goals and seek to provide the utmost transparency to those invested with us. Listening to our clients and understanding their needs is critical, and central to our duties as a responsible investor. Stewardship and broad ESG integration are essential components of our investment process and form an integral part of our ongoing communication with clients.

Ongoing communication includes regular review meetings such as calls and webinars, as well as regular reporting. We produce annual Engagement and Voting reports which can be found on our website, as well as monthly fund reports on both financial and extra-financial information. Given the rapid development of ESG transparency by issuers, our extra-financial reporting is constantly developing. We share all relevant information on our website at the following link: <https://www.Candriam.com/en/professional/market-insights/sri-publications/>. Available documents include our Exclusion Policy, ESG integration policy and fund-level transparency codes.

Understanding our Clients

Candriam's client base is institutional. In other words, we have no direct to retail investor activity, but our clients are institutional investors or financial intermediaries.

Under the category institutional investors, we include pension funds, insurance companies, central banks, sovereign wealth funds, large corporations and similar entities. The category financial intermediaries includes retail banks, private banks, wealth managers, asset managers and other licensed intermediaries distributing to retail clients.

In order to be as close as possible to our clients we have a centralised investment management activity and decentralised distribution activity carried out by local professionals in all countries in which we operate. The local professionals speak the language of our clients and are aware of specific investment, regulatory and fiscal client needs. This means that we serve pension funds with specialised relationship professionals and private banks with individuals with a different expertise and track-record.

In order to cater to specific client needs we have specialised our sales force and we rely on experts adding value to our clients' decisions and value propositions. In addition to the local sales force, we have a dedicated unit for insurance companies and pension funds, one for global financial institutions and one for clients investing in private markets.

Our sales force is also actively engaging with many European and local industry bodies such as Eurosif, UKSIF, EFAMA, The Investment Association, Pension Europe, Insurance Europe, UK Life and Pension Association and many others across the globe.

When we engage with institutional investors, we assess their risk appetite through the MiFID and MiFID ESG questionnaire and if they have an investment consultant, we also engage with them. We assess the outcome of the MiFID questionnaires, and we periodically determine the suitability of the investment portfolio they hold with us. We also keep them informed about the cost of our investment management services through the dedicated ex ante and ex cost regulatory reports. Since 2023, we also provide them with the ESG precontractual documents.

In addition to our direct relationships with clients, we also support many market initiatives such as workshops and seminars and we organise several gatherings on topics such as macroeconomics, asset allocation, asset liability management, sustainable investments, private markets and other regulatory issues.

We monitor client satisfaction directly through our regular investment committees and through industry client surveys. Every two years we run our own client survey. The average tenure of the relationship with institutional clients exceeds seven years and the overall client satisfaction exceeds 90%.

All of our investment funds have an investment horizon linked to the SRRI indicator and this indicator is regularly reviewed by our Investment Solution business unit and approved by our Client Solutions Committee. This committee is a multidisciplinary group at the core of our value proposition.

Our approach to financial intermediaries is very similar, but more focused on the product and solutions rather than asset allocation or other investment solutions, as these clients have all the financial knowledge they need to select and/or wrap our products into theirs. Our key focus with these clients is on the provision of the most complete information of investment process, financial performance, risk indicators, reporting templates for insurance, financial and/or ESG reporting.

We also devote a huge amount of effort in preparing content they can use to explain investment opportunities to their own clients and beneficiaries. We organise dedicated events and workshops across territories in order to train and inform the relationship managers/financial advisors of these intermediaries on our offering.

We engage with several industry providers to receive feedback on our value proposition, on the strength of our

investment solutions, on the quality of our reporting and as stated before, we also run our internal client surveys. The outcome of these surveys is analysed and discussed at management board level and in through our client solutions committee. This committee gathers monthly and reviews all products and solutions under all lenses, from performance to pricing to geographical distribution and all pertaining regulatory aspects.

Digital client engagement

Since 2015, Candriam began sowing the seeds for digital client engagement with a threefold objective: to accompany our clients through their investment life cycle; to support our distributors also known as financial intermediaries; and to increase the knowledge of sustainable investments to the benefit of the financial community and the general public.

To achieve the first two targets Candriam developed a tool called Candriam Robot Investment Simulator (CRIS) – for the third objective we have launched the Candriam Academy.

CRIS

CRIS exists in two versions, Investor and Distributor. CRIS Investor is an open resource to help people manage personal savings, to finance retirement or a specific project. CRIS Distributor helps financial advisors to find the most suitable funds and investment solutions, using state-of-the-art technology to construct adaptable model portfolios.

To date, CRIS has generated over 50 thousand perform simulations.

Candriam Academy

Following on from the results of a European survey, we observed that financial advisors needed to bring their knowledge on sustainable investments to the next level and

we decided in 2017 to launch the first online platform for ESG education, freely accessible to all.

The aim was to educate investors and financial advisors and to raise awareness and train financial intermediaries on ESG. The Academy has over 14 thousand members from over 40 countries, is available in 6 languages and includes eight modules.

Candriam has also fully reviewed its internet site to be more in line with client needs and for our close distribution partners, we have made available a dedicated Extranet platform. We plan to launch a new full-fledged Client Portal in 2024.

Reporting

Beyond very detailed financial reporting with extensive risk indicators and performance attribution, Candriam includes a series of extra-financial indicators. Candriam also launched an Impact reporting analysis, giving investors a clear and comprehensive overview of the ESG impacts of their investment choices.

Carbon emissions, water consumption, energy used, waste produced and numbers of women and independent members on the board of the companies selected in the funds are among the criteria measured by independent sources such as TruCost©** and mentioned in comparison with the funds' benchmarks.

Candriam also measures the contribution to UN SDGs and provides investors with tangible information about the funds' impact on these essential goals. The reporting notes Candriam's engagement and voting policy, detailing the number of votes, both for and against, and the resolution – for example a director election, remuneration, or capitalisation.

Responding to our clients:

We understand that clients have varying financial and extra financial goals and seek to offer sustainable strategies which allow clients to select strategies which meet their objectives. Today, we offer ESG integration and sustainable strategies across equities, fixed income, multi-asset and private markets. Approaches vary from exclusionary to inclusionary to thematic, each with different ESG objectives and KPIs. This variety of approaches also allows us to deliver strategies which can meet different client investment horizons and varying financial and extra financial goals. We understand that there is no one size fits all approach.

This also applies to the investment time horizon of our strategies. The time horizon of our strategies shifts depending on the financial and extra financial objectives of the strategy. For strategies with dual objectives or non-financial goals, we seek to align the time horizon with the relevant sustainable challenges and associated risks and opportunities. This is done at the issuer level rather than the instrument level. In contrast, for strategies with pure financial goals, we focus on the materiality of associated risk and opportunities relevant for a specific instrument type with the materiality analysis conducted by the investment team.

We also seek to reflect our clients' interests in our proxy voting activities. While the large majority of our assets follow our proxy voting guidelines, which seek to protect the interests of the shareholder, we do have dedicated mandates and funds where clients can elect to vote proxies according to their own internal policies and values.



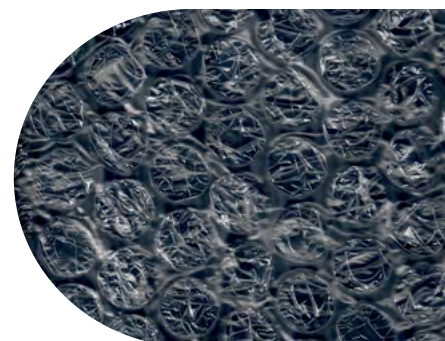
Candriam Assets Under Management – Managing Diverse Client Assets Across geographies and asset classes

Client type	AUM mln£	AUM%
Institutional	66,822	53.80%
Retail	57,392	46.20%
Grand Total	124,215	100.00%

Client Geography	AUM mln£	AUM%
Belgium	61,447	49.47%
France	18,003	14.49%
USA	12,198	9.82%
Luxembourg	8,751	7.04%
Italy	7,183	5.78%
Spain	3,937	3.17%
Switzerland	3,878	3.12%
Canada	1,853	1.49%
Kuwait	1,567	1.26%
Netherlands	1,481	1.19%
Germany	1,250	1.01%
Other Euro-pean	1,010	0.81%
Japan	824	0.66%
UK	674	0.54%
Other MENA	59	0.05%
LATAM	54	0.04%
Other Asian	46	0.04%
Grand Total	124,215	100.00%

Asset Class	AUM mln£	AUM%
Equities	33,995	27.37%
Bonds	34,826	28.04%
Asset Allocation	45,797	36.87%
Money Market	4,834	3.89%
Alternative	4,763	3.83%
Grand Total	124,215	100.00%

Investment zone	AUM mln£	AUM%
Australia	992	0.80%
Emerging Markets	7,970	6.42%
Europe	41,263	33.22%
Global	69,188	55.70%
Japan	474	0.38%
OCDE	320	0.26%
USA	4,008	3.23%
Grand Total	124,215	100.00%



Principle 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Integrating Sustainability into all investment processes

Responsibility to our Clients:

As a sustainable asset manager, Candriam recognises the importance of taking into account sustainability risks and opportunities in the portfolios we manage and to carefully consider sustainability impacts.

Candriam's integration of ESG considerations within investment analysis and decision-making rests on asset class-specific materiality frameworks, defining which Environmental, Social and Governance related factors to consider for equity and fixed income asset classes. These frameworks are based on the tenet that to assess a company's sustainability, investors need to analyse both the company's business activities as well as the way it manages its key stakeholders. Company activities analysis aims to assess alignment of products and services with major sustainability challenges. Candriam has mapped our own internal sustainable goal framework with the main external frameworks, most importantly the UN Sustainable Development Goals (SDGs), the Paris Agreement goals, and the EU Taxonomy objectives of climate mitigation and adaptation.

Beyond the holistic integration of ESG parameters within investment decision-making, Candriam seeks to translate these efforts into tangible and measurable outcomes. This is reflected in the goals set for all sub funds within the

Candriam Sustainable SICAV, to achieve either a significant reduction in greenhouse gas emissions of investee companies compared to the benchmarks of the funds, or to seek an alignment with a below 2.5 degrees temperature warming pathway. Furthermore, all SFDR Article 8 and Article 9 investment products seek to invest in companies with a more positive sustainability profile than their peers, as measured by Candriam's business activities and stakeholder impact scores. The quality of corporate governance and respect of UN Global Compact principles also form intrinsic parts of this sustainability review.

Aligning with our philosophy, Candriam's dedicated ESG Research & Investments Department provides in-depth evaluations of corporate and sovereign issuers' sustainability, as well as sector-specific ESG analysis and fundamental research related to sustainability issues. In addition, being integrated within the ESG Research & Investments Department and working in close collaboration with the ESG sector analysts, the Engagement and Voting team carries out carefully coordinated, impactful engagement and voting campaigns. These results of our sustainability assessments are powerful levers for more informed portfolio decision-making, valuation and credit analysis across Candriam's investment activities. They are integrated according to a multi-layered approach. Candriam's proprietary framework for the assessment of the sustainability of issuers and the processes for integrating these assessments into investment strategies are described in the sections that follow.

Asset classes and geographic regions

For more than ten years, Candriam's sustainable funds used a separate methodology for determining the sustainable

universe in emerging markets. As information becomes more available, methodologies in emerging markets are drawing closer to the sophisticated analysis we use for developed markets. The specific differences between developed and emerging markets, and equity and debt, are outlined in our [transparency codes on our website](#).

Corporate sustainability model

Candriam's proprietary corporate ESG analytical framework enables us to conduct in-depth research into the sustainability of corporates. The outputs of this analysis are used to inform investment decisions pertaining to equities as well as corporate fixed income, including covered bonds.

Proprietary ESG analysis is composed of: Business activity analysis; Stakeholder analysis; In-depth negative screening; Controversial activities analysis; Norms-based assessment

Each of these pillars is described in detail below.



I. Proprietary ESG analysis

Candriam has developed a structured and consistent approach enabling the assessment of risks and opportunities that stem from the business activities and operations of companies. This process identifies and analyses sustainability-related risks and opportunities, and companies' contributions to sustainability objectives from two distinct but interlinked angles: Business Activities and Stakeholder Management. Both analyses are designed to assess companies' ability to contribute to sustainability objectives now and in the future and to identify those companies whose activities or stakeholder management could cause harm to environmental and/or social objectives over the short and long term.

ESG trends and challenges, like global warming and the depletion of natural resources, test the resilience of financial and economic systems and of the companies that operate in them. At the same time, they also offer opportunities to foster innovation by

investing in companies that create solutions to alleviate or solve these challenges. This goes beyond environmental matters and includes the social and governance dimension of corporate behaviour. This wholistic consideration of ESG factors reflects our conviction that specific environmental, social and governance issues are being and/or will be priced by financial markets participants due to policy, technological and/or societal change.

i. Business Activity analysis

Candriam's business activities analysis assesses the extent to which a company's products and services are exposed to and contribute, positively or negatively to key ESG trends – that is Candriam's "Key Sustainability Challenges (KSCs)".

Five KSCs have been defined based on the research conducted by Candriam's ESG Investments & Research Department into ESG trends most likely to

impact corporates: Climate Change, Resource Depletion, Demographic Shifts, Health & Wellness and Digitalisation. These challenges are long-term trends that considerably influence the socioeconomic environment in which companies operate as they drive consumer behaviour, regulatory policy and the economic landscape. Thus, they shape the current and future challenges in the market as well as the long-term growth opportunities. Importantly, while the KSCs are long-term structural trends, they have impacts over different time horizons. For example, as a result of climate change and the ensuing imperative of the energy transition, certain assets are at high risk of becoming stranded in the near future. Innovations in the area of recycling and telecommunications are already taking advantage of their exposure to the Resource Depletion and Digitalisation KSCs. Other impacts can be more long-term, for example those related to companies' ability to position themselves for a global demography that will look very different in the future than today.

The analytical framework integrates the notion of double materiality – meaning that different KSCs have different levels of relevance for different sectors and business activities. Accordingly, Candriam's sector models define the materiality of each KSC for each sector.

This analysis results in qualitative and quantitative information on companies, and each company receives a Business Activity Score. These outputs are used in ESG integration, which is described later in this document in section 4.

ii. Stakeholder Analysis

Candriam's Stakeholder Analysis evaluates a company's ability to sustainably incorporate stakeholder interests into its long-term strategy, and its potential positive or negative short- and long-term impacts on its stakeholders. A company's interactions with its stakeholders also give rise to opportunities and risks for the company and are

therefore key determinants of long-term value creation or risk exposure. There are six key stakeholders: the Environment, Society, Employees, Suppliers, Clients and Investors. The Stakeholder Analysis examines a company's interactions with its stakeholders and assesses the quality of management of these interactions.

The framework includes an in-depth analysis of the materiality of each stakeholder for each sector, as different stakeholders will be more or less pivotal for different sectors.

The outputs of the stakeholder analysis are qualitative and quantitative insights into companies' sustainability, as well as a Stakeholder Score for each company. These outputs are used in ESG integration, which is described later in this document in section 4.

As a result of Candriam's ESG analysis, each issuer is assigned a Business Activity Score and a Stakeholder Score. Together, these Scores determine an overall ESG Rating from ESG 1, best ESG Rating, to ESG 10, worst ESG Rating and an overall ESG Score from 0 to 100 for each issuer. The results of the analysis are incorporated into investment decision-making through the ESG integration processes described later in this document in section 4.

Together, Candriam's Business Activity Analysis and Stakeholder Analysis allow for a comprehensive coverage of E, S, and G factors across all sectors and industries applying the double materiality principle:

- **Environmental** considerations undergo a comprehensive evaluation through:
 - Business Activities Analysis, notably via the following KSCs:
 - Climate Change (e.g., level of GHG emissions, level of progress on decarbonisation pathway)
 - Resource Depletion (e.g., impact on availability or scarcity of resources in our ecosystem)
 - Digitalisation (e.g., digitalisation of processes that delivers clear benefits to the environment)

- Stakeholder Analysis, notably via:
 - Environment (e.g., environmental policy, including GHG reduction programme, land use and biodiversity, disposal and recycling)

- **Social** considerations are evaluated through:

- Business Activities Analysis, for instance through the following KSCs:

- Health & Wellness (e.g., ensuring healthy lives and promoting well-being for all at all ages)
- Digitalisation (e.g., digitalisation of processes that delivers clear benefits to society and the economy)
- Demographic Evolution (e.g., aging population and other changing trends in global human population including specific sub-groups (young, elderly population, etc) across various locations (countries, regions, urban rural, etc).

- Stakeholder Analysis, via:

- Employees (e.g., recruitment & retention, working conditions, staff relations)
- Customers (e.g., commercial practices, quality & safety assurance, community relations)
- Suppliers (e.g., practices of suppliers)

With regards to social considerations, the Business Activity and Stakeholder Analyses also allow us to evaluate the extent of a company's exposure to Human Rights risks and its capability in preventing, addressing, mitigating and remedying Human Rights impacts arising from its business operations. Please find below a few examples of analytical focal points pertaining to Human Rights:

- Human capital management (labour structure, location of operations, employee turnover rates)
- Controversial raw materials (policy management and commitment on sourcing materials, responsible sourcing mechanisms, transparent reporting on findings or flagged issues)
- Customer-related matters (product quality & safety, data privacy & security)
- Corporate governance (board commitment, oversight and monitoring on Human Rights, code of

conduct, human rights policy, modern slavery statement, etc.)

- **Governance** considerations are assessed through the:

- Stakeholder analysis, via:
 - Investors (e.g., board structure, auditors' rotation, remuneration, share capital, etc.)

II. In-depth negative screening

Candriam conducts in-depth analysis into corporate issuers' alignment with international norms and conventions and examines involvement in controversial activities. This screening is an important component in the identification and reduction of sustainability-related risks and the adverse impacts and damage companies may inflict on environmental and/or social issues.

i. Controversial activities analysis

Candriam's in-depth analysis of controversial activities allows for the identification of companies that carry out activities that we believe have a substantial negative impact and carry serious risks from both a financial and a sustainability perspective. In fact, exposure to these activities presents important systemic and reputational risks for the investee companies from an economic as well as environmental and social point of view.

ii. Norms-based assessment

Candriam conducts in-depth research into corporates' compliance with international norms and standards. For example, we identify issuers that breach any of the ten principles of the United Nations Global Compact or the guidelines for multinational enterprises defined by the OECD. Accordingly, this analysis covers the following areas: Human Rights, Labour Rights, Environment and Anti-Corruption.



Sovereign sustainability: Similar to our corporate model, we have developed a proprietary model in order to understand the long term sustainability of sovereigns as the practices of a well-run company are not the same as what drives the long term sustainability of a country.

First, we have taken a clear stance against investing in sovereign debt of autocracies. Totalitarian regimes of any kind are by their nature unsustainable, because of the level of physical and psychological violence needed to enforce restrictions. Freedom of thought and expression is necessary for real progress. Without it, the Human, Social, and Economic Capital of countries tends to stagnate and eventually disintegrate. This process is slow and often imperceptible in the short term; it played out over eight decades (1922-1991) with the Soviet Union and the Warsaw Pact. The reverberations from that collapse continue to echo in Europe to this day.

The sustainability score of a country is the average of the environmentally efficient human capital, social capital, and economic capital created by using the natural capital as a multiplier because natural capital is finite. This places environmental preservation at centre stage in our framework, recognising the most significant challenge that faces humankind. Countries are evaluated on the efficiency with which they create wellbeing in the form of human, social and economic capitals, accounting for the potential depletion of or damage to the natural environment in the process of the creation of this well-being.

Sovereign Model in Detail:

Candriam's proprietary sovereign sustainability analytical framework has been built to provide in-depth assessments of the sustainability of countries, which in turn can affect their ability and willingness to make good on their debt. Importantly, the sovereign sustainability model is forward-looking: It examines the upward or downward trends in countries' ESG performance and incorporates indicators focused on the likely direction of travel of countries' sustainability going forward. Further, the model is materiality-based, meaning that it assesses the relative importance of each ESG trend, theme and indicator for the current and future sustainability of different countries.

Candriam's sovereign sustainability framework is structured around the following pillars:

I. Sustainable development criteria

II. In-depth negative screening

These pillars are described in detail below.

I. Sustainable development criteria: Human Capital, Natural Capital, Social Capital and Economic Capital

The ability of countries to develop sustainably, and the resulting risks and opportunities are assessed across the four pillars of sovereign capital: - Human Capital, Natural Capital, Social Capital and Economic Capital.

These four capital domains incorporate a wide range of material ESG factors which we evaluate using Candriam's internally defined themes, issues and indicators. This generates a dynamic capital-based analytical tree, which covers the sustainable development challenges and opportunities faced by each nation.

- **Natural Capital:** Assesses how a country conserves and sustainably employs its natural resources. We evaluate how a country manages its interactions with global environmental trends and challenges such as climate change, consumption of resources, stewardship of biodiversity, and waste handling.

- **Human Capital:** Assesses economic and creative productivity, by evaluating education and skill levels, innovation, health, labour participation rates and employment ratios, among other sustainability themes. Long-term sustainability trends and their impacts are also taken into consideration, such as changes in the labour market structure.

- **Social Capital:** Evaluates civil society and state institutions, including transparency and democracy,

government effectiveness, corruption, inequalities, and the populations' level of security. We monitor both short-term (e.g., election outcomes, political unrest) and long-term (e.g., growing inequality) matters, and form a comprehensive view of the overall sustainability path of a country.

- **Economic Capital:** Assesses a country's economic fundamentals, in order to measure each government's ability to finance and support sustainable policies over the long run. We monitor, among others, regulation and tax policies, the short- and long-term exposure to risks and opportunities that stem from the transition to a Net-Zero Carbon economy and the overall business environment of a country.

Our sovereign ESG analytical framework reflects the urgency of dealing with the environmental challenges ahead of us that our world faces, as well as the fact that natural capital is finite and cannot be replaced by other forms of capital. Therefore, the Human, Social and Economic Capital scores of a country are each multiplied by the country's Natural Capital score. Thus, we obtain environmentally weighted Human, Social And Economic Capital scores, which reflect how environmentally-efficient a country is in developing its sovereign capital.

II. In-depth negative screening

An in-depth negative screening is performed in order to identify high-risk regimes and check for minimum standards of democracy, using the following criteria:

- Freedom House's Freedom in the World Index –

states that are considered 'Not Free'

- Highly Oppressive Regimes – severe human and political rights violators
- Financial Action Task Force's Call for Action List – state sponsors of terrorism
- Countries that are violators of international agreements

Based on the two pillars described above, Candriam's sovereign ESG analytical framework allows for an in-depth analysis of E, S, and G factors:

• **Environmental** considerations undergo a comprehensive evaluation through the analysis of:

- Natural capital, which evaluates how a country positively or negatively contributes to global environmental challenges. Themes examined include climate change, resource management, stewardship of biodiversity, and waste handling.
- Economic capital, which assesses how a country manages its transition to a Net Zero Carbon economy and trade sustainability, that is the carbon intensity of trade flows.

• **Social** considerations are evaluated through the analysis of:

- Human capital, which examines for example education and skill levels, innovation, health,

labour participation rates and employment ratios, among other sustainability themes. Labour rights, such as decent working conditions, absence of forced, child and slave labour, as well as the prevalence of discriminatory labour practices are monitored within Human Capital.

• **Social capital**, which evaluates civil society and state institutions of each nation, including transparency and democracy, government effectiveness, corruption, inequalities and populations' level of security. Freedom of Expression and Belief, Freedom of the Press, Freedom of Opinion and Expression, Human Rights & Civil Liberties, Associational and Organisational Rights, Freedom of Assembly, Freedom of Association and Collective Bargaining, Personal Autonomy and Individual Rights, Land, Property and Housing Rights, Right to Privacy, Security Forces and Human Rights, Torture and other Ill-Treatment, Minority Rights, Sexual Minorities, Women's and Girls' Rights are all metrics that are considered in the Social Capital analysis and are pertinent to broad adherence to Human Rights norms on the part of investee countries.

• **Governance** considerations are assessed through the examination of:

- Economic capital, which measures each government's ability to finance and support sustainable policies over the long run.

Our sustainability framework is dynamic and changes as our understanding of the phenomena we are trying to capture evolves. This sovereign model provides additional insights to our investment teams investing in sovereign debt, allowing the team to understand potential long term government risks.

Tailoring Integration Across Asset Classes:

The Approach to integration:

ESG integration is critical for investing decision-making, given that the ESG trends and challenges our society face could test the resilience of financial and economic systems. At the same time, these challenges also offer opportunities to foster innovation through our investments – innovation which in turn can fuel new pockets of growth. This goes beyond environmental matters and includes the social and governance dimension of corporate behaviour.

Thus, fully integrating ESG reflects our conviction that specific environmental, social and governance issues are being and/or will be priced in by financial markets participants through policy, technological and/or societal change. In fact, in this regard, traditional financial metrics and accounting statements are inherently backward-looking and tell only part of the story. ESG analysis adds essential layers of information that capture the “intangible” aspects that are not fully captured by traditional financial analysis. For instance, as far as corporate issuers are concerned, a growing share of companies’ value is derived from intangible assets like brand, reputation, human capital and innovation. Thus, sustainability-related risks, when realised, can potentially impact stock value not only through their physical impacts, but also through their effect on brand, goodwill etc.

Candriam’s portfolio management teams therefore integrate within their investment process financially relevant ESG factors, taking into account the specificities of each asset class. The objective is to leverage ESG knowledge and information across all our investments, whilst adapting for the distinct nature of each strategy.

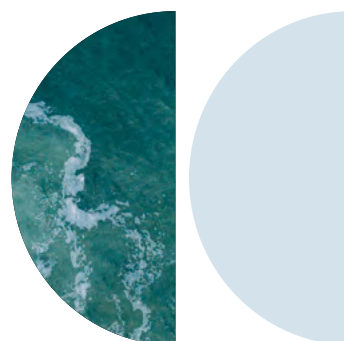
The foundation of this integration is the ESG assessment described in section 3, above, conducted using Candriam’s proprietary ESG analytical frameworks.

However, ESG integration can only be effective when it is material and relevant to the investment strategy at hand and the respective portfolio manager’s decision-making process. ESG risks and opportunities vary across sectors and

regions and may have varying impact depending on the investment horizon or asset class. It is thus essential that portfolio managers, when making investment decisions, understand the ESG issues that are material for assessing the risk-return trade-off and then integrate those into the investment process. ESG integration requires thus a thorough understanding of the investment issues at stake, which will enable portfolio managers to harness the power of environmental, social and governance data, analysis and recommendations to inform the investment decision-making process.

Broad and deep ESG integration of ESG ensures that opportunities arising from ESG megatrends and risks embedded in ESG practices will continue to drive alpha generation and/or risk mitigation. Moreover, ESG integration assists in upholding our fiduciary duty to clients by taking into consideration both financial and extra-financial aspect to achieve better long-term risk-adjusted returns.

The ESG integration processes for different asset classes are detailed in the sections that follow.



a. ESG integration for equity strategies

>> Traditional equity strategies:

At Candriam, we integrate ESG information and analysis into equity investment decisions in order to better assess the risks and opportunities that stem from the business activities and operations of companies. Respecting and preserving the distinct nature of each philosophy and approach across our range of fundamental, thematic and emerging markets funds, Candriam’s fundamental equity investment strategies are impacted at each of the following 4 levels:

1. ESG exclusions from the investment universe
2. ESG integration into fundamental analysis of companies
3. Consideration of ESG in company valuations
4. Impact of ESG on portfolio construction

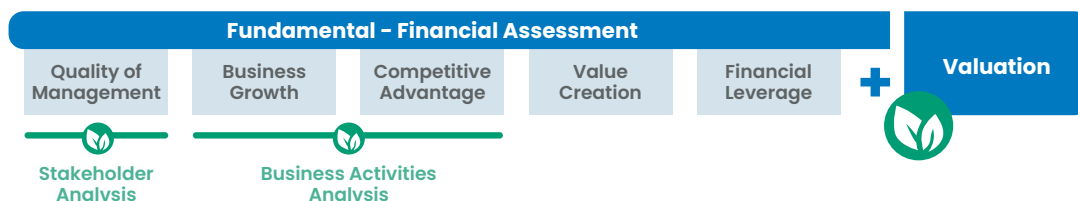
1. ESG exclusions from the investment universe

In a first step, we rule out companies that are in breach of the principles of the **United Nations Global Compact**. These ten principles cover four main categories: Human Rights, Labour, Environment, and Anti-Corruption. The norms-based review identifies companies which have significantly and repeatedly breached any of the principles of the United Nation’s Global Compact.

We also exclude companies that are involved **in controversial weapons** (biological weapons, chemical weapons, white phosphorus weapons, anti-personnel landmines, cluster munitions and depleted uranium weapons), **Tobacco**, **Thermal Coal** and operate in **Oppressive regimes**.

2. ESG integration into fundamental analysis of companies

Candriam’s fundamental equity strategies¹ take into account the “Business Activities Analysis” and “Stakeholder Analysis” scores resulting from Candriam’s corporate ESG analytical Framework in fundamental analysis and in “Company Valuation” as follows:



1. Applicable for developed markets (Emerging Markets get a specific analysis)

Quality of Management

In order to obtain a holistic view on the overall governance and soundness of a company's management, we assess a company's relationships with several stakeholders by considering and integrating qualitative ESG information and quantitative ESG scores that result from the ESG stakeholder analysis. Further to the assessment of strategy, stability, track record, corporate communication and other financial criteria, we assess the management team on its relationships with its stakeholders.

The ESG Stakeholder analysis is taken into account in the Quality of Management assessment. If the company 'stakeholder' score is in the bottom 20% of its universe², the 'Quality of Management score' cannot be 'green'.

Business Growth

In the assessment of business growth, the ESG Business Activities Analysis of issuers is taken into account. Candriam has identified key long-term sustainability trends which strongly influence the environment in which companies operate and which influence their future market challenges and long-term growth and prosperity.

Five Key Sustainability Challenges, that is Climate Change, Resource Depletion, Health & Wellness, Demographic Shifts and Digitalization, are analysed in order to assess the growth potential in conjunction with other key market drivers and regulatory risk.

More specifically, we consider the supply and demand dynamics as well as market drivers, the **score resulting from the ESG Business Activities analysis**, and potential regulation constraints to determine the overall score for the pillar.

Competitive Advantage

We perform an intrinsic analysis of products and services, R&D, customer support, and other areas relevant to the company's business, including opportunities and risks resulting from the ESG considerations. Very often, ESG factors directly impact the strategic positioning and innovation of a

company relative to its peers through its brand, product/concept/services leadership, costs, R&D, marketing and distribution.

We use the Porter concepts to analyse the competitive position of the company in its industry, such as the threat of new entrants, threat of substitutions, and the bargaining power of suppliers and customers. We check potential regulatory constraints and assess their impact on the competitive advantage of the company, and opportunities that arise as well **as barriers to entry** resulting from new environmental policies. Considering the ambitious climate objectives of many countries across the globe, and the ensuing regulation and legislation regulating emissions and pollution, we expect companies that have business activities sustainably and positively contributing to those environmental objectives, to outperform in the long run.

Final Fundamental Assessment

As **ESG factors** are taken into consideration in the evaluation of **Quality of Management** on the one hand, and the assessment of **Business Growth** and **Competitive Advantage** on the other hand, they directly impact the overall assessment of those two building blocks of Candriam's fundamental equity analysis as well as the score attributed to each one.

Therefore, the **ESG assessment is a contributing factor to determine the final colour/score of a company, which in turn will determine the weighting of this position in the final equity portfolio.**

For each criteria, companies receive one of the following scores: 0 (weak), 1 (medium) or 2 (strong quality). All the five scores are then compiled in order to get a global score/colour grade of the companies which determine the "quality score" of a company: "High Quality", "Satisfying Quality" and "Low Quality".

2. Investment universe varies across strategies

3. Consideration of ESG in company valuations

We further evaluate the dynamics of companies' profitability and growth, the liquidity of the equity, and valuation. Our valuation is predominantly based on DCF models using at least five years of projected Free Cash Flow, based on our internal projections.

We adjust the discount rate based on the final score/colour of a company which **takes into account ESG criteria**. For example, for green companies, we reduce the discounting rate within our DCF. This modification has a significant impact on the DCF- valuation.

4. Impact of ESG on portfolio construction

After filtering on the basis of thematic, sectoral and/or geographical criteria, the eligible universe is reduced according to norms-based exclusions and controversial activity exposures.

Within this eligible universe, the process is mainly colour-based, bottom-up stock selection; **weightings in the portfolio are function of the global colours of the companies**. The sector weight deviations from the benchmark are not a strategic objective; they result from our convictions on individual stocks, with top down sanity checks and other deviation boundaries.

The weight is significantly impacted by the colour grade (that considers the ESG scores and recommendations as described above), and the upside potential derived through our valuation analysis (that takes the ESG score into account as well).

We favour companies that are 'green' in all aspects. An 'orange' company will have a lower weight and 'red' companies are in principle excluded, or extremely reduced, depending on the process.

>> Thematic equity strategies:

ESG is integrated into the investment process of thematic strategies at two levels.

Firstly, based on a Business Activity Analysis, Candriam's thematic approaches select companies providing solutions to address the global sustainability challenges to which our economy and society are exposed. The analyses conducted in this phase result from synergies between the ESG Analysts and the thematic Investment Team. The thematic Framework is not only central to the strategies, but is the starting point of the process. All issuers must successfully pass this stage, otherwise they are excluded.

The investable universe is therefore the result of a selection that fully integrates one or more pillars of the ESG triptych into its theme.

For more information about our different thematic strategies, please refer to our dedicated [Thematic Transparency Code](#).

The ESG integration process is similar to the one described above for the traditional equity strategies, but applied to the defined thematic universe.

1. Applicable for developed markets (Emerging Markets get a specific analysis)

b. ESG integration for quantitative equity and index strategies

In quantitative portfolios, we integrate ESG factors at two steps of the investment strategy: in a first step, the quant process defines the eligible universe, in a second step, ESG indicators are being employed in the optimisation process to build the portfolio.

1. Eligible universe (Positive/ negative screening)

In first instance, we rule out companies that are in breach of the principles of the United Nations Global Compact following the ESG assessment negative screening. The so-called Norms-based review identifies companies which have significantly and repeatedly breached any of the principles of the United Nation's Global Compact.

We also exclude companies that are involved in controversial weapons (biological weapons, chemical weapons, white phosphorus weapons, anti-personnel landmines, cluster munitions and depleted uranium weapons), Tobacco, Thermal Coal and Oppressive regime.

For our SFDR article 9 strategies, we also apply a positive screening by creating an investment universe based on the Best in Universe companies only which are identified by the ESG analyst team.

2. Portfolio Construction

In our portfolio construction, we include two additional ESG indicators as optimization constraints to attain our sustainable objectives.

- Carbon Footprint : Portfolios aims to have a lower carbon footprint than the Benchmark. For SFDR article 9 funds, the decarbonisation level is set at minimum at 30%.
- ESG score: The strategies aims to have a higher ESG score than the benchmark.

The application of this ESG integration process for the passive investments strategies forces to sell the worst scores and highest carbon emitting companies and buy the highest ranked/ Low carbon emitting companies.



c. ESG integration for fixed income strategies

We have a duty towards our clients to accurately assess the creditworthiness of the issuers we lend money to but, at the same time, also assess the manner in which this money will be used. In order to uphold this responsibility, **Governance** and **Climate Change** along with **social** awareness are central to our **ESG Integration approach** applied across all our fixed income assets to **mitigate risks for investors**.

We believe that all issuers must display sound **Governance** practices. Numerous studies have found that issuers with weak practices are more likely to be involved in controversies and underperform against peers, thereby jeopardizing their ability to repay their debt.

For **corporate issuers** this implies **proper board** and **oversight structures**. For **sovereigns** this includes the **policies implemented to ensure political stability, freedom of its citizens and eradicate corruption**.

We strongly believe that **Climate Change** is the predominant challenge of our times. Climate change will intensify existing risks and generate new risks for natural ecosystems and human systems, including businesses and governments. As stated by the UN PRI, "financial markets today have not adequately priced—in the likely near-term policy response to climate change". We fully concur with this statement and therefore strive to ensure that climate change risks are taken into account throughout all our investments.

At Candriam, ESG integration for fixed income is underlined by three key pillars:

- 1. a holistic top-down approach,**
- 2. a focus on material factors,**
- 3. A systematic process.**

A true ESG integration approach is based on synergies between investment teams and ESG analysts. At Candriam, we have implemented a **dedicated Committee** that combines our credit and ESG experts to discuss ESG issues impacting specific sectors and regulatory frameworks.

1. Holistic top-down approach

We apply a **holistic top-down approach** requiring an overall assessment of all the aspects of a business, sector and country exposure to material ESG issues. For corporates, Candriam's ESG analysis performs a top-down assessment of how business activities are aligned with key sustainable challenges and how the different stakeholders are being managed. For sovereign issuers, we assess how a country manages its human, social and natural capital by applying policies that support both short- and long-term sustainable development.

2. A focus on material factors

We focus on **Environmental, Social and Governance factors** impacting credit worthiness and/or financial performance of corporate and sovereign issuers. ESG materiality varies across sectors, countries, and, at times, at the issuer level. We use a sector-based approach to identify the aspects representing high-impact risks to enhance risk-adjusted performance.

3. A systematic process

These ESG criteria are **systematically integrated** into Candriam's corporate and sovereign credit recommendations. We do not limit our analysis to examining historic data; we use a forward-looking approach, meaning that we will determine how these material factors may evolve in the future.

>> Corporate issuers:

Our team of credit analyst/portfolio managers analyse the fundamental Business Profile and Financial Profile of issuers.

We integrate our ESG analysis into industry risk, business model, and management pillars of the Business profile.

Our **ESG Business Activities** Analysis, which assesses a company's business model exposure to Candriam's five key sustainable challenges, is embedded in **Industry Risk** and **Business Model pillars**. The integration of the analysis enables us to identify industry risk stemming from key sustainability challenges as well as how the company addresses these challenges.

Candriam's **ESG Stakeholder Analysis is embedded in the Management pillar** of the business profile. The analysis allows for a holistic view on the company's relationships with stakeholders, thus providing further insight on the quality of management.

>> Sovereign issuers:

Our Sovereign Debt fund management teams use Candriam's Sovereign Risk Model that establishes a common risk scale for all Developed and Emerging Market countries based on fundamental analysis of **macroeconomic** and **structural reform/political risk trends**. We analyse and categorize all countries from our sovereign and emerging market debt universe into groups on the basis of their risk profile. **ESG factors are naturally embedded in structural reform/political risk trends assessment.**

Our structural reform and political risk assessments are based on annually-reported Environmental, Social and Governance/Government indicators.

- These **Quality of Government indicators** encompass political stability and corruption control, rule of law, absence of or levels of violence and terrorism, and regulatory quality and cost. Political accountability means building public institutions with strict audit and control systems that deter corruption practices, good management of public resources, and an independently functioning justice system. Data is sourced from the World Bank *World Development Indicators* database, updated annually.
- The **Quality of Institutions** and the assessment of the

overall **Business Environment** are evaluated using the Ease of Doing Business survey. The ease of creating and running a business in a country depends on several regulatory factors such as the protection of property rights, the quality of contract enforcement, and the fair resolution of legal disputes between market participants. We favour countries in which investment is supported and regulatory burdens are limited. We assess the ability of governments to formulate and implement policies that promote economic growth. The Ease of Doing Business Index is produced annually by the World Bank.

- **Structural Reform Momentum** is tracked using both quantitative indicators, such as the Gini Index of poverty and inequality, as well as qualitative indicators. We evaluate the country's development path, fairness, percentage of population below the poverty threshold, openness and access, rule of law, voice and accountability, and political stability.
- The **Environmental Impact** using measures of the country's ecological footprint and biological capacity is also reviewed. Poverty and inequality data, including the Gini Index, are sourced from the World Bank. Ecological data is sourced from the Global Footprint Network on an annual basis.
- The assessment of the efficiency and sustainability of a country's **Monetary Policy Framework** is measured by the Central Bank's independence and credibility. Inflation targeting increases a Central Bank's credibility and its commitment to managing inflation. These variables are individually analysed, inputted, and maintained by Candriam's Emerging Markets Debt Team.

Impact on portfolio construction

The impact on Portfolio construction is the following.

- If Credit rating is CR4/CR5, the issuer cannot be included.
- If credit rating is between Cr1 and CR3, the following applies to portfolio construction.
 - We provide a weight based on:
 - Credit score (ESG integrated)
 - Macro assessment.
 - Relative value opportunities (yields, Spreads, Prices)
 - Market assessment (high yield, IG, EMD etc)

Integration and engagement go hand in hand

In addition to our corporate and sovereign model, our engagement activities enable us to gain a deeper and more thorough understanding of E, S and G related performance of these companies. We encourage companies to 'raise their game' on sustainability through both direct dialogues and collaborative initiatives.

Additionally, engagement allows Candriam to deliver tangible sustainable outcomes. For example, it may be that as a result of our dialogue with a company, often alongside other investors pursuing the same objective, a company may commit to aligning its operations with a 2-degree warming scenario. To guide our initiatives, we concentrate on three core topics: 1) To support the transition towards clean, sustainable energy; 2) To promote fair working conditions for all; 3) To foster high standards of business ethics.

Principle 8:

Signatories monitor and hold to account managers and/or service providers.

ESG data provider selection

Prior to selecting a data provider, Candriam's ESG analysts conduct in-depth due diligence on the provider's services and data quality, to ensure their service and offerings match our expectations and ultimately serve our clients' best interest. In their assessment of external data, analysts focus on data quality and consistency, indicator relevance and materiality, data gaps, and on understanding underlying approaches and methodologies.

Following on from this due diligence, Candriam's Purchasing Department manages the contractual negotiations.

ESG data provider monitoring

We continuously monitor the quality of our ESG data providers, tracking for example the ability of data providers to: increase or improve research coverage, such as by geographic region or asset class; and respond to our requests and requirements, such as additional analysis and solutions to technical difficulties.

To date, we have not ended a contract with any of our providers due to unsatisfactory research or services.

Controls on ESG data integration are implemented to ensure that ESG data is integrated into our information systems in a correct and consistent fashion. Candriam's Data Team is responsible for defining and implementing such data controls.

Principle 9:

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement activities refer to interactions between Candriam and:

- **Current or potential investees on Environmental and/or Social and/or Governance issues (ESG).**

Targeted investees may be **corporates** (or groups thereof), **governments or affiliated bodies** (municipalities, agencies, supranationals, etc) with a presence in one or more asset classes such as listed **equities** or **fixed income**.

- **Entities which, through their competences and/or authorities, are able to influence or initiate changes in the regulatory or market framework involving ESG aspects.**

They do not include interactions with investees for data collection or research for the sole purpose of feeding buy-/hold-/sell-/weight-related portfolio decisions. Our scope of engagement covers all types of issuers and regions, and is based on Candriam's full investment coverage, with priority given to our ESG analysis coverage. Engagement activities targeting public bond issuers are mainly initiated via collaborative initiatives, the objective being to secure more leverage to incentivise countries and international organisations.

In line with the PRI, the four pillars of our engagement process are:

Encouraging improved ESG disclosure

Supporting investment decision-making

Influencing corporate practice on ESG issues

Promoting Sustainable Finance

These pillars, which provide an efficient framework for discussions with issuers, remain mutually non-exclusive, as we may have to deal with multi-target dialogues.

The formal process for identifying and prioritising the engagement activities is done within our previously described four-pillar framework, taking into account:

- the materiality of the issue;
- the impact within the SDG spectrum;
- the presence of the issuer/company in the portfolios as well as the interests of our investment team and the potential leverage.

Most of the time, Candriam engages with companies' representatives. Stakeholders interested in the companies in which we invest may also be contacted. They may belong to different categories of actors e.g., nonprofit organisations, unions, industry federations.

Such interactions enable us to improve and sharpen our sector knowledge and to share our views on important and material topics.

Candriam's proxy voting policy applies to the open-ended funds which are managed by an entity of the group. This policy also applies to dedicated funds and mandates if the underlying client has given their agreement to the application of such policy.

All details related to the scope and application of our voting policy can be found in the publicly released Candriam Voting policy document.

Candriam's engagements are both proactive and reactive, depending on the trigger.

The choice between direct or collaborative dialogue will depend upon several factors.

Individual dialogue is prioritised but a collaborative approach is preferred when:

- the interlocutor is a country, a group of countries, an international organisation or any authority in which we are not a shareholder;
- the history of individual dialogue with the corporate issuer in question is sub-optimal;
- an opportunity arises to engage with others on the topic in question with a shared understanding of it, while avoiding issuers' fatigue in answering similar questions;
- greater leverage is needed;
- economies of scale are required (large number of companies to be contacted on the same topic);
- further media coverage is expected to raise public attention on the topic under consideration.

Since 2015, in the context of its engagement activity, Candriam has chosen to promote three long-term engagement topics: our Conviction topics:

- **Business ethics**
- **Energy transition**
- **Fair work conditions**

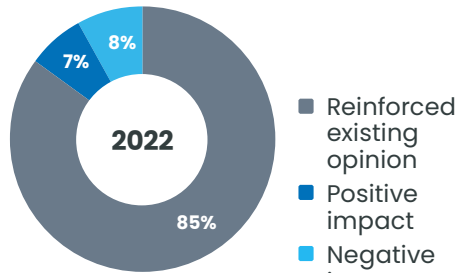


The year at a glance.

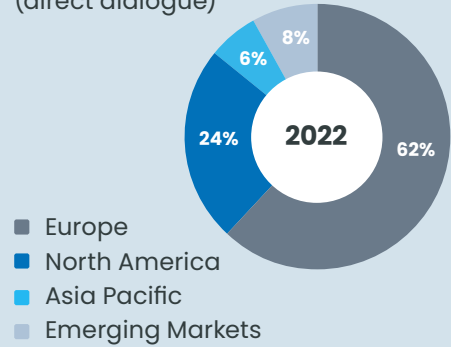


336
corporates
contacted
directly

Impact on Candriam ESG opinion (direct dialogue)



Region (direct dialogue)



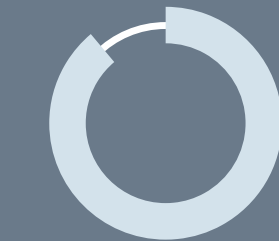
Top topics

- Energy Transition
- Fair Work Conditions
- Business Ethics

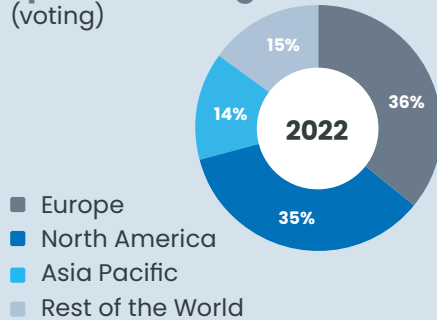
Direct Dialogue



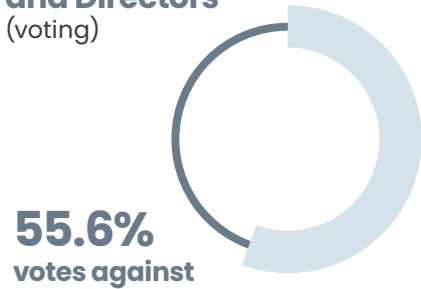
Collaborative Dialogue



Geographical split of meetings (voting)



Compensation of Management and Directors (voting)

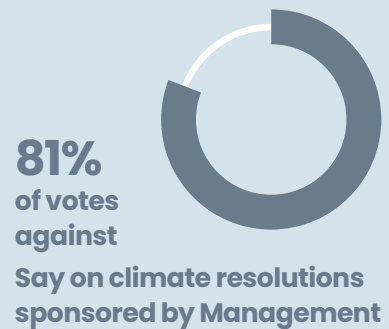


1,939
Voted
Meetings

Active Voting

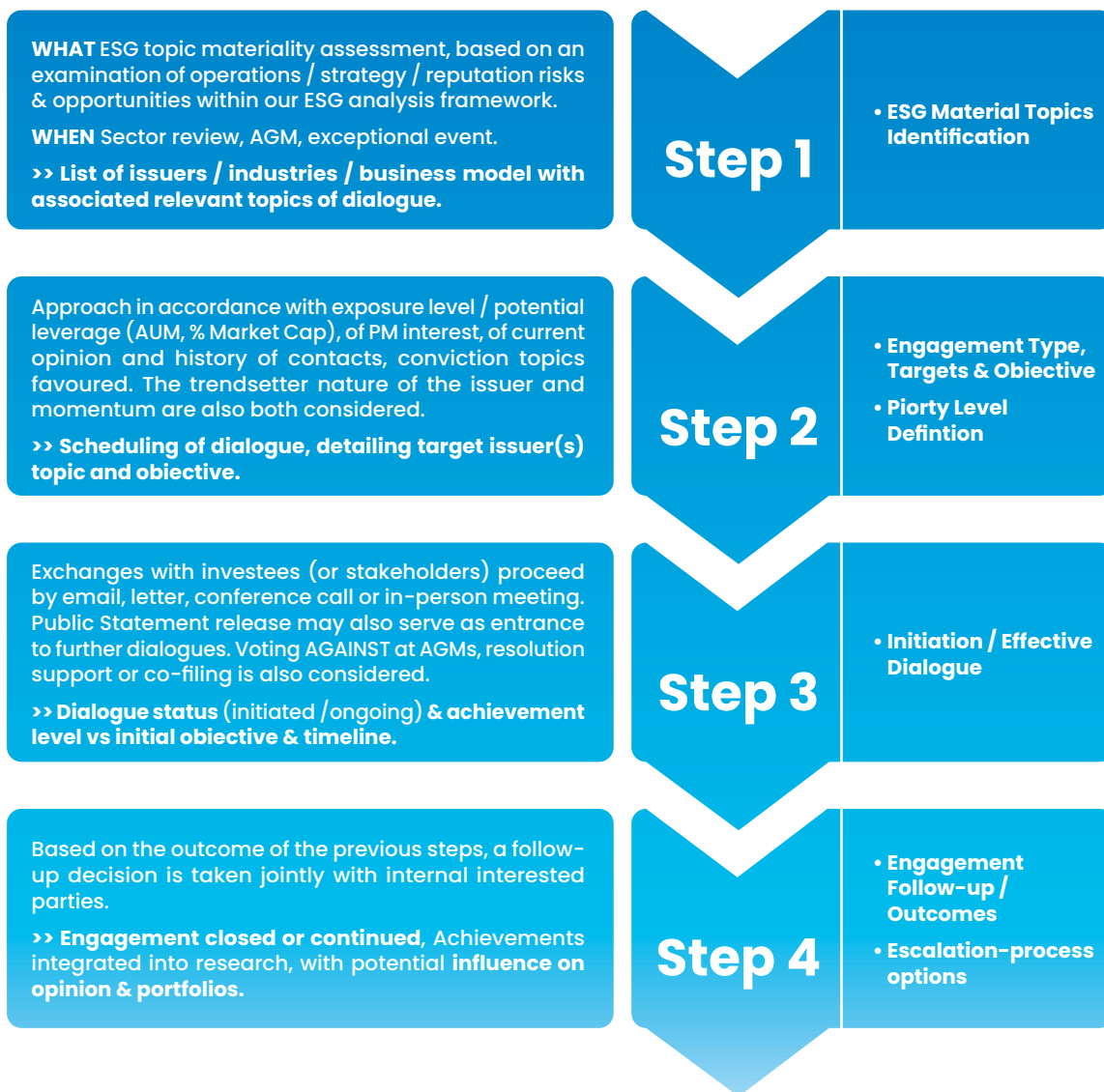


Climate Voting



*Limiting the AUM scope to Corporates invested in direct lines (both through equity and fixed income instruments) in funds or mandates for which Candriam ensures the management activity.
Source: All data is from Candriam, unless otherwise specified.

Engagement Process



WHAT ESG topic materiality assessment, based on an examination of operations / strategy / reputation risks & opportunities within our ESG analysis framework.

WHEN Sector review, AGM, exceptional event.

>> **List of issuers / industries / business model with associated relevant topics of dialogue.**

Approach in accordance with exposure level / potential leverage (AUM, % Market Cap), of PM interest, of current opinion and history of contacts, conviction topics favoured. The trendsetter nature of the issuer and momentum are also both considered.

>> **Scheduling of dialogue, detailing target issuer(s) topic and objective.**

Exchanges with investees (or stakeholders) proceed by email, letter, conference call or in-person meeting. Public Statement release may also serve as entrance to further dialogues. Voting AGAINST at AGMs, resolution support or co-filing is also considered.

>> **Dialogue status (initiated /ongoing) & achievement level vs initial objective & timeline.**

Based on the outcome of the previous steps, a follow-up decision is taken jointly with internal interested parties.

>> **Engagement closed or continued, Achievements integrated into research, with potential influence on opinion & portfolios.**

- Building upon this first step of identifying ESG material topics, priorities and timeline of engagement can be defined and/or updated also in light of:
- Candriam's level of exposure (assets);
- Candriam portfolio managers' and analysts' interests;
- The topic of engagement and how it fits in with Candriam conviction topics and other ESG priority topics, including

those for which Candriam clients have expressed an interest;

- The current ESG opinion on the issuer (e.g., presence on ESG watchlist);
- The trendsetter nature of the issuer in question, and thus the potential impact that any change at this issuer level might induce in market practice or the market approach to the issue in question.

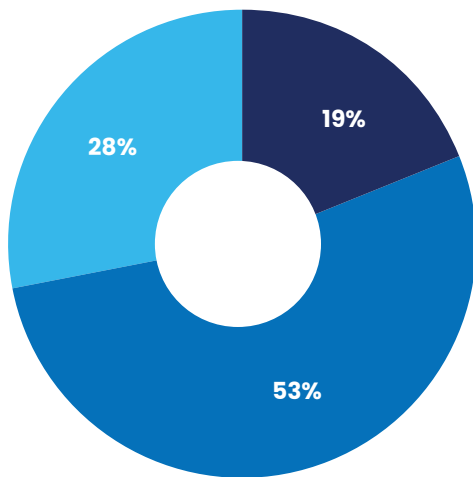
- The nature of the trigger: for example, the ante-AGM period appears the best time for a discussion on governance topics with top management. Contact is initiated quickly when an incident occurs and has an assumed or proven material impact on one or more

issuers, and when analysts need further provision to review their opinion.

Please see below summary of engagement objectives and triggers for facilitating an engagement.

Dialogue Primary Objectives

Of a total of 427 dialogues in 2022 (versus 320 in 2021, and 227 in 2020)



Primary Objective	2022	2021	2020
■ Encourage improved ESG disclosure	19%	11%	22%
■ Support investment decision-making	53%	43%	54%
■ Influence Corporate Practice (such as AGM-related letters)	28%	46%	24%

Encourage improved Disclosure

More transparency (public information) is demanded regarding ESG challenge(s) assumed to be material for the issuer, and on how issuer manages them.

Support investment-decision making

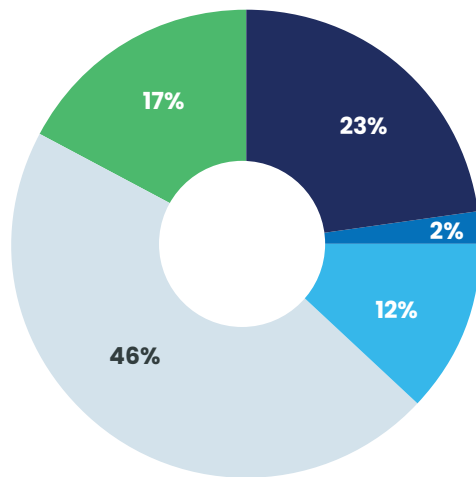
When ESG specialists need to confirm or challenge their opinion on the issuer, for a planned ESG profile review, after a controversy, or in the framework of continuous monitoring.

Influence Corporate practice

When the issuer lags our expectations and we expect the issuer to review its approach (strategy, practices) over specific ESG topic(s).

Dialogue triggers

Of a total of 427 dialogues in 2022 (versus 320 in 2021, and 227 in 2020)



Trigger	2022	2021	2020
■ ESG issue(r) planned review / Follow Up	23%	25%	33%
■ Exceptional Event / Controversy	2%		
■ Pre/Post AGM Engagement	12%	10%	14%
■ Thematic	46%		
■ Investment team's demand	17%	64%	53%
■ Client's demand	0%		

Note: The change in reporting format for 2022 has been made in order to introduce additional granularity.

Tailoring Engagement to the asset class or region to achieve the greatest impact:

While we follow a broad engagement strategy across the firm, we do believe engagement should be tailored to reflect regional specificities as well as differences in asset classes. For example, the engagement approach for public assets is not always the most applicable approach for private assets. The same goes across different sub-sectors of the market where small cap names may have different levels of resources to support their sustainability agenda than mega caps would. See below for specific examples on engagement in the private markets as well as engagement in SMID caps.

Engagement in Private Markets: Engagement in Impact One

The early-stage nature and illiquidity of private equities and of funds-of-funds means that they are most successful in an environment of specific, specialised, and long-term engagement. In our 2022 Engagement Report (Appendix), we [interview](#) Maïa Ferrand, Co-Head of External Multi-Management, on how this type of engagement works.

What sets successful private equity managers apart is the quality of the partnership with the invested company. Private markets typically welcome engagement, conversations, and help from their investors than do their public counterparts. Often, the private equity managers have experience in the types of businesses which they are funding and are intimately involved in providing advice to the firms.

Our underlying funds report on all their ESG policy, risks, opportunities and progress against KPIs, both at their fund level but also specifically for each underlying company. Our role and engagement type depends on the specifics of each underlying investment. Engagement takes place at two levels -- we engage with our underlying funds, who in turn engage with and report to us on each of their underlying companies. This includes technical support, as well as advice on impact and other reporting systems, strategies, and business plans. They play a key role in supporting invested companies setting up and achieving performance targets around both business and impact goals. They also create an important ecosystem including not only founders but impact directors and experts in the same field for interaction and the exchange of ideas.

Our investee private equity managers also engage with their companies to guide their transformation to Industry 4.0, especially on reduction of carbon emission and optimisation of the value chain. Our direct involvement with the underlying invested companies is via quarterly portfolio updates where we discuss with the investment managers any areas where additional specific support or focus might be needed. This is often much more directly operational than for public companies, and may include introductions within the industry, hiring needs, etc. We, as a fund of funds and investor, engage directly with each underlying fund in which we are invested. Before we make any investment, we make sure that we can form a full partnership with all our underlying funds; supporting them in reporting their extra financial performance, engaging in constructive dialogues, and participating in their impact committees as observers.

Our role and engagement with our underlying funds is focused on the impact. Simplistically, the investment fees we receive depend on achieving both the impact and the profit goals. Our carried interest is linked to our impact result, and when we invest, we require this impact data in the legal documentation with the investee fund. When possible, we have asked our general partners (underlying funds) to create impact committees to discuss the underlying KPIs and targets and understand the progress.

We also engage with some general partners to help design their impact methodology and analyse their impact on an incremental basis. For example, we did modify a few impact metrics and helped make the reporting more global across the portfolio of one of our investee groups to provide figures that can be measured and relevant to social or environmental progress. We worked hand-in-hand with the group's founding partner to improve their impact measurement and reporting processes, from the KPIs they chose to the way this information was presented. We helped them attribute specific, measurable, achievable, relevant and time-bound targets, albeit flexible, for most of their underlying companies.

Engagement with Small and Mid-Size firms on Human Capital Management

Our portfolio management team has found that human capital management is critical to the success of small and mid-cap companies given their highly competitive operating environment and the rapid growth of European small and mid-cap companies. Given that these companies compete for talent in the same markets as large and mega cap companies, small and mid-size firms can be more exposed to human capital risks. As a result of this, we conducted a [targeted engagement campaign](#) on the issue. In our 2022 Engagement Report (Appendix), we [interview](#) Christian Sole, Deputy Head of Fundamental European Equity Management, on a multi-stage campaign.

The engagement campaign was managed across the portfolio management team, the ESG team and the engagement team. The goal was to understand the ability of companies to attract and retain talent. We sought to understand how their human resources practices matched their entrepreneurial ambitions and unique business challenges. This includes gaining an understanding of how SMID companies track the efficiency of HR measures in place, as well as sharing best practices. The Investment Team, ESG Team, and Engagement all took active roles.

The intent of these systematic dialogues with SMID companies was to improve their disclosure of human capital management data, to better understand the issues they face and the supervision measures they implement. We wanted to highlight that as investors, we believe that better human capital management leads to better business performance. We also want all of our investee companies to view us as their partners in this field. Our first goal is to encourage and guide on the disclosure of basic but meaningful Key Performance Indicators, and to encourage further steps. The choice and rationale of KPIs is central to their success as a management tool, as well as to their usefulness for investors. Because of Candriam's historic participation in the collaborative Workforce Disclosure Initiative, we realised in advance that proper workforce-related reporting can be challenging, even for large companies with extensive reporting systems.

In September 2020 our ESG Team began compiling existing public indicators for a preliminary analysis on the group of companies identified as priorities by the Investment Team. We then began to exchange with companies, sharing best practices with them and enabling them to compare with their peers. We also explained what was driving our interest towards some of these KPIs.

After two years, we have surveyed more than 60 firms on 13 KPIs related to six themes: 1) workforce demographics, 2) work organisations and structures 3) workforce stability, 4) employee recruitment and development 5) employee engagement practices 6) management of the covid-19 crisis

The response rate was over 70%! Further, this campaign opened doors to managements which had been previously uncommunicative in standard (that is, more financial-oriented) dialogue. The 'data collection' phase of existing KPIs and their analysis enabled us to identify five companies lagging in terms of disclosure, practice, or both. The collaboration with the ESG Team was fruitful as we jointly compared and refined our views on interpretation of human-capital-related indicators.

We even involved Candriam's Human Resources Department in these discussions to understand whether our expectations levels were realistic. After aligning our views to speak with one voice, both ESG and investment professionals take part in the calls with companies, sharing views and supporting improvement of practices in the field. These are good opportunities to hear the challenges of this type of company, in building adequate reporting systems, and maintaining and increasing their attractiveness and retention capacities. Target companies definitely appreciate when we make the effort to deliver reports describing industry practices, the level of performance which triggers concern on our side, and the follow-up questions we may ask. We follow this phase with questions designed to gather more qualitative info and add colour to the quantitative KPIs.

Our goal is to continuously evolve the campaign and focus on the companies in our portfolios. We will continuously monitor the companies already targeted by our campaign to study their evolution in KPI disclosure as well as overall evolution of human capital management.

For a smaller sub-set of these companies, we will individually engage on specific challenges. For example, we might question companies with particularly large expansion strategies about their recruitment capacities in a particularly tight labour market. We will also build on our internal [research](#), recently published, research on ESG metrics in executive remuneration which we performed on larger-cap companies. The idea is to support the implementation of such metrics at SMIDs and, with regards to social metrics, to steer, challenge, and support management's choices.

We also increased our focus on engaging with fixed income issuers, as noted in our [2022 outlook](#). In our Appendix, we describe in detail our engagement regarding social bonds of the NatWest Group.

With respect to asset classes and issuer types, we are expanding our sovereign engagement, usually through collaborative elements, such as our collaborative engagement with the [Australian government](#) on climate change (again in our Appendix).

Principle 10:

Signatories, when necessary, participate in collaborative engagement to influence issuers.

For collaborative initiatives that we join, we can usually choose the issuers with whom we wish to engage.

We can lead the engagement with the issuer, organising regular group-update calls, providing an engagement evaluation framework for other participating investors, contacting companies in the name of the group and participating in meetings or calls. We can also choose to support initiatives actively without taking the lead but helping to lead investors in the engagement process (preparing and/or participating in calls/ meetings). Ultimately, for issuers we have proportionally less interest in, we opt for a more passive attitude, being signatories of letters and named as supporting investors but without actually participating in any of the calls/ meetings organised with the issuers.

For all collaborative initiatives we sign, Candriam commits, through its commitment or signature, the totality of its assets under management.

During 2022, we targeted 7,530 corporate issuers through our collaborative dialogues and statements, representing a total of 14,334 dialogues on various ESG topics. These engaged issuers account for 89% of Candriam AUM, measured as corporate instruments (equity and bond instruments, direct lines) in funds or mandates for which Candriam ensures the management activity. For non-corporate issuers, such as sovereigns, we have engaged only via collaborative dialogues and statements so far. Engaged non-corporate issuers accounted in 2022 for about 93% of Candriam non-corporate AUM, (bond instruments). As these are numerous and mostly ongoing, our role and the reason for joining are summarized in a four-page table in our 2022 Voting and Engagement report (Appendix).

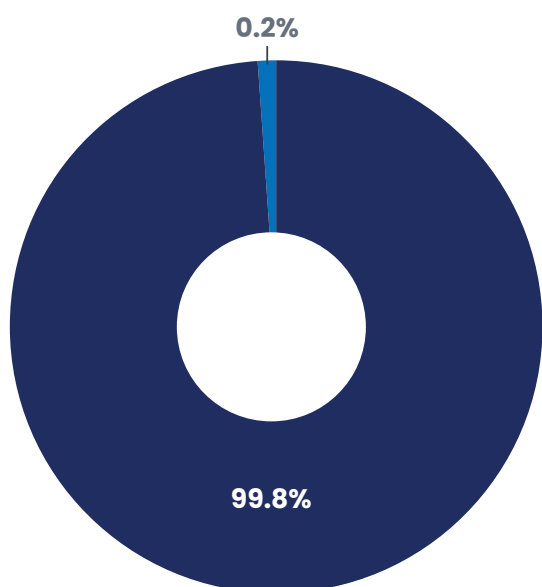
During 2022, we joined twenty new initiatives. With ESG now 'in fashion' and so many more initiatives being launched, sometimes even in competition on similar topics, we must prioritise. We allocate our resources by respecting our three

long-standing priorities set in 2014, Energy Transition, Fair Work Conditions, and Business Ethics, and by judging the likelihood of adding value to our investment process or making a difference on the topic. For example, we have joined the World Benchmarking Alliance's Investor Statement on Ethical Artificial Intelligence and Engagement Alliance, which aligns with our ongoing work on Facial Recognition Technology, where we are leading an investor group and have published

the first stage of our group's Engagement with companies (for the background on this [campaign](#), see our description in our Engagement report (Appendix), which contains further links to our published reports).

Impact of collaborative dialogues on Candriam ESG opinion

Out of a total of 13,302 closed dialogues with corporate issuers in 2022

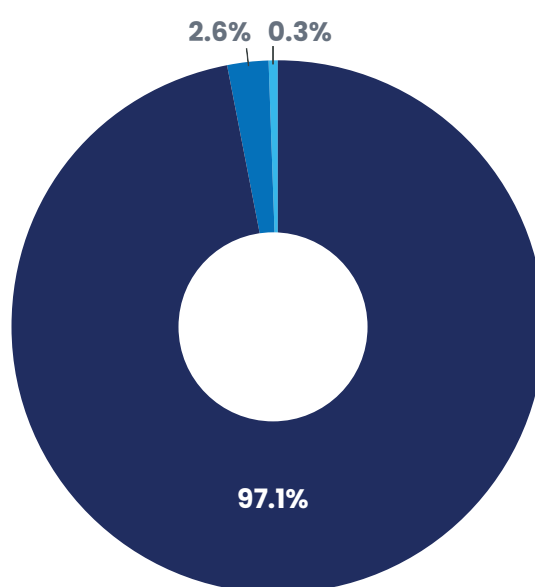


Impact on opinion	%
■ Reinforced existing opinion of analyst	99.8%
■ Positive impact on opinion of analyst	0.2%
■ Negative impact on opinion of analyst	NM

Note: This chart gives an idea of the share of 2022 collaborative dialogues having already influenced the ESG analysts in their opinion on the target issuer involved. Influence on opinion does not systematically mean a change in ESG eligibility.

Impact of collaborative dialogues on Candriam ESG opinion, without CDP

Out of a total of 1,042 closed dialogues with corporate issuers in 2022



Impact on opinion	%
■ Reinforced existing opinion of analyst	97.1%
■ Positive impact on opinion of analyst	2.6%
■ Negative impact on opinion of analyst	0.3%

Note: This chart gives an idea of the share of 2022 collaborative dialogues having already influenced the ESG analysts in their opinion on the target issuer involved. Influence on opinion does not systematically mean a change in ESG eligibility.

Candriam is actively involved in many associations that promote the integration of sustainable development within the investment industry:

- National & international Asset Management Industry associations, through RI-dedicated working groups
- National & international Sustainable Investment Forums
- Sustainable development information and education centres.

If advocacy positions taken by industry associations we adhere to are not aligned either with our own position or when appropriate, Candriam makes its position public.

Candriam also regularly responds to consultations from regulatory or industry bodies, not only through associations but also often simultaneously in its own name, to gain leverage and/or highlight specificities.

In addition to these, and besides press interviews, Candriam shares its ESG expertise as a regular speaker at key ESG conferences in Europe and abroad organised by public and private bodies.

Principle 11:

Signatories, when necessary, escalate stewardship activities to influence issuers

Once dialogue has started and depending on the quality of the exchanges and the interest of internal parties, a follow-up approach and potential escalation measures can be defined. Several decisions can be taken, not mutually self-exclusive:

- Engagement is continued: the objective of the dialogue appears achievable but with an extended deadline;
- Engagement is closed: the prescribed objective either was achieved or does not appear achievable;
- An escalation process has been triggered: the objective was not met but is still assumed to be achievable and material enough for us to pursue our efforts under another form.

When triggered, the escalation process may differ, depending on the history (type of engagement, length, quality of the relationships), the context of the dialogue (period of the year, client-specific investment policy, market/media/NGO/client pressure) or new rising opportunities.

In the escalation steps (not mutually self-exclusive) below, Candriam is ready to consider:

- Joining or launching a collaborative initiative having similar objectives to the previous dialogue and potentially extended to industry or region level;
- Exercising voting rights against management to show Candriam's disagreement on practices or strategic choices;
- Starting an individual dialogue (e.g., after a vote against management during the AGM);
- Supporting or filing a shareholder resolution;
- Reading a statement at the AGM to raise both management and shareholder awareness;
- Changing the ESG eligibility status of the company with divestment consequences, the issuer being systematically informed.

There are several ways to assess the impact of our engagement activities and their outcomes:

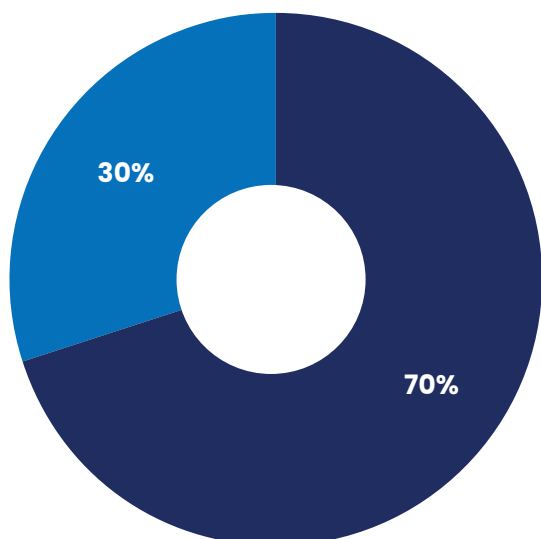
- The impact on the issuer’s level of awareness, their strategy and/or their practices, depending on the initial objective of our engagement. As this impact is often delayed (e.g., improved disclosure, occurring at the same time as disclosure of the annual documents), it is the most difficult to ascertain/estimate.
- The impact on Candriam’s research and opinion, as dialogue content feeds analysts’ work and influences decisions. Whether or not the company chooses to answer our demands in detail and eventually change its practices, (non-)answers influence ESG analyst opinion, as company transparency is already a source of input for ESG analysis.

Examples of follow up where we had to change our approach include Teleperformance and Kingspan.

- For Teleperformance, [we described in 2020](#) that steps had been taken and we planned to continue dialogues both individually and collaboratively. By 2023, we described that steps have been taken, but we are concerned that they are too slow.
- For Kingspan, we were engaging on governance issues prior to the Grenfell fire, both through direct engagement and voting. Following that event we engaged with the management both individually and in conjunction with several other investors. We [reported our progress in May 2022](#), updated our summary in our March 2023 Engagement and Voting review (Appendix), and [in April 2023 we pre-announced](#) our voting intentions on our website with a further update on our thinking.

Response rate

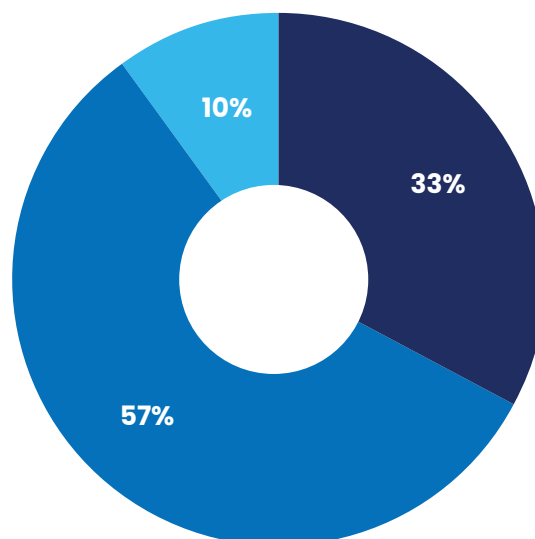
Of a total of 336 issuers under dialogue in 2022 (versus 274 in 2021, and 206 in 2020)



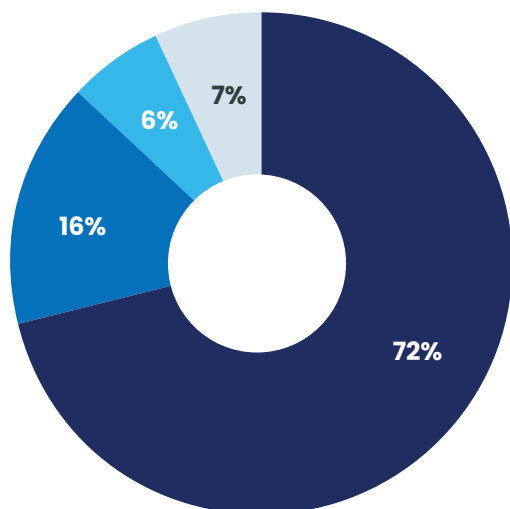
Response rate	2022	2021	2020
■ Responded	70%	60%	54%
■ Did not respond	30%	40%	46%

Main contact channel

Of a total of 236 issuers which responded in 2022 (versus 167 in 2021, and 112 in 2020)



Main contact channel	2022	2021	2020
■ Conference Call	33%	22%	13%
■ (e-)Mail	57%	75%	85%
■ Meeting	10%	3%	2%



Regional breakdown of issuers which responded

Of a total of 236 issuers which responded in 2022 (versus 167 in 2021, and 112 in 2020)

Region	2022	2021	2020
■ Europe	72%	66%	79%
■ North America	16%	17%	10%
■ Asia Pacific	6%	8%	4%
■ Emerging Markets	7%	8%	7%

Principle 12:

Signatories actively exercise their rights and responsibilities.

Candriam has implemented an automated process with, on one hand, the custodian which is requested to provide ISS with shareholdings held in the portfolios and on the other hand, the third party ISS which is in charge to make a vote proposal (for, against, abstain) for any item/resolution proposed at the company general assembly.

Candriam moved a few years ago from a best effort basis to a result oriented strategy to take care that every vote is actually cast. Within the middle office department, there is a team member dedicated to the proxy voting process who takes care that every vote which was not cast is analysed and that structural actions are taken in order to prevent such issue to happen again.

While taking into consideration the voting recommendations of one or more advisers, Candriam has the final say in the votes we exercise. Especially in more complex situations, Candriam's dedicated ESG stewardship analysts may perform a full internal analysis of some or all of the items to be presented at a shareholder meeting, in addition to any custom recommendations provided by ISS or others. In this way, Candriam reassesses items for meetings that are potentially controversial.

An assessment of the quality of our proxy adviser(s)' research and service is performed at least annually by the Candriam ESG Stewardship Team, in collaboration with Candriam's middle office. A due diligence addressing, amongst other items, information security risks and business continuity risks, is also performed regularly by Candriam's Risk Department.

Here is a link to our [voting records dashboard](#).

It is an underlying premise that Candriam will abstain from voting, or will vote "Against", in cases where it has reservations about the governance of the company in question, where the proposed resolution contravenes the interests of shareholders, the resolution is unclear, or there is not enough information available. In that respect, before voting, Candriam does its utmost to ensure that it has at its disposal the information it needs to justify its decision.

Voting and its related activities are embedded in our sustainability philosophy. [Our voting policy](#), is designed and updated to encompass emerging issues not only in corporate governance but also in environmental and social topics. Accountability and transparency are the backbone of our voting policy, as our 2022 voting results demonstrate (Appendix). When casting our votes, we respect our fiduciary duty to our clients and we assess whether companies comply with internationally-recognised standards of corporate governance.

Human capital and climate issues drove the increase. In total, we voted 732 shareholder resolutions, a 25% increase over 2021. Social-related proposals constituted two-thirds of this increase (186 proposals in 2022 vs 99 proposals in 2021). The year also brought new topics to the conversation -- including racial equity, civil rights, gender pay equity, tax transparency, and reproductive rights.

Candriam's proxy voting policy applies to the open-ended funds which are managed by an entity of the group Candriam. This policy also applies to dedicated funds and mandates if the underlying client has given his agreement to the application of such policy.

The following funds are excluded from the proxy voting activities:

- Bond-only funds,
- Absolute return and other investment funds whose positions are subject to rapid change;
- Funds of funds;
- Funds for which the Proxy Voting Committee believes that the proxy voting costs are too high with respect to the fund's NAV

Every December, the scope of funds falling into the voting perimeter is defined for the upcoming financial year. The scope may exceptionally evolve during the year, integrating

newly managed portfolios for instance, and as soon as feasibility conditions are validated with internal teams, (sub-)custodians and our proxy advisor. The companies for which votes will be cast are also defined at this time.

Stock lending:

Candriam engages in securities lending programs for some portfolios. When shares are lent, Candriam cannot exercise voting rights for these shares.

There are no securities lending programs for the sub funds of Candriam Sustainable SICAV.

For funds with securities lending programs and which are included in the voting perimeter, a minimum of 50% of every position is systematically reserved for voting (except for those which trade in 'share blocking' markets, where the reserved proportion may be smaller)⁹. In practice, we rarely have a significant proportion of holdings on loan around the dates of near shareholder meetings.

The decision to recall some or all of the shares on loan may occur when materially feasible and when the meeting is considered of particular importance, such as:

A controversial item is on the agenda, including specific shareholder resolutions, resolutions seeking approval for corporate actions, or resolutions posing a threat to the fundamental rights of shareholders:

- A shareholder resolution deserves our full support as a passing threshold will be difficult to reach and the topic is of primary interest for shareholders;
- We are a co-filer of a shareholder resolution;
- We want to express our full voting interest for the considered meeting as a continuity of an existing engagement with the company;
- We conclude that management should be sanctioned; for example, for failing to manage a severe controversy or for particularly poor risk management practices, with proven consequences on shareholder and stakeholder interests.

In 2022, we participated in 1,939 equity meetings and voted on 25,715 resolutions for our open funds, dedicated funds and mandates we manage under our Candriam voting policy.

Candriam’s proxy voting policy applies to the open-ended equity funds which are managed by entities of the Candriam group.

For dedicated funds and mandates (segregated accounts), Candriam’s clients determine whether to delegate voting decisions to Candriam. Conditions of (non-)delegation are contractual. When a client does not delegate voting decisions to Candriam, the client may choose to vote directly, or may chose not to vote. Delegated voting for segregated client

accounts can take one of two forms:

- The client requires Candriam to apply the Candriam Voting Policy to its segregated account.
- The client requires Candriam to apply a custom voting policy which could take the form of:
- The Candriam voting policy with contractually specified exceptions(eg, for particular companies or particular voting topics), or
- The client instructs Candriam to apply the client’s own specific voting policy. In such cases, the client may also ask to be informed of our voting intentions in advance, and may amend them.

Voting Scope

Voting portfolios	Candriam Policy		Client Custom Policy
	Open Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)
No. Voting funds at end 2022	44	35	19
No. Voted Meetings at end 2022	1,807	811	427
% Voting funds (in number) vs total eligible to vote, with the category at end 2022	97.8%	Not relevant (*)	Not relevant (*)
% Voting funds (in AUM) vs total eligible to vote, with the category at end 2022	98.5%	Not relevant (*)	Not relevant (*)

(*) Mandates or dedicated fund can only be included in the voting perimeter if the client grants us a voting delegation. This decision belongs to the client, not to Candriam.

Please refer to the voting and engagement report in the Appendix for additional details.



€139B

**AUM at end
December 2022***



600

**Experienced and
committed professionals**



+25 years

**Leading the way in
sustainable investing**

*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labeling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 31/12/2022.



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CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY

2022 Annual Engagement & Voting Report



MARCH 2023

Annual Engagement & Voting **Inside.** Report

ment



PART 1

2022 Engagement Annual Review **4**

The year at a glance	6
An Active Year for Active Investors	8
Direct Dialogue	12
Collaborative Engagements	40

PART 2

2022 Voting Annual Review **84**

What did we see in 2022?	88
Focus on Climate	90
Analysing 2022 by the numbers	94
Statistics:	
Our Votes by Topic	98
Active Ownership	102
Votes on Sensitive Resolutions	106
What will 2023 bring?	120

Promoting Sustainable Development **123**

An aerial photograph of a coastline, showing a road running parallel to the water's edge. The water is a deep blue-green color, and the land is a lighter, textured blue. The overall tone is cool and professional.

PART 1

2022 Engco Annual R



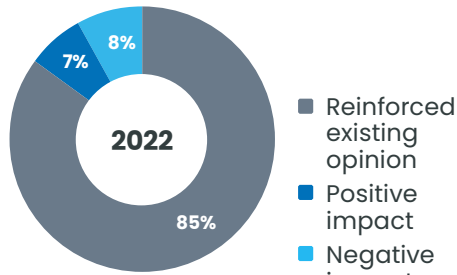
agement eview.

The year at a glance.

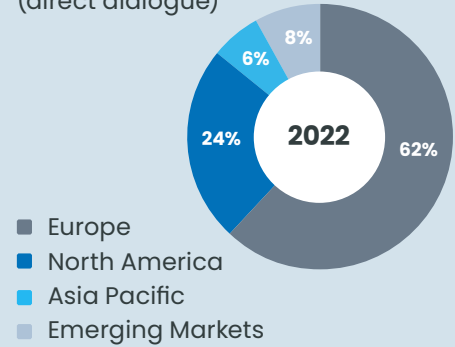


336
corporates
contacted
directly

Impact on Candriam ESG opinion (direct dialogue)



Region (direct dialogue)



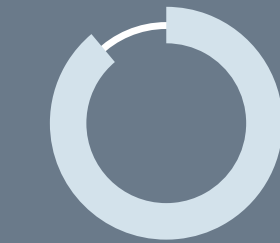
Top topics

- Energy Transition
- Fair Work Conditions
- Business Ethics

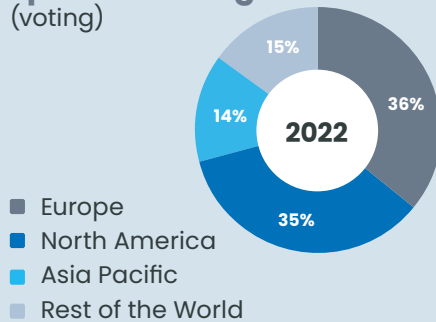
Direct Dialogue



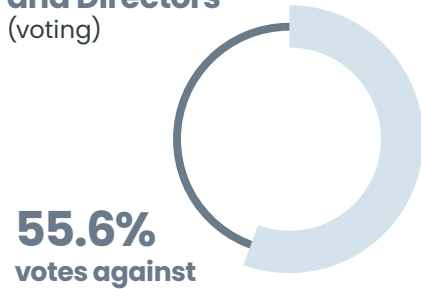
Collaborative Dialogue



Geographical split of meetings (voting)



Compensation of Management and Directors (voting)

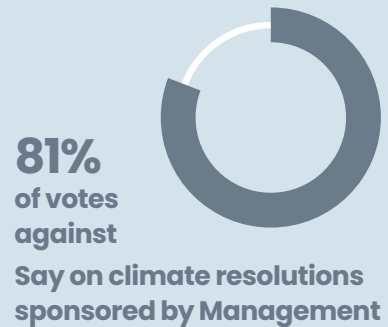


1,939
Voted
Meetings

Active Voting



Climate Voting



*Limiting the AUM scope to Corporates invested in direct lines (both through equity and fixed income instruments) in funds or mandates for which Candriam ensures the management activity.
Source: All data is from Candriam, unless otherwise specified.



An Active Year for Active Investors.

At Candriam, we **define engagement** as interactions we have on ESG issues, not only with current or potential investees but also with entities which, through their competence and/or authorities, are able to initiate or influence change in the regulatory or market frameworks involving ESG aspects.¹

It thus covers in particular constructive individual/direct as well as collaborative dialogues with issuers on ESG and voting. As an extension, resolution co-filing, public statement or pre-announcement of voting intentions also fall under this definition as such actions may be considered as escalation measures.

Our **scope of engagement** covers the full range of issuers and regions, to address our full investment universe, with priority given to issuers covered through our ESG analytical framework. Because Candriam offers Sustainable investment processes for all major asset classes, we engage across equity and bonds assets, and across corporate and non-corporate issuers, including private equity.

Our dedicated *Engagement and Voting Team*, created in 2016, includes five ESG analysts specialized in engagement and voting. The Team coordinates dialogue and voting activities cross Candriam. They work in close collaboration with the ESG Research Team's sector and thematic specialists, and of course alongside the Investment Teams, who are regularly informed of engagement follow-up and often take part in the dialogues.

Consistency between ESG opinion, dialogue and vote is crucial, and influences investment strategies: **Candriam must speak with one voice.**

ESG analysis and opinion feeds the engagement design and process, while the outcomes of the engagements feed the ESG analysis and serve the investment strategies. Together, our Candriam teams create a common understanding of which concerns to pursue, and which best practices we want to promote and defend. This requires close collaboration among our teams.

While engagement may be prompted by exceptional events such as an acquisition, a change in the issuers' business model or a controversial event (accident, investigation announcement, charges laid down by stakeholders), **proactive engagement, such as thematic campaigns, remains the norm.**

Based upon our internal ESG analysis (and materiality assessment), **priorities and timeline of engagement** are defined and/or updated amongst others in light of Candriam's level of exposure (assets), investment teams' interest, trendsetter nature of the topic, engagement's history, momentum (e.g. pre-AGM period appearing the best time to influence issuers on their corporate governance practices). We will also prioritize engagements related to the three topics of conviction Candriam management has chosen to put on the forefront since 2014², namely: Energy transition, Fair Work Conditions and Business Ethics.

Whether we use direct or collaborative dialogue, our **contact point** is chosen based on our history of contacts with the issuer in question, and on how well the position of our contact(s) matches with the engagement topic. If relevant, we may also dialogue with other stakeholders such as unions, industry or consumer federations, non-profits, or academics to have a more precise or balanced approach.

¹ For more details, please refer to our engagement policy, https://www.candriam.com/en/professional/SysSiteAssets/medias/publications/brochure/corporate-brochures-and-reports/engagement-policy/candriam_engagement_policy.pdf

² Ibidem



Candriam's **ESG governance structure** and more specifically our Sustainability Risks Committee, our Proxy Voting Committee and our Stewardship Workstream ensure Candriam's policies of engagement and voting are aligned with Candriam's duties and convictions, are regularly updated, and are well-implemented. Because these governance bodies shape and monitor our approach, they ensure that our engagement priorities are well-considered, closely followed, and that related information is shared and discussed to eventually validate important steps of engagement, such as escalations.

Candriam published our first engagement report in 2009. We continuously aim to increase our **reporting transparency**, surveying market practices, but also - and mostly - paying close attention to expectations of our clients and those of society. We hope these Dialogue and Voting studies help you discover how we approach engagement, and where we moved ahead during 2022. This year we made a specific effort to show through examples how we adapt engagement to specific assets or geographies, how internal parties are involved, and how engagement informs our investment decisions.



Energy Transition



Fair Work Conditions



Business Ethics



Sophie Deleuze
Lead ESG Analyst,
Engagement and Voting

Sophie, what are you and your team seeing in your engagements?

At Candriam, we are both more active and more demanding in our engagement activities, an attitude shared by several other investors, mostly European. Investment teams are increasingly involved, in both the practical exchanges with issuers as well as the determination of engagement priorities and approach.

In terms of topics of engagement, 2022 was an evolution rather than a change in direction. Climate and Energy transition are on everyone's dashboard, with biodiversity close behind – and essentially a part of the broad topic. We usually prioritize collaborative forms of engagement. At this point, investor-owners need leverage to push issuers into alignment with the Paris Agreement 1.5°C pathway with low or no overshoot. As part of our commitment to the Net Zero Asset Management Initiative, in 2022 Candriam began our own Net Zero Direct engagement campaign, targeting the 50 of our investee companies which make the greatest carbon contribution to our portfolio. The central role of Annual Meetings was demonstrated through a surge in number of Say-on-Climate resolutions sponsored by management, while the appearance of Climate Strategy on AGM agendas confirms the legitimacy of the topic. The overall support level these management-sponsored resolutions remain incredibly high, causing some to question the ability of the majority of owners to effectively assess the transition plans. In our opinion, many of these plans provide insufficient information, and are too broad to address the accelerating changes.



Labour and Human Rights-related engagements continued their Covid-born trends, further fuelled by the tense geopolitical context. Transparency over the impact of new technologies on human rights, prevention of forced labour, and the prerequisite implementation of even greater due diligence on human rights kept us busy this year.

Corporate Governance still accounts for a large part of our engagements. Corporate managements are increasingly challenged on their capacity to oversee ESG risks, to prevent conflicts of interest. Questions continue regarding some apparent disconnects between executive remuneration and company performance, as well as gaps between senior management remuneration and remuneration of all other employees.

How are you handling the increase in Reporting Requirements?

Demands for more detailed communication and reporting are pouring in daily from regulators, clients, society... of course from our internal stakeholders themselves! These requests are legitimate, and transparent reporting is part of Candriam's Responsibility. This one of the reasons we applied to the UK Stewardship Code in 2022.

Providing more detailed reporting requires systems. At Candriam, our ESG team has a proprietary database for the coordination and monitoring of engagement activities. Our database is integrated with Candriam's systems for holdings, and also fed by the inputs of ESG analysts and



our investment teams. We track engagement history for every issuer, including details of votes and related rationales; *details* of every engagement such as trigger, objectives, topics, milestones, related levels of achievement, expected timeline; and the *impact* of the engagement on our ESG opinion and investments.

Inputting these details requires hard work and a conscientious team. But it pays off in a better organisation, and better information to decide where to allocate our engagement resources. This year it helped us to provide a more precise view of the linkage between engagement and frameworks, specifically the UN Sustainable Development Goals and SFDR Principal Adverse Impacts, which was a strong demand from all of our stakeholders.

And a look ahead?

The first half of 2023, which is voting season for most companies, will see investors demanding of improved transparency and commitments on climate, biodiversity, workforce diversity and fair remuneration. Of course, the usual Governance voting issues will continue in full force. Candriam will also support initiatives to facilitate the exercise of shareholder rights at AGMs, notably simplification of co-filing procedures. We will also promote standardization of Say-on-Climate proposals, so that investors can access sufficient, clear and detailed information on transition plans.

We see 'growing pains', too. The enthusiasm for collaboration has led to an explosion of collaborative initiatives. From

the perspective of an investor, we must be careful to choose those initiatives which are likely to be well-organized and efficient – perhaps a large group recognized by an experienced and respected entity, or perhaps a small group where all the parties are well-known to each other. Initiatives which just fade away without monitoring their planned milestones also waste the time of the company representatives, who have expanding reporting requests. All of us in the investment industry need to carefully consider the group engagements for the good of all asset owners. We must *balayer devant notre porte* – clean up our own back yard.

Some engagements, notably on climate, stir up a great deal of tension between issuers and investors. We see growing tension in the interactions between companies and other stakeholders, too. Litigation is rising, often from not-for-profit organisations, over energy transition plans or plastic management.

We are active owners and debtholders. We exercise our rights when we believe action is needed to enhance long-term value for our clients and ultimate beneficiaries, and to generate Sustainable benefits for society in general. Occasionally, divestiture is the answer.

But let's be clear. We prefer to be partners and accompany issuers in their journey as they continue to improve ESG transparency and practice. **When we remain invested and engage for action, it is because we believe in their capacity to achieve Sustainable performance.**

Direct dialogue.

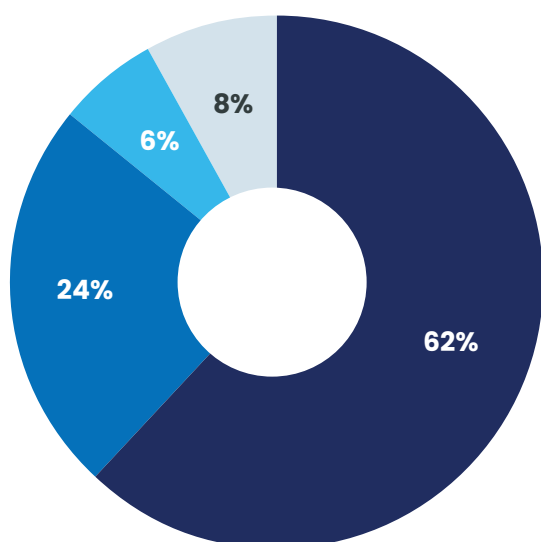
Statistics

In this section we offer a top-down view of our direct dialogues with corporate issuers, including the types of issuers we targeted, their responsiveness, the topics we addressed, the status of these dialogues at end 2022, and their results. For these statistics, 'dialogue' means attempt of or effective exchanges with issuers on Environmental, Social and Governance (ESG) factors.

During 2022, we targeted 336 corporate issuers through our direct dialogue efforts, resulting in a total of 427 dialogues on a range of topics. These issuers account for 42% of Candriam AUM, based on corporate instruments (stock and bond instruments, direct lines) in funds or mandates for which Candriam ensures the management activity.

Regional breakdown

We targeted 336 issuers for a total of 427 dialogues in 2022 (274 issuers and 320 dialogues in 2021, 206 issuers and 227 dialogues in 2020)

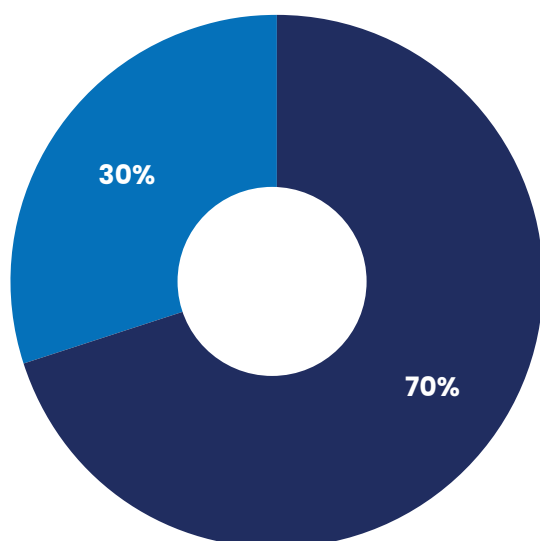


Region	2022	2021	2020
Europe	62%	55%	71%
North America	24%	29%	16%
Asia Pacific	6%	10%	6%
Emerging Markets	8%	6%	7%

Source: Candriam is the source of all data, unless otherwise noted.

Response rate

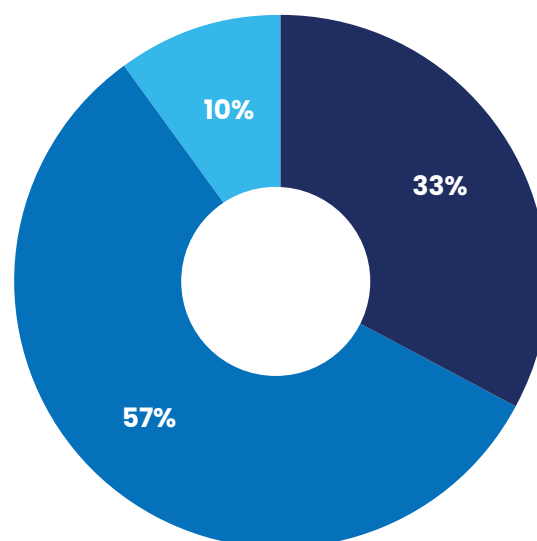
Of a total of 336 issuers under dialogue in 2022 (versus 274 in 2021, and 206 in 2020)



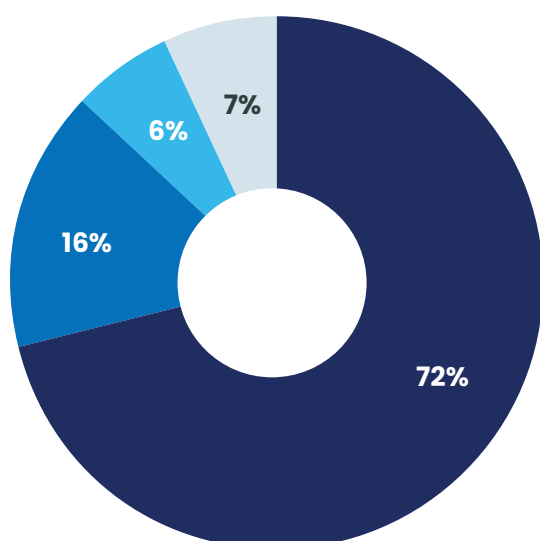
Response rate	2022	2021	2020
■ Responded	70%	60%	54%
■ Did not respond	30%	40%	46%

Main contact channel

Of a total of 236 issuers which responded in 2022 (versus 167 in 2021, and 112 in 2020)



Main contact channel	2022	2021	2020
■ Conference Call	33%	22%	13%
■ (e-)Mail	57%	75%	85%
■ Meeting	10%	3%	2%



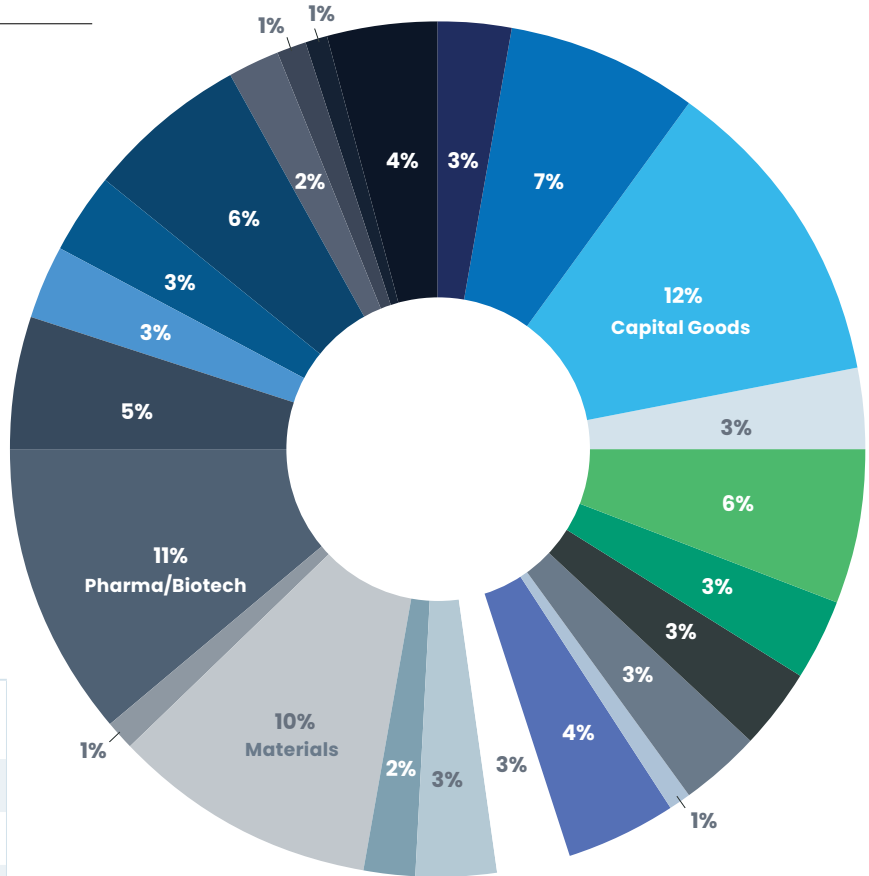
Regional breakdown of issuers which responded

Of a total of 236 issuers which responded in 2022 (versus 167 in 2021, and 112 in 2020)

Region	2022	2021	2020
■ Europe	72%	66%	79%
■ North America	16%	17%	10%
■ Asia Pacific	6%	8%	4%
■ Emerging Markets	7%	8%	7%

Sector breakdown.

Of a total of 336 issuers under dialogue in 2022 (versus 274 in 2021, and 206 in 2020)



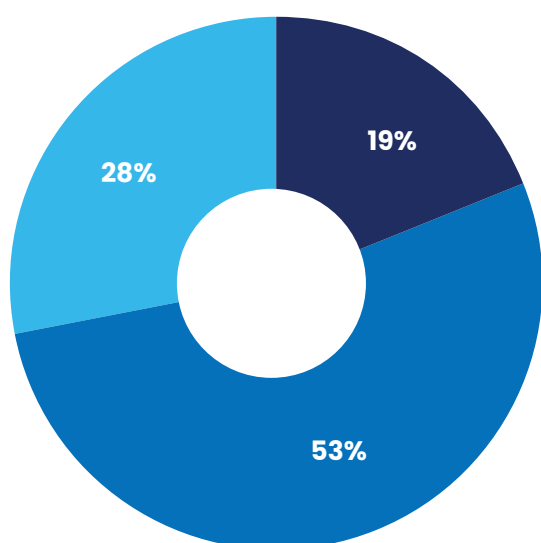
Sector breakdown 2022

Automobiles & Components	3%
Banks	7%
Capital Goods	12%
Consumer & Professional Services	3%
Consumer Durables & Apparel	6%
Consumer Services	3%
Diversified Financials	3%
Energy	3%
Food & Staples Retailing	1%
Food, Beverage & Tobacco	4%
Health Care Equipment & Services	3%
Household & Personal Products	3%
Insurance	2%
Materials	10%
Media, Entertainment	1%

Pharmaceuticals, Biotechnology, Life Science	11%
Real Estate	5%
Retailing	3%
Semiconductors & Equipment	3%
Software & Services	6%
Technology Hardware & Equipment	2%
Telecommunications Services	1%
Transportation	1%
Utilities	1%

Dialogue Primary Objectives

Of a total of 427 dialogues in 2022
(versus 320 in 2021, and 227 in 2020)



Primary Objective	2022	2021	2020
■ Encourage improved ESG disclosure	19%	11%	22%
■ Support investment decision-making	53%	43%	54%
■ Influence Corporate Practice (such as AGM-related letters)	28%	46%	24%

Encourage improved Disclosure

More transparency (public information) is demanded regarding ESG challenge(s) assumed to be material for the issuer, and on how issuer manages them.

Support investment-decision making

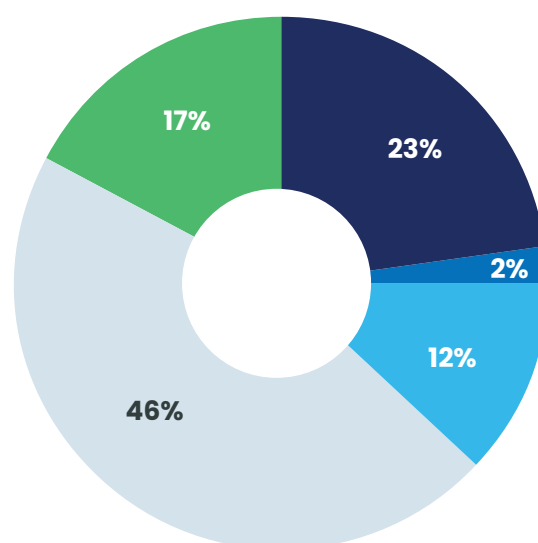
When ESG specialists need to confirm or challenge their opinion on the issuer, for a planned ESG profile review, after a controversy, or in the framework of continuous monitoring.

Influence Corporate practice

When the issuer lags our expectations and we expect the issuer to review its approach (strategy, practices) over specific ESG topic(s).

Dialogue triggers

Of a total of 427 dialogues in 2022
(versus 320 in 2021, and 227 in 2020)

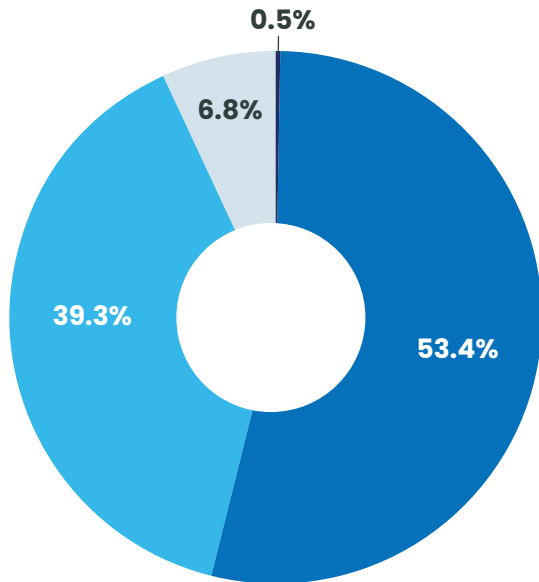


Trigger	2022	2021	2020
■ ESG issue(r) planned review / Follow Up	23%		
■ Exceptional Event / Controversy	2%		
■ Pre/Post AGM Engagement	12%	10%	14%
■ Thematic	46%		
■ Investment team's demand	17%	64%	53%
■ Client's demand	0%		

Note: The change in reporting format for 2022 has been made in order to introduce additional granularity.

Dialogue status

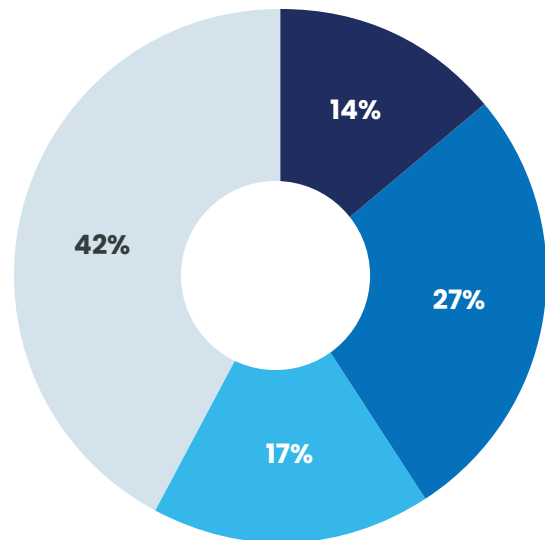
As of December 2022, of a total of 427 dialogues (versus 320 in 2021, and 227 in 2020)



Dialogue status	2022	2021	2020
■ Closed during the year & tagged for escalation	0.5%	38%	46%
■ Closed during the year	53.4%		
■ Continued through the year	39.3%	32%	16%
■ Initiated during the year	6.8%	30%	38%

Thematic breakdown of all our Direct Dialogues

Of a total of 427 dialogues in 2022 (versus 320 in 2021, and 227 in 2020)

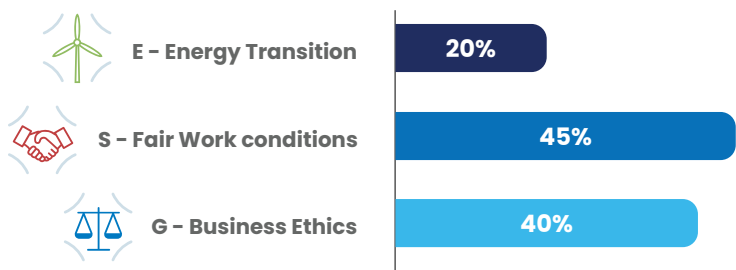


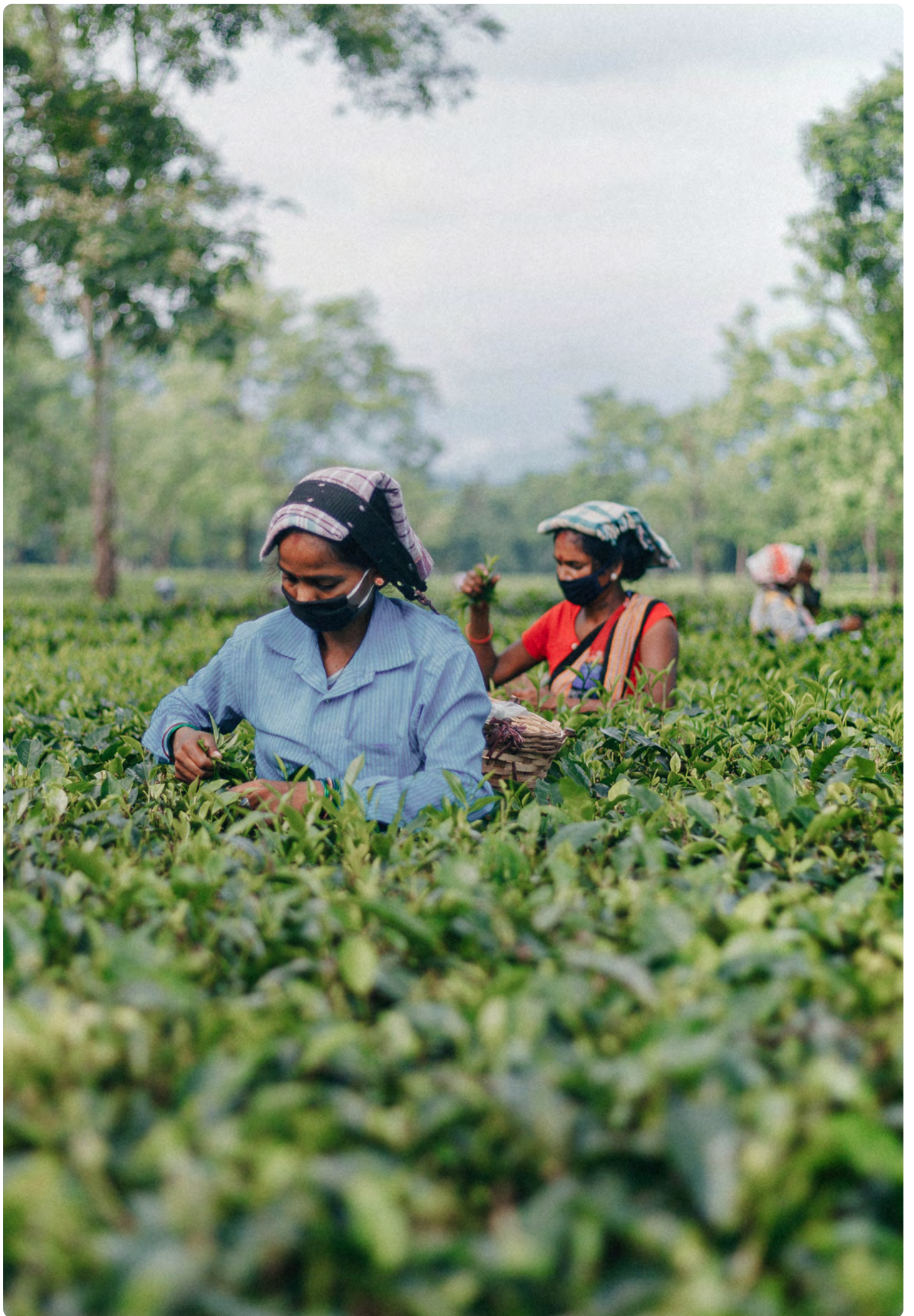
Thematic	2022	2021	2020
■ Environment	14%	12%	27%
■ Social	27%	52%	44%
■ Governance	17%	18%	15%
■ Overlapping ESG issues	42%	18%	14%

Note: For better information and monitoring, beginning in 2022 we are distinguishing between two different types of dialogue closure -- simple closure of dialogue, and closure *with escalation* in the cases where we think the company is not sufficiently responsive to our demands in spite of materiality of the topic, and we should trigger further escalation. As detailed in both our [Engagement](#) and [Voting](#) policies, for escalation steps, after a direct dialogue, Candriam is prepared to consider one or more options. These include joining or launching a collaborative initiative, engaging with main shareholders, exercising voting rights against management and potentially pre-announcing our intentions, supporting or filling a statement or a shareholder resolution at the next AGM, and/or changing the eligibility status of the company in Candriam systems with potential divestment.

Share of Direct Dialogues related to our Conviction topics

Of a total of 427 dialogues in 2022





Sustainable Development Goals and Principal Adverse Impacts.

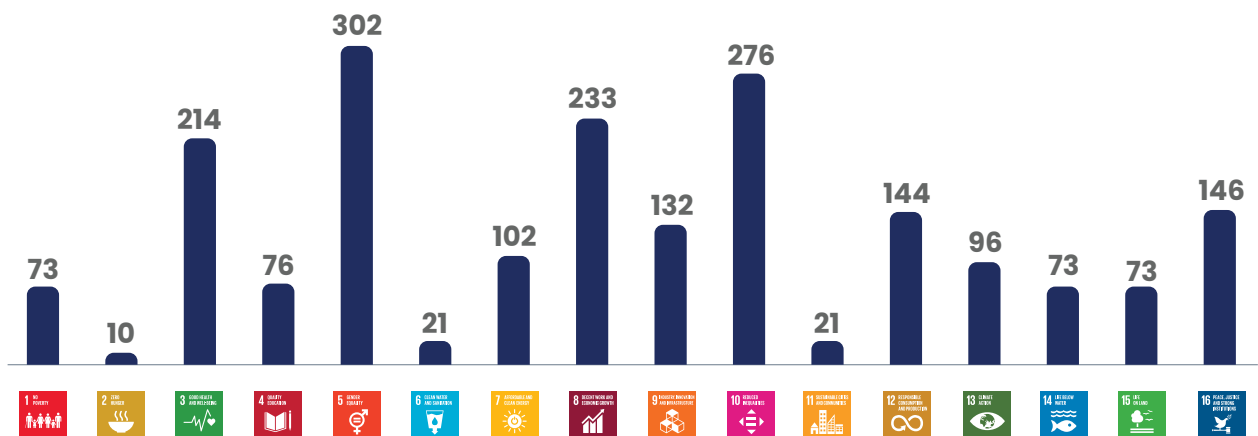
Listening to our clients, as well as closely following regulatory developments, notably in Europe, we have tried to better describe the link between our dialogues and United Nations Sustainable Development Goals³ as well as with Principal Adverse Impacts on sustainability factors caused by security issuers held in our portfolios.⁴

³ UN SDGs. For more background information about the United Nations Sustainable Development Goals, please refer to the UN official website under <https://sdgs.un.org/goals>

⁴ PAIs. You will find more information about how Candriam answers to the European Sustainable Financial Disclosure Regulation under our dedicated webpage <https://www.candriam.com/en-be/professional/sfar/>

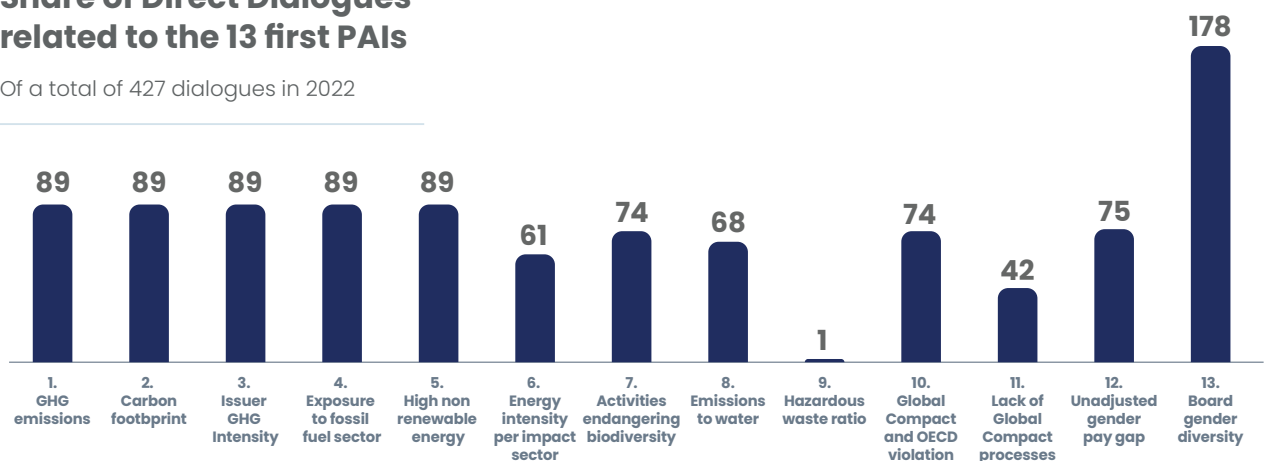
Share of Direct Dialogues related to 16 of the UN SDGs

Of a total of 427 dialogues in 2022



Share of Direct Dialogues related to the 13 first PAIs

Of a total of 427 dialogues in 2022



Source: Candriam data, mapped to UN Sustainable Development Goals and the EU Principal Adverse Impacts.

The impact of an engagement is difficult to quantify given both the diversity of topics as well as the lag time between the start of engagement and the effective change at issuer level (if it was primary objective).

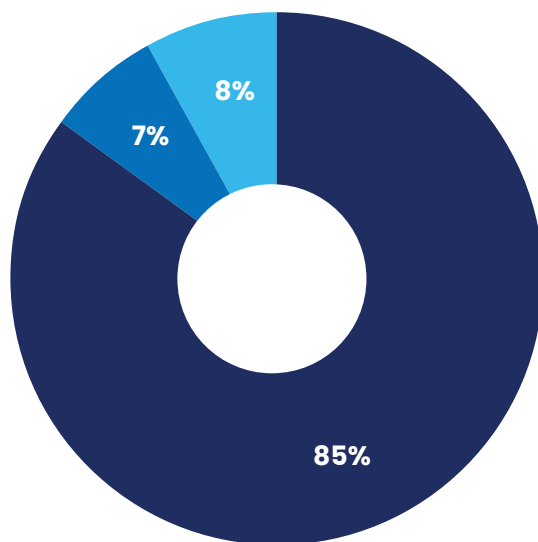
The way in which engagement is integrated in the investment process is also of importance, as it helps to better understand our investment process and how engagement feeds it and supports it. At Candriam, the most direct link is via the ESG opinion expressed about the issuer.

For these reasons, we measure our impact in two ways :

- First, highlighting the respective ***influence of dialogues on the opinion of the ESG analyst*** in charge for every dialogue closed during the year under review.
- Second, measuring the ***level of achievement of primary objectives*** for every dialogue closed during the year under review.

Impact of Direct Dialogues on Candriam ESG opinion

Of a total of 230 closed dialogues in 2022



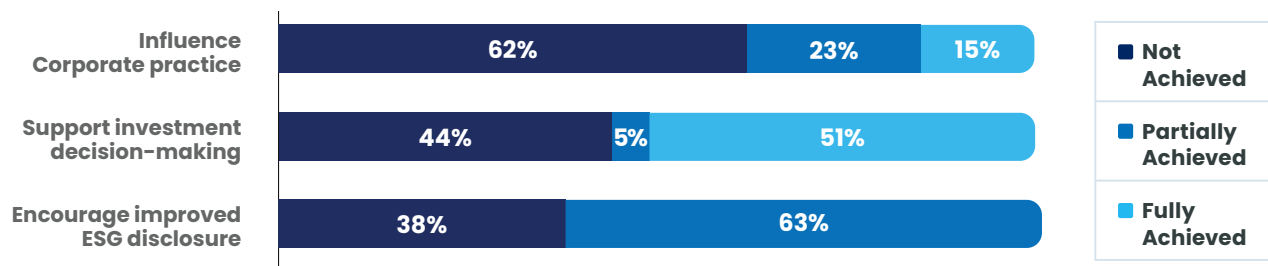
Impact on opinion 2022

Impact on opinion	2022
Reinforced existing opinion of analyst	85%
Positive impact on opinion of analyst	7%
Negative impact on opinion of analyst	8%

Note: This chart gives an idea of the share of 2022 direct dialogues having already influenced the ESG analysts in their opinion on the target issuer involved. Influence on opinion does not systematically mean a change in ESG eligibility.

Primary objective achievement level

Of a total of 230 closed dialogues in 2022









Further details on direct dialogues (including names of contacted corporate issuers) can be found under [2022 Details of direct dialogues](#)

Direct dialogue case studies: Active investors making a difference.

Statistics allow us to measure against KPIs and over time, but they lack ‘colour’.

We illustrate our approach with examples selected to demonstrate a large scope of triggers and objectives, and to offer the nuances of our approach to best suit asset types, or industry sector, or region. We also try to explain when ESG governance bodies were involved and how, as well as an example of escalation (another escalation case is detailed in our Voting report).

Net Zero Engagement

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Thematic	Climate Change / Resource Depletion Energy & Climate	Influence Issuer Practice	E	   	 	PAI 1. GHG emissions PAI 2. Carbon footprint PAI 3. Issuer GHG Intensity PAI 4. Exposure to fossil fuel sector PAI 5. High non-renewable energy PAI 6. Energy intensity per impact sector



Alix Chosson
Lead ESG Analyst for
High-Emitting Sectors



Luc Riols
ESG Analyst
Environmental Specialist
Engagement and Voting

Luc, as coordinator of this direct campaign, can you describe Candriam’s goals?

Sure. We designed this series of direct dialogues as one way to encourage our investee companies to align their activities with a pathway to limiting global warming to 1.5°C. We began our Net Zero Engagement campaign at the end of 2022 with around 50 companies, and we aim to conduct our dialogues over several years.

Alix, Why has Candriam decided to conduct this comprehensive engagement?

Candriam joined the Net Zero Asset Managers Initiative (NZAMi) in November 2021, committing ourselves to **net zero on greenhouse gas (GHG) emissions by 2050** or sooner across all our activities, in line with global efforts to limit global warming to 1.5°C; and to support investments aligned with net zero emissions by 2050 or sooner. Amongst the actions to reach this ambitious goal, NZAMi requires Asset Managers to “Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner”.⁵ We

also committed to report on our progress annually, and to intermediate targets. Among these, we are committed that by 2030, 50% of Candriam “financed emissions [will be] assessed as “Net Zero” or “Aligned to a Net Zero pathway”.

Luc, can you give us some insight into the implementation of this engagement strategy?

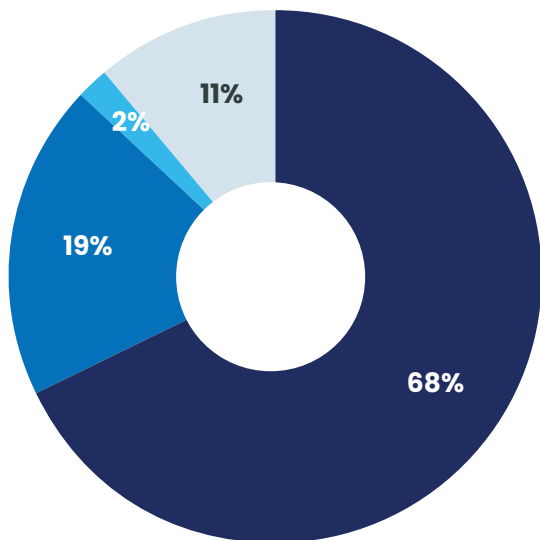
We have developed a clear multi-step engagement programme focusing on accompanying our investee companies on their decarbonization journey. This has been validated by our Stewardship workstream and presented to our Global Strategic Committee.

Since Candriam has decarbonization targets for our investment portfolios, our objective is to support our investee companies, and not to immediately divest if we determine that their progress is not 1.5°C aligned. We will have a ‘route point’ in 2025 to perform a global assessment of the progress, and to decide how we deal with the laggards, if there are any. Hopefully not!

An exception to this ‘accompany rather than divest’ principle may occur in cases where we have engaged with a company for years, expressing our

⁵ Commitment – The Net Zero Asset Managers initiative, point 7, <https://www.netzeroassetmanagers.org/commitment>. The NZAMi has been signed by asset managers representing \$60 trillion of AuM. The full details on Candriam’s commitment are accessible on the Candriam NZAMi webpage, <https://www.netzeroassetmanagers.org/signatories/candriam/>.

Net Zero Engagement



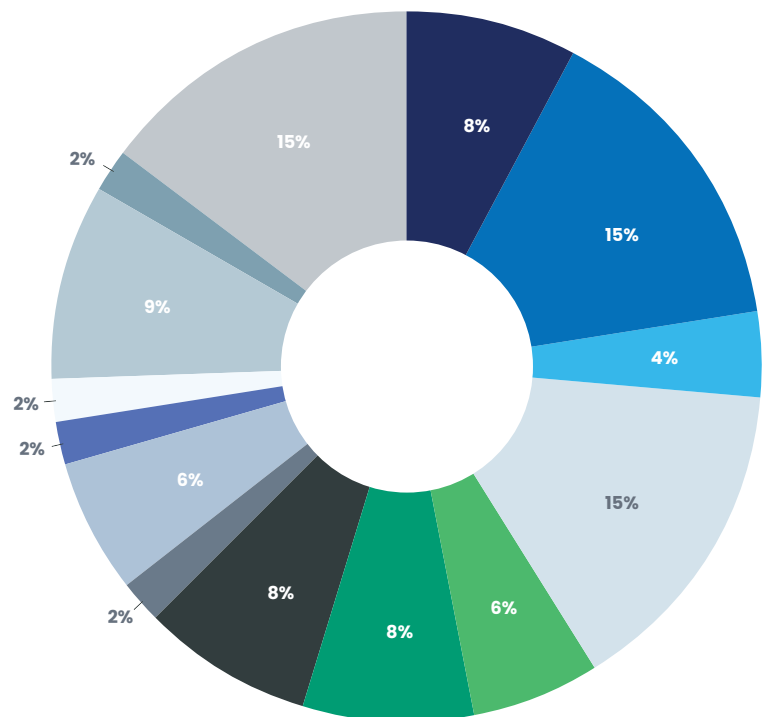
Regional breakdown of targets

Region	2022
Europe	68%
North America	19%
Asia Pacific	2%
Emerging Markets	11%

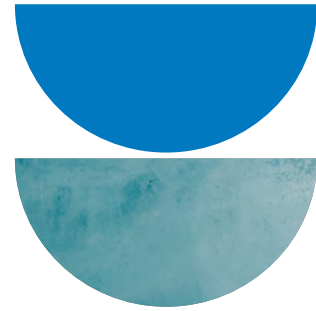
Sector breakdown of targets

Sector breakdown 2022

Automobiles	8%
Banks	15%
Building Products	4%
Chemicals	15%
Construction Materials	6%
Energy	8%
Food, Beverage & Tobacco	8%
Health Care Equipment & Services	2%
Paper & Forests	6%
Pharmaceuticals, Biotechnology and Life Science	2%



Real Estate	2%
Technology Hardware & Semiconductors	9%
Transport Operators	2%
Utilities	15%



discontent, and that company has nevertheless consistently refused to take action to adopt a 1.5°C pathway.

Of course we have several intermediary escalation measures to show companies that we expect more:

- Filing shareholder resolutions.
- Bringing other interested investors to the conversation to increase leverage with the company.
- Active Proxy Voting. We have a new dedicated section in our Candriam Voting Policy on climate,⁶ where we detail how mismanagement of climate risks will impact our voting. Moreover, beginning in the 2023 AGM season, we will pre-announce our voting intentions ahead of selected AGMs to highlight and publicise our position on certain proposals.

Alix, in steering this campaign, how did you select which companies to include in this campaign?

We identified the 50 issuers which make the largest contribution to Candriam's portfolio Weighted Average Carbon Intensity. As the WACI methodology

is not perfect, we marginally adjusted this list in collaboration with internal specialists, including investment teams, the risk department, and ESG sector specialists. We categorized these issuers into three priority groups.

Luc, with only a few months into this multi-year campaign, can you tell us anything about how is it going so far?




We have already directly contacted the 47 Priority 1 and 2 companies, explaining our engagement strategy, and that we would like to enter into a multi-year dialogue. We have already received 32 answers, held five calls, and scheduled six more.

Amongst companies already engaged, we clearly see that there is a wide range of different 1.5°C alignment levels. But what is really interesting is that when you look at leaders, in terms of disclosure and strategy, it is still critical that we continue to engage with them. Recent event such as droughts across Europe, the war in Ukraine, and political pushbacks (e.g. anti-ESG movement in the US) have sometimes distracted even these leaders from their short-terms emission reduction targets.

⁶ Section 3.7 of our Voting Policy, https://www.candriam.com/en/professional/SysSiteAssets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_2023.pdf#page=23

NatWest Group

Social Bond Engagement

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Investment team's demand	Access to products / services Housing & Sanitation	Encourage more info disclosure	S	  	N/R	N/R

Context

In 2022 Candriam launched a new bond investment strategy which invests in impact bonds.⁷ While several dialogues have been initiated on behalf of this portfolio, they will benefit all other portfolios investing in, or willing to invest in, the same bond.

The investment process includes, among other elements, three important items when analysing of an impact debt instrument:

- **Traceable use of proceeds**
- **Clear mapping of SDGs**
- **Disclosure of KPIs**

Issuers must be communicated these via a comprehensive impact report. This report should be produced at least annually and clearly provide granularity on each of the three requirements for the various projects funded by the bond issuance.

Our ESG Research Team, along with the Portfolio Management Team, constantly assesses these factors for the bonds held in the portfolio as well as for potential investments.

Achievements

During 2022, we engaged with three issuers whose impact report fell short of our expectations, requesting to meet for clarifications, additional disclosure, and/or improved granularity. We also asked issuers to improve their future reporting. One of these, NatWest Group, issued a EUR 1Bn *affordable housing social bond* in February 2021, the first of its kind in the United Kingdom. The bonds, some of which are

⁷ https://www.candriam.com/siteassets/presspage/press/pressrelease/2022/01--2022/candriam-sustainable-bond-impact_en.pdf

held in our portfolios are invested, finances a pool of loans to UK-registered not-for-profit housing associations.

The issuer's first impact report, in April 2022, fell short of our expectations in terms in three categories.

- KPI and data granularity
- Scope -- only 13 of the 28 Housing Associations financed had reported,
- Use of proceeds reporting had insufficient detail for us

In September 2022, we organized a call with the Head of Treasury Debt Capital Markets of Natwest and the officer in charge of ESG Reporting. We voiced our concerns on the quality of the impact report, asked for clarifications, and for improved disclosure going forward.

NatWest acknowledged the weakness of their impact reporting on this bond. While no further indicators could be provided by the company at this stage, Natwest understood our concerns.

Results/Impact

As an escalation measure and even if NatWest committed to trying to improve accuracy and disclosure in the coming years, the ESG Research Analyst and fund Portfolio Managers decided to exit the position.




We informed the company of our decision.

Next Steps

We will await the 2022 impact report due in April/ May 2023 to re-evaluate this social bond for possible re-entry into the portfolio if the report improves according to our requirements.



Impact One Engagement

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Investment team's demand	ESG Risk Management	Encourage more info disclosure	ESG		 	PAI 1. GHG emissions PAI 2. Carbon footprint PAI 3. Issuer GHG Intensity



Maïa Ferrand
Co-Head - External Multi-Management

Maïa, what types of investments are these, and how do you interact with the investees?

Candriam Impact One is a fund of private equity funds⁸ in which the underlying companies have been founded with the intention of generating a measurable social and/or environmental impact alongside a financial return. In other words, the company's product, services, and business activities themselves follow the founder's intention to tackle and solve one or more of the UN Sustainable Development Goals. Our client base, who are limited to sophisticated investors, provide entrepreneurs with the capital that they might not otherwise be able to access. These may be social, environmental, or other businesses, but they have in common that they must specifically report against their measurable social or environmental results, against pre-determined KPIs, in as fundamental a way as they report their financial results and their profit and return goals. An example might be a company which trains vulnerable (eg, physically disabled) workers and helps them find



Yasmina Saradar
Investment Analyst, External Multi-Management Team

permanent employment. As an investment manager, I find that intentionality is key, along with funds which are committed to a long-term vision, rather than a quick short-term profit maximization. The early-stage nature and illiquidity of private equities and of funds-of-funds means that they are most successful in an environment of specific, specialized, and long-term an engagement.

Yasmina Saradar, how does your engagement with underlying funds serve Impact One's investment strategy?

What sets successful private equity managers apart is the quality of the partnership with the invested company. Private markets typically better welcome engagement, conversations, and help from their investors than do their public counterparts. Often, the private equity managers have experience in the types of businesses which they are funding, and are intimately involved in advice to the firms.

⁸ <https://www.candriam.com/fr-fr/professional/SysSiteAssets/presspage/press/pressrelease/2020/07-2020/impact-fund-first-close-press-release-en.pdf>

Our underlying funds report on all their ESG policy, risks, opportunities and progress against KPIs both at their fund level but also specifically for each underlying company. Our role and engagement type depend on the specifics of each underlying investment. Engagement takes place at two levels -- we engage with our underlying funds, who in turn engage with and report to us on each of their underlying companies. This includes technical support, as well as advice on impact and other reporting systems, strategies, and business plans. They play a key role in supporting invested companies setting up and achieving performance targets around both business and impact goals. They also create an important ecosystem including not only founders but impact directors and experts in the same field for interaction and the exchange of ideas).

Our investee private equity managers also engage with their companies to guide their transformation to Industry 4.0, especially on reduction of carbon emission and optimization of the value chain. Our direct involvement with the underlying invested companies is via quarterly portfolio updates where we discuss with the investment managers any areas where additional specific support or focus might be needed. This is often much more directly operational than for public companies, and may include such as introductions within the industry, hiring needs, etc.

We, as a fund of funds and investor, engage directly with each underlying fund on which we are invested. We make sure before we make any investment that we can form a full partnership with all our underlying funds; supporting them in reporting their extra-financial performance, engaging in constructive dialogues, participating in their impact committees as observers.

Maïa, can you give us a concrete example of successful engagement via Impact One?

Our role and engagement with our underlying funds are focused on the impact. Simplistically, the investment fees we receive depend on achieving **both** the impact and the profit goals.



Our carried interest is linked to our impact result, and when we invest, we require this impact data in the legal documentation with the investee fund. When possible, we have asked our general partners (underlying funds) to create impact committees to discuss the underlying KPIs and targets and understand the progress.

We also engage with some general partners to help design their impact methodology and analyse their impact on an incremental basis. For example, we did modify a few impact metrics and helped make the reporting more global across the portfolio of one of our investee groups to provide figures that can be measured and relevant to a social or environmental progress. We worked hand-in-hand with the group's founding partner to improve their impact measurement and reporting processes, from the KPIs they chose to the way this information was presented. We helped them attribute specific, measurable, achievable, relevant and time-bound targets, albeit flexible, for most of their underlying companies.

We also follow the climate action of some of our holdings, encouraging the thorough analysis of carbon performance of the suppliers and the change in energy supply contract when possible. We are glad to see that consumers are now demanding change and asking companies to define their carbon roadmaps.

It's worth remembering that direct Impact Investing is a growth area, but still a nascent one, just beginning to develop scale. The tools are available to address the issues – frameworks to align incentives, performance measurement for accountability, and specialized investment vehicles are all possible. That is why we also share the best practices we observed from discussions with more than 100 impact funds, with the aim to help the broader impact investing world to adopt a more formal system of impact accounting.

Oppressive Regime Campaign

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	Role	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Exceptional Event / Controversy	Human Rights Oppressive Regimes	Inform(ed) Decision	Lead	S			PAI 10. Global Compact and OECD violation

Context

Over recent years geopolitics have become increasingly unstable.⁹ Our **ESG Sovereign** analysis regularly updates an ‘Oppressive Regime List’ that is considered when assessing corporate issuers. Our **ESG Research Team**, with the support of **Candriam’s Risk Department**, monitors investee companies’ exposure to oppressive regimes.

Candriam exclusion policy details our approach to issuers with activities in oppressive regimes.¹⁰

In our sustainable strategies this policy applies as follows:

- Issuers with over 10% of their activities arising from oppressive regimes are excluded from the portfolio;
- **Issuers that have between 5 and 10% of exposure are systematically engaged;**
- If issuers have less than 5% exposure, no action is required, however the threshold is monitored.

Candriam participates in various engagement groups such as the *Investor Alliance on Human Rights (IAHR)*, with regular updates and briefings from NGOs such as *Business and Human rights Resource Centre*, *Amnesty International*, *AccessNow*, and *Heartland Initiative*. These collaborative engagements inform our analysis, but in some instances we also engage individually with issuers. We focus on these direct engagements here.

Engagement Objective

This engagement campaign is supervised by our Sustainability Risk Committee, in its role to facilitate the alignment among ESG Research findings, management of company-wide ESG risks and controversies, and Candriam engagement activities.

Our engagement objective is to understand:

- The investee company’s strategy in these countries, the quality of its governance in place,
- The risk management and risk mitigation actions taken,
- The kind of stakeholder engagement carried out by the investee company, if any,
- The level of involvement the investee company has with government-linked entities or sanctioned entities.

To better inform our investment decisions, we always **weigh the risks and harm caused by a company’s presence in an oppressive regime against the benefits it delivers to local stakeholders in those countries.**

Since 2021, two major developments have led us to engage numerous companies on their exposure to Oppressive Regimes.

⁹ See our white paper on Sovereign Sustainability, and our discussion of autocracies vs democracies, in <https://www.candriam.com/en-be/professional/insight-overview/topics/esg/sustainability-in-the-age-of-the-grey-swan/>

¹⁰ For more details, please refer to Candriam Exclusion Policy, <https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy.pdf>



Myanmar

Following the February 2021 Military Coup in Myanmar, we contacted 19 issuers with large presence there, in August 2021 and again in February 2022, to understand their positions, obtain insight in their actions to mitigate risks to employees, assets, and stakeholders and particularly to gauge their involvement with entities linked to the junta.

In parallel, we also joined a coalition of investors targeting two major Oil & Gas companies involved in Myanmar, requesting a responsible approach to this complex situation.

Four high-risk situations were identified through our engagements, and this information had a negative impact on our ESG opinion of the issuer.

Russia/Ukraine

Following Russia's invasion of Ukraine, in December 2022 we contacted 19 issuers with exposure to Russia. We discussed their exit or winding down strategies, crisis management, risk mitigation and reputational risks. We also discussed how sanctions were preventing or delaying some exits.



- **Of the 19 companies contacted, 16 had already implemented an exit strategy**, were in the process of disposing of their assets, had wound down their operations in Russia or had made strong commitments to do so.
- **Three companies displayed particularly elevated levels of risk** due to a slow or vague exit strategies with little actual action since the start of the conflict. For these companies, their operations in Russia represented either a long history or a very large asset. This explains their relative reluctance to act quickly. Calls were carried out with these issuers to highlight our concerns and obtain additional clarity on governance in place as well as on strength of their risk management. The relevant ESG Research analysts are closely monitoring the situations, in collaboration with our Sustainability Risk Committee.

Next Steps

All high-risk situations identified by this engagement will be closely monitored by the ESG analyst. We will also carry out further engagement calls throughout 2023 to monitor the development of the 3 high risk situations linked to the Russia/Ukraine war.

This full engagement campaign will be repeated annually, as the Risk Department updates the revenue thresholds for oppressive regimes. The ESG Research Team and the ESG Engagement Team continue to update the list of companies to be engaged.

Human Capital in Small and Mid-Sized Firms

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Investment team's demand	<p>Staff relations</p> <p>Recruitment & retention - General</p> <p>Training & career management</p> <p>Working Conditions - Health & Safety</p> <p>Recruitment & retention - Diversity and inclusion</p>	Encourage more info disclosure	S			N/R



Christian Solé
Deputy Head of Fundamental European Equity

Christian, what triggered your request for this campaign?

We believe human capital is a key asset for smaller companies. The highly competitive operating environments and typically rapid growth of European Small- and Mid-cap companies (SMIDs)¹¹ can strain their employees. Competing in the same employment and talent market and facing the same disclosure expectations as larger companies, these smaller companies can be more exposed to Human Capital risks.

As an analyst and portfolio manager leading a team investing in SMIDs, we found it critical to understand the ability of these companies to attract and retain talents. We want to better know how they adapt Human Resources practices to their entrepreneurial ambitions and to their specific business challenges. This includes gaining an

understanding of how SMID companies track the efficiency of HR measures in place, as well as sharing best practices. The Investment Team, ESG Team, and Engagement all took active roles.

What are the objectives of this dedicated engagement campaign, and how did you approach it?

The intent of these systematic dialogues with SMID companies was to improve their disclosure of human capital management data, to better understand the issues they face and the supervision measures they implement. We wanted to highlight that as investors we believe that better human capital management leads to better business performance. We also want of our investee companies to view us as their partners in this field.

¹¹ We define SMIDs as companies with market capitalization up to EUR 16 billion, reviewed annually, and with practical alignment with MSCI.

Our first goal is to encourage and guide on the disclosure of basic but meaningful Key Performance Indicators, and to encourage further steps. The choice and rationale of KPIs is central to their success as a management tool, as well as to their usefulness for investors. Because of Candriam's historic participation in the collaborative Workforce Disclosure Initiative, we realized in advance that proper workforce-related reporting can be challenging, even for large companies with extensive reporting systems.

In September 2020 our ESG Team began compiling existing public indicators for a preliminary analysis on the group of companies identified as priorities by the Investment Team. We then began to exchange with companies, sharing best practices with them and enabling them to compare with their peers. We also explained what was driving our interest towards some of these KPIs.

Two years later, what have you achieved so far?

We surveyed more than 60 firms, on 13 KPIs related to six themes:

- Workforce Demographics
- Work Organization and Structure,
- Workforce Stability,
- Employee Recruitment and Development,
- Employee Engagement Practices, and
- Management of the Covid-19 crisis.

The response rate was over 70%! Further, this campaign opened doors to managements which had been previously uncommunicative in standard (that is, more financial-oriented) dialogue.

The 'data collection' phase of existing KPIs and their analysis, enabled us to identify five companies lagging in terms of disclosure, practice, or both. The collaboration with the ESG Team was fruitful as we jointly compared and refined our views on interpretation of human-capital-related indicators.

We even involved Candriam's Human Resources Department in these discussions to understand whether our expectations levels are realistic.

After aligning our views to speak with one voice, both ESG and investment professionals take part in the calls with companies, sharing views and supporting improvement of practices in the field. These are good opportunities to hear the challenges of this type of company, in building adequate reporting systems, and maintaining and increasing their attractiveness and retention capacities.


Target companies definitely appreciate when we make the effort to deliver reports describing industry practices, the level of performance which triggers concern on our side, and the follow-up questions we may ask. We follow this phase with questions designed to gather more qualitative info and add colour to the quantitative KPIs.

How do you see this campaign evolving?

We will of course continue to focus on the Human Capital Management of those European small- and mid-cap companies present in Candriam's portfolio. We will continue to monitor the companies already targeted by our campaign to study not only the evolution of their disclosure of Human Capital Management KPIs, but other topics as well.

For a smaller sub-set of these companies, we will individually engage on specific challenges. For example, we might question companies with particularly large expansion strategies about their recruitment capacities in a particularly tight labour market. We will also build on recent internal research on ESG metrics in executive remuneration which we performed on larger-cap companies. The idea is to support the implementation of such metrics at SMIDs and, with regards to social metrics, to steer, challenge, and support management's choices.

Diversity

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Thematic	Recruitment & retention Diversity & Inclusion Equal Pay Board Diversity & Expertise	Inform(ed) decision	SG			PAI 12. Unadjusted gender pay gap PAI 13. Board gender diversity



Theany Bazel
Fund Manager – Thematic Global Equities

Theany, how did you become the driving force behind our Candriam’s diversity-related engagement initiatives?

At Candriam, we already had a rising awareness of the interaction between social movements such as #MeToo and Black Lives Matter and investments, but the pandemic really brought to light the pressing social inequalities and the special burden for women. As a fund manager in the Thematic Global Equities Team, our investments focus on four long-term megatrends -- demographics, health, technology, and the environment. How could we analysing these structural growth trends without analysing diversity issues?

Gender equality is not only an SDG in itself, but a precondition to meet several other SDGs. It was natural to launch a strategy investing in gender equity leaders, meaning companies that consciously recognize and promote gender equality by recruiting, nurturing, and retaining female talent at all levels while also promoting

policies that advance equal conditions for all. Candriam had already published a white paper on why investors need diversity at the companies in which we invest.¹² As responsible investors we believe that engagement is a powerful tool to drive change at the corporate level, as we actively engage with top executives about their visions and how they plan to put them into practice.

The investment strategy begs that next step, to move beyond on our research and investigate real life examples of companies already championing these topics. So in collaboration with our ESG Governance and Voting specialists, we designed a diversity and inclusion campaign, targeting more than 90 global companies with a dedicated framework of questions. This campaign was successfully completed in 2021, including ad-hoc dialogue with US and UK companies which lagged their peers, and a review of regulatory evolution in terms of ethnic diversity at Board level.

¹² Ethnic diversity: why investors cannot afford to remain silent. February 2021, <https://www.candriam.com/en-be/professional/search/?q=diversity>

With improvements in the quality and availability of data on diversity, what value does engagement add to your investment strategy?

While our investment process is strongly quantitative, data and engagement are complementary, especially if you keep in mind our double materiality objective. Indeed, the data has improved considerably in recent years, with providers such as Equileap even specializing in this type of data. By combining existing diversity data such as percentage of women in the workforce, in management or on the Board; pay gap; and so forth with our in-house ESG analysis, our engagement can be better-targeted, more relevant, and more useful for us when we approach the management of a company.

Quantitative data alone does not provide a fund manager the assurance that gender diversity is well managed, which is why engagement will definitively continue to help our investment decision-making. By engaging with C-suite executives, we can better gauge the culture of the company and how the values and strategy fit together. Engagement provides colour on whether and how strategies become rooted in daily practices, and whether management really 'owns' this topic. Diversity is not only an issue of fairness, it also provides some insight into a company's potential, its innovation, and its adaptability in the face of change. In that sense, exchanging about diversity opens doors on workforce and markets specificities, on recruitment and retention challenges and of course on associated management capabilities. These exchanges enable us to better know the investee firm and to have greater Conviction in our investment (or divestment!) choices.

How did you approach your direct diversity engagements?

We approached companies via emails explaining the motivations behind our interest in diversity and inclusion. From a financial perspective, research¹³ has shown inclusive and diverse organisations are more innovative, and typically enjoy higher

employee motivation and retention. We launched a second campaign covering ethnic-diverse Board representation, which encompassed regulatory considerations as new rules were to about to be implemented in some markets.

Our main objective in each instance was to understand the challenges each company faces, continue to gather best practices, and to strengthen our Conviction on each of our company opinions. The combined response rate for the two campaigns was approximately 40% of the 95 companies contacted.

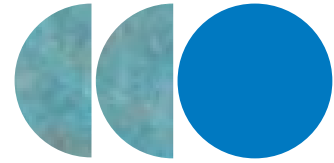
During our engagements, we had the chance to speak both with top managers and with human resources and diversity and inclusion professionals, the latter being enthusiastic to exchange with us on this constantly-evolving topic. In addition to the knowledge gained, our conversations have improved the way Candriam now assesses company performance, and even the way we vote as shareholders. Over the course of the engagements, we increased our expectations for markets outside of Europe (we were traditionally stricter on gender diversity within Europe relative to other markets). Now, we specifically adapt our voting to consider local regulations on ethnic diversity, given that diversity reporting is not permitted in all countries.

Can you share with us some best practices on diversity from some of our investee companies?

I have three examples, each relating to a different one of the KPIs in our investment approach.

- **Avoid bottlenecks.** Short-timed recruitment penalizes diversity, whether it be gender, socio-economic, ethnic, age, or other factors. The initial pipeline must be increased to obtain a level of diversity in the shortlists. A better pipeline alone doesn't guarantee more diverse candidates a fair chance of being hired. Ensuring all levels of management and decision-makers share the same understanding is thus crucial and must be supported by regular training and assessed via surveys.

¹³ For example, McKinsey, May 2020, <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>



- **Avoid perpetuating pay gaps.** Unjustified pay gaps are encountered in all sectors, and they are perpetuated when recruiting. One practice applied by one of our engaged companies was striking in its simplicity – do not ask the applicant about previous salary, or about salary expectations.
- **Improve professional and personal balance.** Several companies we engaged with make a clear effort to homogenize paid maternity and paid paternity leaves across countries of operation. In some instances, equalizing meant offering for three to five weeks more than the legal requirement in some jurisdictions.

These simple efforts should become standard practices.

As co-chair of the collaborative initiative, the 30% Club France Investor Group (the '30% Club'), can you explain how the collaborative engagement complements our direct engagement?

In 2022, Candriam joined forces with 15 other institutional investors holding EUR 6 trillion in AUM,

creating a bold message when we reach out as a group to public companies. The group seeks open discussions with French SBF 120¹⁴ companies, which helps us widen our reach. As a nationally-focused engagement, France is a country with interesting legal developments such as the Rixain Act (addition to the Copé-Zimmerman law), which will require 40% of Board seats to be held by women by 2030.



This effort adds to our continued learning, helping us to identify blocking factors for advancing gender diversity, while hopefully inspiring change by sharing best practices in an annual report. The 30% Club France 2022¹⁵ report showcases some nice examples of the 18 engagements we performed throughout the year. In 2023 we expect to reach twice as many companies, so stay tuned!

You can read more about the 30% Club in our section on Collaborative Engagement

¹⁴ A French stock market index.

¹⁵ More under https://30percentclub.org/wp-content/uploads/2023/01/30CLUB_FR_2022-Annual-Report-1.pdf

Kingspan Group Plc.

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Pre/Post AGM, Escalation	Product & Service Safety Corporate Governance - Board Independence Corporate Governance - Board Diversity & expertise	Influence Issuer Practice	SG			PAI 11. Lack of Global Compact processes PAI 13. Board gender diversity

Context

We had been engaging with Kingspan Group Plc on a number of governance issues well before the Grenfell tragedy, the additional issues highlighted by the Grenfell Tower Inquiry and the shortcomings it identified led to a more active engagement from our side.

Engagement Objective

Armed with the findings of the public inquiry, our direct engagement with Kingspan in 2021 covered the key governance issues:

- The lack of diversity at the Board level had an impact on the ability to exercise a real counter-power to the executive team.
- The Nominations & Governance Committee, which was responsible for nominating independent directors, was chaired by the top company executive, the CEO. We believe this contributed to the lack of diversity mentioned above.

A key risk and compliance role of the Audit and Compliance Committee Chairperson was performed by a director who did not appear to have sufficient time to fulfil the task required. Following the public inquiry, Kingspan's management team has skilfully handled the recommended corrective and mitigating actions. However, it fell short of our expectations for the governance structure. To signal our concerns to the company at the 2021 AGM, we voted against the election of Gene Murtagh on the basis that he, as an executive member of the Board, was serving as a member of the Nominations & Governance Committee, which is a breach of recognized good governance practices. We voted against the election of Michael Cawley and Jost Massenber due to what we felt was an excessive number of outside mandates, and the lack of gender diversity, respectively.

In 2021, the election of the company's CEO received 10.6% dissent while the opposition to the election of Michael Cawley was just above 20%. This can be interpreted as investor dissatisfaction with the company's governance. In line with our active voting approach, we held several meetings in 2021 with Kingspan's management team and their investor relations representatives, addressing both the Grenfell inquiry and corporate governance topics. We again expressed the reasons for our dissent at that

year's AGM, and also stated publicly that we will escalate the engagement by contacting other shareholders to discuss our concerns. Subsequently, between July and December 2021, we contacted Kingspan's largest shareholders to discuss our concerns. In 2022, we joined forces with another investor to jointly engage with the company on the three corporate governance matters above.

Achievements

Throughout 2022, we had successful exchanges with the company on a variety of topics, but more specifically after the delivery of our collaborative letter, the company arranged a call with Candriam to confirm that:



- The overboarding issue of Director Cawley had been solved.
- The Board of Directors is now more than 50% independent.
- The Nominations & Governance Committee does not include any executives and is more than 50% independent.

Next Steps

While our main concerns regarding the outside mandates of the Chairperson of the Audit Committee and the presence of an executive on the Nominations & Governance Committee are now resolved, we still have one remaining topic to discuss with the company ahead of their 2023 meeting, which is Board refreshment and diversity.

In October 2022, the company appointed Senan Murphy to the Board, which can be considered a step in the right direction for enhancing industry expertise. We still believe that Kingspan would benefit from a Board consisting of more sector experts with diverse backgrounds. We will continue engaging with the company in that direction.

Employee Representatives Engagement Campaign

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Thematic	Employee Representation at Board Level	Inform(ed) Decision	SG			PAI 13. Board gender diversity



Cemre Aksu
ESG Analyst
Governance Specialist
Voting and Engagement

Cemre, can you explain why led Candriam to launch an engagement campaign on employee Board representation?

Human capital-related issues are rising for companies, and it is increasingly important that the interests and views of workers are incorporated into corporate strategies. As the voting specialist in our ESG Team, we exchanged with our Proxy Voting Committee and in 2022, launched this direct engagement campaign to both understand and to demonstrate the significance of employee representation on Boards. Ultimately, we hope to reflect this position in our future voting guidelines.

Like many investors, we believe that corporate governance which includes meaningful employee input contributes to fair wages, investment in human capital management and pay equity. Research^{16, 17} also suggests that providing workers formal control rights improves capital formation and generates more wealth for stakeholders. Equally, companies with stronger employee representation enjoy higher labour productivity, lower turnover, fewer labour strikes,¹⁸ and stronger

levels of employee engagement. This generates better performance in Research & Development intensity, better customer satisfaction and loyalty¹⁹ and ultimately higher results.

How many issuers were contacted and how were they selected?

We sent letters to 19 issuers in September 2022 to understand which elements are considered during the nomination process, to what extent the employee representatives serving on the Board currently reflect the demographics of the employees, and the channels of communication between employee-directors, non-employee directors and the workforce. The target issuers were selected based on the number of representatives serving on the Board, the maximum tenure and the gender diversity among the employee representatives serving.

Based on the geographical distribution, we have also contacted 9 trade unions in the countries where the selected issuers are incorporated, along with the European Trade Union Confederation. Our goal

¹⁶ <https://www.euractiv.com/section/economy-jobs/opinion/strong-codetermination-solid-companies-an-interview-with-prof-dr-michael-wolff/>

¹⁷ <https://economics.mit.edu/sites/default/files/publications/HarjuJaegerSchoefer-9.pdf>

¹⁸ <https://www.bruegel.org/2016/10/codetermination-in-germany-a-role-model-for-the-uk-and-the-us/>

¹⁹ https://www.factorhappiness.at/downloads/quellen/s17_harter.pdf, at 273.

is to understand the different approaches from the union side, and to investigate whether harmonization on this theme could be an idea for the European Union. Unfortunately, we have not received any answers from the unions we contacted.

What are our findings?

So far, we have conducted calls with seven companies, based in Germany, Sweden and Denmark.

- There is no harmonization of the rules regulating employee representations between countries. Some countries have been more familiar with employee representation at Board level due to their long history of unionization. The existing regulations do not reflect the rapid globalization and diverse workforce of such companies. The representation is mainly required from the country where the company is incorporated, which creates a limitation on representation of employees based outside of the country of incorporation.
- There should be more transparent disclosure provided on the communication channels used between the employee representatives and the wider workforce, especially for employees based outside of the main corporate domicile. Given that representatives are mainly appointed by unions and employees in the country of incorporation, it raises the question of how and whether issues of employees from other regions are reflected in the Board discussions.
- As local laws prohibit company involvement in employee representation elections, companies tend to be silent on the topic. This could be interpreted as the company being unhelpful in promoting participation in these elections..
- Unless gender diversity is secured by law, the proportion of women employee representatives tends to fall below our preferred guidelines (33% diversity for European companies). Generally, the limited representation is not reflective of the diversity levels of the general workforce.

One question was on the impact of their tenure on the objective ability to raise questions in Board meetings. As we do not have any rotation rules for the independence of the employee representatives, the concern is whether employee representatives serving on the Board for more than 12 years (generally accepted threshold for independence classification of a regular Board member) should be considered as affiliated with the management and/or shareholders. The responses from companies as well as from the employee representatives can be grouped under two categories. One group believed that long-term tenure provides employee Board representatives with sufficient confidence to raise their opinions in Board discussions. The other group shared our concern that an overall rotation rule should be introduced by the regulators.

The most common response from managements to the value-added question was that employee representatives bring perspective to the discussions. For instance, when the discussion is too high-level, employee representatives with field knowledge can ground the topic and provide the members with some technical background and feasibility. Another benefit of employee representation in committees work arises when the topics become specific -- the employee perspective can be of significant value for conversations around executive remuneration, nomination and sustainability.

What are the next steps?

During the first phase of the engagement, we did not include the unions, as a more local view is necessary to invite the appropriate contacts to this part of the discussions. However, we realize during our conversations with companies that some changes can be made only through changing local regulations and collaborating with unions who lead such changes in their regions. As such, the next phase will be more focused on contacting regulatory bodies and unions to understand whether a change can be made to harmonize the approach within Europe and maximize the benefits of having employee representatives on board.

Our Proxy Voting Committee is regularly updated on the progress of this engagement.

Post-Covid Engagement Campaign

Engagement Trigger	Engagement Topics	Primary Engagement Objectives	ESG Factors involved/covered	Main SDGs involved/covered	Conviction Topics involved/covered	PAIs involved/covered
Thematic	Working Conditions - Health & Safety Commercial Practices Recruitment & retention Sustainable relationships with Business partners Labour Conditions at suppliers	Inform(ed) Decision	SG			-

Context

The pandemic changed the rules of the game at both individual and collective levels.

After investigating and debating with our Investment Teams how relationships with stakeholders were impacted, and which changes are now integrated as the “new normal” course of business for Candriam’s investee companies, the Investment and Engagement Teams built a dedicated framework of engagement.

Engagement Objective

This post-Covid campaign has grown out of the campaign we launched in mid-2021, which examined the impact of the pandemic on human capital management and the supply chain structure, as well as the changes in consumer patterns and trends.

This campaign was developed in collaboration with our ESG analysts and with fundamental

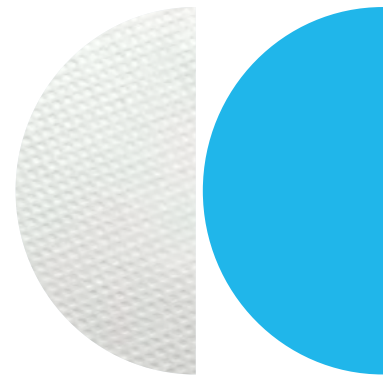
analysts and portfolio managers from a wide range of our investment strategies -- European and Emerging Markets fundamental equity strategies, Thematic Investments, and Global Credit strategies. The information gathered in this campaign feeds the ESG analysis framework used by our sector analysts adapting it to the new post-Covid business order. It is also an opportunity for our investment teams to delve into how changing ESG factors are contributing -- or not -- to the financial stability of companies. Exchanges with companies systematically involved representatives of the ESG and investment teams.

The 23 target companies were chosen by our investment teams, so they are diversified across regions and assets classes. Hospitality management, retailing, food & beverage retailing, and staples retailing are the most dominant sectors within the target group.

Achievements

Discussions showed that most changes triggered by the pandemic were part of secular trends. Accelerated digitalization is probably the most obvious example. Surveyed companies that suffered the least were those which had identified emerging trends and had already integrated them into their strategic plans over the short/medium term. This forward-looking mindset as well as the ability to maintain investment in innovation and measurement of consumer expectations should definitively remain at the centre of ESG analysis when assessing company resilience.

To understand the impact of the pandemic on long term supply chain strategies, we discussed the search for alternative or new suppliers and the reshoring of production. Here again, the crisis only accelerated existing trends. Global business models, backed by an extensive and complex supply chain, had already been discovering some flaws. While companies detailed various approaches for us, none viewed suppliers as easily interchangeable. Deep knowledge of suppliers and historic sustainable relationships with them appear crucial.



Another piece of evidence that pandemic changes were the acceleration of a trend was the deterioration of working conditions at suppliers located in countries already at high labour risks. The situation was worsened by the absence of audits during the pandemic. After years of improvement, and fed by population forced population migration, forced labour has made a comeback. For all of these reasons, companies surveyed are predicting supply chains will be less global, and become more local. in the future.

Companies basically agreed -- all sectors share a common difficulty in post-pandemic recruitment. Efforts and resources put in recruitment and retention initiatives have increased considerably, but the situation remains difficult and demographic projections support this trend. Human resources must be adapted and resized to listen to and address new and more specific demands. The resources and means allocated to human resources, as well as efficiency measurement, is more than ever on our radar.

Next Steps

As planned, ESG analysis integrated our findings and our investment teams developed a clearer view on the challenges their investee companies face. For ESG analysis this campaign further reinforced the importance of allocating resources to identifying and analysing new business trends, the importance of diversity to aid agility and innovation, the need for a high level of understanding of the supply chain and its specific challenges, the relative importance of local suppliers, and the size and efficiency of the human resources function and programmes. This will not only shape our ESG analysis but also our future engagements.

More details about this campaign available under

https://www.candriam.com/en/professional/SysSiteAssets/medias/insights/sri-publications/engagement/post-covid--engagement--takeaways/2022_07_post_covid_takeaways_en_web.pdf

Collaborative Engagements.

Candriam acts Responsibly, both as an investor and as a company. We also join forces with other investors for greater leverage when calling on issuers to act responsibly.

These collaborative engagements continue to increase in importance, as ESG awareness continues to gain momentum in the financial community and as issuers face large and rising requests. With many data requests being similar in nature, it makes sense to increase information and transparency while rationalizing reporting costs for issuers. Collective initiatives can be more powerful than individual dialogues when important changes in company practices are at stake.

During 2022, we targeted 7,530 corporate issuers through our collaborative dialogues and statements, representing a total of 14,334 dialogues on various ESG topics. These engaged issuers account for 89% of Candriam AUM, measured as corporate instruments (equity and bond instruments, direct lines) in funds or mandates for which Candriam ensures the management activity. For non-corporate issuers, such as sovereigns, we have engaged only via collaborative dialogues and statements so far. Engaged non-corporate issuers accounted in 2022 for about 93% of Candriam non-corporate AUM, (bond instruments).



Candriam's Sustainable Commitments.

Since 2006, when we became a founding signatory to the UN PRI, we have signed the following statements, committing ourselves to follow these additional principles.

Commitments and Statements signed	ESG	Joined in/ Signed in	Conviction Topics
PRI – Principles for Responsible Investment	ESG	2006	
UNGC Call to Action on anti-corruption	G	2014	
G20 Energy Efficiency Investor Statement	E	2015	
Montreal Carbon Pledge	E	2015	
Paris Pledge for Action	E	2015	
Investor Statement on ESG credit ratings	ESG	2017	
Adhesion to Green and Social Bond Principles	ES	2017	
Tobacco-Free Finance Pledge	S	2018	
The Investor Agenda	E	2018	
Commitment to support a just transition on climate change	ESG	2018	
TCFD supporter	E	2021	
Net Zero Asset Managers initiative (NZAMI)	E	2021	
UK Stewardship Code 2020	ESG	2022 Application, approved in 2023.	

Collaborative initiatives both new and ongoing.

Collaborative Initiatives/ Type	ESG	Joined/ Renewed	Candriam Role* and Initiative Trigger	Conviction Topics
Sustainable Stock Exchanges <i>Collaborative Dialogue</i>		2010	Passive Support <i>Thematic</i>	
Access to Medicine <i>Collaborative Dialogue</i>	S	2010	Mix of Support <i>Thematic</i>	
2013 – 22 Bangladesh Investor Initiative <i>Collaborative Dialogue</i>	SG	2013	Mix of Support <i>Thematic</i>	
Fiduciary Duty In the 21st Century Statement <i>Collaborative Statement</i>		2017	Passive Support <i>Thematic</i>	
Climate Action 100+ <i>Collaborative Dialogue</i>	E	2017	Mix of Support <i>Thematic</i>	
Plastic Solutions Investor Alliance <i>Collaborative Dialogue</i>	ES	2018	Mix of Support <i>Thematic</i>	
Investor expectations statement on Sustainable Palm Oil <i>Collaborative Statement</i>		2018	Passive Support <i>Thematic</i>	
Open Letter to index providers on controversial weapons exclusions <i>Collaborative Statement</i>		2018	Passive Support <i>Thematic</i>	
Investor statement to EU Policymakers on the future of corporate reporting <i>Collaborative Statement</i>		2018	Passive Support <i>Thematic</i>	
Making Finance Work for People and Planet <i>Collaborative Statement</i>		2019	Passive Support <i>Thematic</i>	
Implementation of labour rights in Amazon's operations and supply chain <i>Collaborative Dialogue</i>	S	2019	Active Support <i>Exceptional Event / Controversy</i>	
Investor Statement On Turkmen Cotton (SourcingNetwork) <i>Collaborative Statement</i>		2019	<i>Thematic</i>	
2019–2022 Initiative for Pesticide Use Reduction and Safer Chemicals Management – Grocery Retail <i>Collaborative Dialogue</i>	ES	2019	Mix of Support <i>Thematic</i>	
Investor statement on deforestation and forest fires in the Amazon <i>Collaborative Statement</i>		2019	<i>Thematic</i>	

Collaborative Initiatives/ Type	ESG	Joined/ Renewed	Candriam Role* and Initiative Trigger	Conviction Topics
CA100 related – Paris Aligned Accounting, Letters to Audit Committees <i>Collaborative Dialogue</i>	E	2019	Mix of Support <i>Thematic</i>	
Climate lobbying, Australian extractive sector-wide Letter <i>Collaborative Statement</i>		2019	<i>Thematic</i>	
CHRB – Investor statement calling on companies to improve Human Rights performance 2020–22 <i>Collaborative Statement</i>	S	2020	Mix of Support <i>Thematic</i>	
Investors Policy Dialogue on Deforestation <i>Collaborative Dialogue</i>	E	2020	Active Support <i>Thematic</i>	
Washing Machine Plastic Microfibre Filters Initiative <i>Collaborative Dialogue</i>	E	2020	Mix of Support <i>Thematic</i>	
Collaborative engagement on Uyghurs slave labour in the supply chain <i>Collaborative Dialogue</i>	S	2020	Mix of Support <i>Exceptional Event / Controversy</i>	
BBFAW Investor Collaboration on Farm Animal Welfare 2021–22 <i>Collaborative Dialogue</i>	ES	2021	Passive Support <i>Thematic</i>	
Access to Nutrition Index 2021 – 2022 <i>Collaborative Dialogue</i>	S	2021	Mix of Support <i>Thematic</i>	
Cumbria Coking Coal Mine project, Letter to the UK Prime Minister <i>Collaborative Statement</i>		2021	<i>Exceptional Event / Controversy</i>	
Barclays / Energy Policy engagement, led by ShareAction <i>Collaborative Dialogue</i>	E	2021	Passive Support <i>Thematic</i>	
CDP – Science Based Target Campaign 2021–22 <i>Collaborative Dialogue</i>	E	2021	Passive Support <i>Thematic</i>	
Investor letter to Global banks on Climate Change & Biodiversity (Shareaction-led) <i>Collaborative Dialogue</i>	E	2021	Mix of Support <i>Thematic</i>	
Corporate Accountability for Digital Rights 2021–22 <i>Collaborative Dialogue</i>	S	2021 Renewal, supported since 2018	Mix of Support <i>Thematic</i>	

Collaborative Initiatives/ Type	ESG	Joined/ Renewed	Candriam Role* and Initiative Trigger	Conviction Topics
FAIRR Where's the Beef Statement <i>Collaborative Statement</i>	E	2021	Passive Support <i>Thematic</i>	
IIGCC investor position statement - voting on transition planning <i>Collaborative Statement</i>		2021	<i>Thematic</i>	
Net Zero Proxy Advice - IIGCC Investors Letter to Proxy Advisors <i>Collaborative Statement</i>	E	2021	Passive Support <i>Thematic</i>	
Healthy Market Initiative - ShareAction led (incl. 2022 Unilever resolution on Healthy products) <i>Collaborative Dialogue</i>	SG	2021	Active Support <i>Thematic</i>	
Investor Letter - Linking Access to Vaccine with Pharmaceuticals' Executives' remuneration <i>Collaborative Dialogue</i>	SG	2021	Mix of Support <i>Thematic</i>	
NEW Workforce Disclosure Initiative 2022 <i>Collaborative Dialogue</i>	SG	2022 Renewal, supported since 2017	Mix of Support <i>Thematic</i>	
NEW 2022 - IIGCC Banks Engagement <i>Collaborative Dialogue</i>	E	2022	Mix of Support <i>Thematic</i>	
NEW 2022 Nomination slates in Italy with Assogestioni <i>Collaborative Dialogue</i>	G	2022	Active Support <i>Exceptional Event / Controversy</i>	
NEW 2022 Investor Statement In Support of EU Digital Rights Regulations <i>Collaborative Statement</i>	S	2022	Passive Support <i>Thematic</i>	
NEW SoC Transparency 1.5D - Resolution <i>Collaborative Dialogue</i>	E	2022	Active Support <i>Thematic</i>	
NEW 2022 Letter to Starbucks on Worker Representation <i>Collaborative Dialogue</i>	S	2022	Active Support <i>Exceptional Event / Controversy</i>	
NEW CDP Climate 2022 <i>Collaborative Dialogue</i>	E	2022 Renewal, supported since 2004	Mix of Support <i>Thematic</i>	
NEW CDP Water 2022 <i>Collaborative Dialogue</i>	E	2022 Renewal, supported since 2010	Mix of Support <i>Thematic</i>	

Collaborative Initiatives/ Type	ESG	Joined/ Renewed	Candriam Role* and Initiative Trigger	Conviction Topics
NEW CDP Forest 2022 <i>Collaborative Dialogue</i>	E	2022 Renewal, supported since 2009 via Forest Footprint Disclosure Project	Mix of Support <i>Thematic</i>	
NEW Sustainable Protein 2022 <i>Collaborative Dialogue</i>	E	2022 Renewal, supported since 2017	Mix of Support <i>Thematic</i>	
NEW Investor Initiative on Responsible Care - UNI Global led <i>Collaborative Dialogue</i>	S	2022	Mix of Support <i>Thematic</i>	
NEW 2022 Australia Sovereign Engagement on Climate <i>Collaborative Dialogue</i>	E	2022	Active Support <i>Thematic</i>	
NEW 2022 UNPRI Tax Reference Group <i>Collaborative Dialogue</i>	S	2022	Mix of Support <i>Thematic</i>	
NEW 2022 Global Investor Statement to Governments on the Climate Crisis <i>Collaborative Statement</i>	ES	2022 Renewal, supported since 2009	Passive Support <i>Thematic</i>	
NEW 30pct Club FR <i>Collaborative Dialogue</i>	SG	2022	Mix of Support <i>Thematic</i>	
NEW WBA Investor Engagement on Ethical AI <i>Collaborative Dialogue</i>	ESG	2022	Mix of Support <i>Thematic</i>	
NEW WBA Investor Statement on Ethical AI <i>Collaborative Statement</i>	ESG	2022	Mix of Support <i>Thematic</i>	
NEW FAIRR Biodiversity - Waste & Pollution <i>Collaborative Dialogue</i>	E	2022	Active Support <i>Thematic</i>	
NEW 2022 PRI Advance - Human Rights <i>Collaborative Dialogue</i>	S	2022	Mix of Support <i>Thematic</i>	
NEW COP15 Statement from the Financial Sector Signatories <i>Collaborative Statement</i>	E	2022	Passive Support <i>Thematic</i>	

*Note: depending on the targets, our support may be active, passive, or lead investor.

Source: Candriam, and individual initiative websites

New initiatives – summaries.

Initiatives we joined in 2022 for first time.

During 2022, we joined twenty *new* initiatives. With ESG now ‘in fashion’ and so many more initiatives now being launched, sometimes even in competition on similar topics, we must prioritize. We allocate our resources by respecting our three long-standing priorities set in 2014, Energy Transition, Fair Work Conditions, and Business Ethics, and by judging the likelihood of adding value to our investment process or making a difference on the topic. Below we describe eleven of the twenty, along with the PAIs (Principle Adverse Impacts) involved.

World Benchmarking Alliance’s Investor Statement on Ethical Artificial Intelligence and Engagement Alliance	Thematic	Tech & Democracy Tech & Data Privacy Effective Risk Management Systems UNGC Human Rights	Influence Issuer Practice	Mix of support	SG	
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PAI 10. Global Compact and OECD violation
PAI 11. Lack of Global Compact processes

The **World Benchmarking Alliance’s Investor Statement on Ethical AI** promotes the respect human rights and the principle of ‘leaving no one behind’ in the expansion of Artificial Intelligence (AI). The Alliance encourages companies to implement policies and mechanisms to ensure the ethical development and application of AI, firstly by specifically requesting companies to disclose a commitment to abide by principles for this ethical AI development and application. Such disclosure will signal that a company gives serious attention to this issue from the highest levels of management.

The **Digital Inclusion Benchmark (DIB)** from the *World Benchmarking Alliance (WBA)* tracks the performance of the world’s most influential digital technology companies on four areas of digital inclusion -- enhancing universal access to digital technologies; improving all levels of digital skills; fostering trustworthy use; and innovating openly and ethically. **One key finding is that only 20 out of 150 digital technology companies disclose their commitments to principles of ethical artificial intelligence.** Whilst many digital companies spent pages citing the benefits and potentials of AI, few expressed concerns about the risks.

Following this statement and benchmarking, the WBI is engaging as a group with specific companies. This WBI initiative brings multiple stakeholders together to focus on the critical issue of ethical AI to advance corporate practices and bring about systems change.

As investors we see the lack of commitment to a set of ethical AI principles as posing considerable risk, both investment risks to the companies in which we invest, and more broadly to the basic human rights of individuals and the sustainable development of society. We believe a commitment to ethical AI principles is a key element of the systemic changes needed for an inclusive and trustworthy digital transformation. Hence, we are taking coordinated action to ensure that measurably more companies commit to ethical AI.

Candriam is lead investor for engaging with one company, a Chinese Tech Hardware Manufacturer.

Our engagement with this issuer is continuing in 2023, as we follow up on the ethical AI commitments of this company.

Advance – A human rights and social initiative led by the PRI	Thematic	Human Rights	Influence Issuer Practice	Lead on Issuer Co-lead on 2 issuers	SG	
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PAI 10. Global Compact and OECD violation

Advance is a **Principles for Responsible Investment**-led (PRI) collaborative initiative launched in late 2022 for institutional investors to act in concert to advance human rights and social issues. More specifically, investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities, and society.

The following expectations are set for companies:

- **Fully implement the United Nations Guiding Principles on Business and Human Rights** (UNGPs) – the guidance and guardrails for corporate conduct on human rights;
- Align companies’ lobbying and political engagement with their responsibility to respect human rights;
- Deepen progress on the most severe human rights issues in their operations and across their value chains.

The PRI is providing extensive administrative support for this engagement, as well as engagement and sustainability expertise. The PRI will publish publicly-available annual progress reports to provide all investors and other stakeholders with a regular update on the progress of the initiative against its stated objective.

- The initiative has been endorsed by *220 investors* representing *USD 30 trillion* in AuM.
- Of these, *121 investors* are taking an active role in engaging with the target companies.

Candriam is **lead investor for engaging with ArcelorMittal S.A.**, and supporting investor on *Gold Fields Limited* and *First Quantum Minerals Ltd.*

The PRI offers a [comprehensive website](#) on this initiative.

Forty companies from the Extractive and Utilities sectors

will be targeted by this initiative.

IIGCC Banks Engagement	Thematic	Climate Change NZ GHG Emission by 2050 (or sooner) Ambition LT targets ST/MT targets Governance & Disclosure Resource Depletion	Encourage More Info Disclosure	Mix of Support	E	
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- PAI 1. GHG emissions**
- PAI 2. Carbon footprint**
- PAI 3. Issuer GHG Intensity**
- PAI 4. Exposure to fossil fuel sector**
- PAI 5. High non-renewable energy**
- PAI 6. Energy intensity per impact sector**


Under the direction of the Institutional Investors Group on Climate Change (IIGCC), a group of leading global investors has defined a list of expectations for the banking sector, calling on banks to set improved net-zero targets for 2050 along with interim targets, to step up the development of green finance, and to withdraw from projects that do not meet the goals of the 2015 Paris Agreement and treaty.

Having taken part in the IIGCC Working Group on banking since 2020, we decided to play a more active role, taking an active role in the associated engagements beginning in 2022.

This collaborative engagement aims to guide banks toward a net zero emissions path. The academic partner for this project is the Transition Pathway Initiative (TPI), whose Assessment framework is the starting piece for discuss the strategy and performance of banks regarding their transition to Net Zero.

Candriam has recently begun to play a more active role in this initiative, and we hope to help this group secure its first improvements during 2023. Meetings are already scheduled with the two companies for which we are acting as lead investor for the engagement initiatives.



Investor Initiative on Responsible Care	Controversy	Health Service Safety – Staff Relations – Training & career management – working conditions – fair remuneration	Influence Issuer Practice	Supporting Investor	SG	
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PAI 11. Lack of Global Compact processes

This initiative, led by the global trade union UNI Global, plans to engage with nursing home operators to improve conditions for both workers and the pensioners who live in these facilities. (This engagement initiative on Responsible Care follows Candriam’s signing of the 2021 ‘Investor statement – Expectations for the nursing home sector’. That initiative was signed by 105 financial institutions representing over \$3 trillion of AUM.)

The impact of the Covid-19 pandemic has illuminated and exacerbated many long-standing issues in the senior care sector. From the onset of the pandemic, nursing homes around the world have been at the epicentre of the crisis. Nursing home residents comprised an average of 41% of all deaths across 22 reporting countries as of February 2021.²⁰ Hundreds of thousands of nursing home workers were also infected, many of whom died and many others face long-lasting effects.

As investors we expect nursing home operators to develop and implement group-wide standards for quality of care and working conditions, which adapt to but go beyond local regulatory requirements.

Some of the areas include:

- Understaffing
- Health and safety
- Wages and contracts
- Freedom of association and collective bargaining
- Quality of care

In 2022, the Responsible Care investor group engaged with two large French nursing home operators. Both companies targeted by the initiative were recently involved in controversy when they were mentioned in a book describing the appalling conditions in nursing homes both for the elderly and staff. These companies underwent severe financial restructuring. The investor group carried out several discussions to express investor expectations.

The investor group is also discussing the upcoming European regulation on nursing homes with the European Commission for Employment and Social Rights.

²⁰ Investor Statement, https://uniglobalunion.org/wp-content/uploads/Investor-statement_updated-signatories-22.11.pdf, see also Updated international report: Mortality associated with COVID-19 in care homes, data up to 26th January 2021 – Resources to support community and institutional Long-Term Care responses to COVID-19, <https://itccovid.org/2021/02/02/updated-international-report-mortality-associated-with-covid-19-in-care-homes-data-up-to-26th-january-2021/>

SoC Transparency 1.5°C – Resolution & FIR Statement	Thematic	Management resolution – Climate related	Influence Issuer Practice	Active support	EG	
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- PAI 1. GHG emissions**
- PAI 2. Carbon footprint**
- PAI 3. Issuer GHG Intensity**
- PAI 4. Exposure to fossil fuel sector**
- PAI 5. High non-renewable energy**
- PAI 6. Energy intensity per impact sector**

The goal of this initiative is to improve the quality of the Say-on-Climate resolutions of French companies. The investor group seeks information and reporting which are required for investors to assess alignment of their portfolios to 1.5°C scenarios (NZAMi), with the goals of the Paris Agreement, and the IEA Net Zero Emissions 2050 Scenarios. Today, this information is missing from reports.

In 2022 and due the demanding procedure, especially in France, we were only able to co-file one resolution at TotalEnergies.

In parallel with this campaign, we are supporting the French Sustainable Investment Forum, which calls on companies to present ambitious climate plans and to put these plans and their results to an annual shareholder vote at each annual general meeting.²¹

Letter to Starbucks on Worker Representation	Controversy	Staff relations UNGC Labour Rights UNGC Freedom of Association	Influence Issuer Practice	Signatory	S	
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PAI 10. Global Compact and OECD violation

More than 100 Starbucks stores across the United States have submitted union election filings to the National Labor Relations Board as workers seek to exercise their rights to organization and collective bargaining. Yet since these efforts began -- in Buffalo, NY in 2021 – Starbucks’ conduct appears to be contrary to its commitments to internationally-recognized norms on worker rights, creating reputational and other risks.

A group of responsible investors, including the Office of New York City Comptroller Brad Lander, have drafted a letter to Starbucks, highlighting the business case for unions and urging the company to adopt a neutral stance to worker efforts to organize.

As the letter states, collaborative partnerships between companies, unions, and workers can help facilitate stronger workplaces and labour relations. When workers’ rights are ensured, their interests represented, and their needs properly communicated, companies and workers alike benefit. These benefits may include lower turnover, more resilient and risk-tolerant operations, more effective feedback loops, higher employee satisfaction and productivity, and, in turn, higher quality products and services.

The letter is an opportunity to remind Starbucks of its obligations under international agreements, such as the ILO Labor Conventions and the UN Guiding Principles on Business and Human Rights, to respect workers’ freedom of association.

²¹ https://www.frenchsif.org/isr_esg/wp-content/uploads/CP-Tribune_FIR_SOC-220324.pdf

2022 Australia Sovereign Engagement on Climate	Thematic	Climate Change Energy Transition	Influence Issuer Practice	Active support	E	
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PAI 15. Sovereign GHG intensity

The objective is to convince the Australian government to take all possible steps to mitigate climate change, not only in line with the Paris Agreement, but in particular, with a 1.5°C target.

The engagement will cover three areas:

- Transition risks and opportunities (–1.5°C and Net Zero Pathways)
- Physical Risk assessment (has not been in Australia)
- Market Developments (Sustainable finance, Disclosure, Taxonomy, Green Bond initiatives)

The initiative plans to engage with various ministries, agencies and entities of the Australian federal government, state governments and other stakeholders.

The advisory group held preliminary discussions with the Australian government in 2022, and the four working groups plan to begin engagement efforts in second quarter of 2023. These working groups will engage with four types of stakeholders:

- The federal government
- State governments
- The regulator, central bank, debt management office
- Industry, think tanks, Climate Change commission and other stakeholders

This engagement is a pilot for a wider programme in the future.

FAIRR Biodiversity – Waste & Pollution	Thematic	Land Use & biodiversity Raw materials & Waste Environmental practices at Suppliers	Encourage More Info Disclosure	Mix of Support	EG	
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PAI 7. Activities endangering biodiversity

PAI 8. Emissions to water


PAI 9. Hazardous waste ratio

FAIRR, a foundation dedicated to the food agricultural industries, is launching three engagement initiatives linked to biodiversity, focusing on Waste and Pollution (2022), Land Management and Resource Use (2023), and Land/Sea Use Change (2023). Candriam is a member of FAIRR and we have worked with the organisation previously on topics including antibiotics, sustainable protein, and agriculture and climate.

This first campaign, on Waste and Pollution, targets livestock producers and agrochemical companies. The amount of livestock manure produced each year exceeds all other types

of waste by weight, including landfill and plastic waste. With so much manure in so few overly concentrated areas, the FAIRR Initiative wants companies their management and disclosure of this biodiversity-related risk.

As part of this collaborative Waste and Pollution effort, Candriam will actively engage with two corporates which are of direct interest to our equity and fixed income investment teams.

Tax Reference Group, 2022 United Nations Principles for Responsible Investment	Thematic	Public Authority Relations - Tax, Subsidies	Encourage More Info Disclosure	Mix of Support	s	
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Candriam decided to join the UN PRI collaborative group on tax issues, launched in 2022. These issues are increasingly sensitive, and the amounts involved in recent tax litigation create a ‘tax risk’ for investors which needs to be better understood. The lack of corporate disclosure on tax issues is a key impediment to assessing these risks. Given the complexity of tax issues, participation in this group is an opportunity to share knowledge, acquire knowledge, promote best tax practices, and promote tax fairness.

The PRI provides input, advice and insights on resources that they have gathered and developed, which support signatory understanding and engagement on tax. These resources are a crucial advantage to investors. Tax rules are complex enough among sectors and within a country. Most companies are multi-national, facing tax regimes which vary dramatically by country. The only common factor seems to be that all tax approaches are complex.

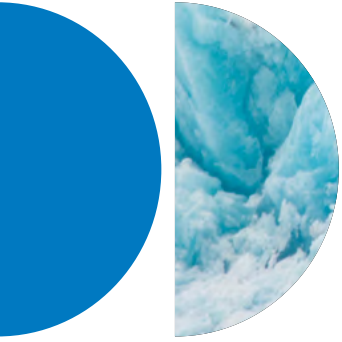
This collaborative group also provides an opportunity to meet interested parties, participants, and policymakers, and to express and be exposed to different viewpoints. Taxes are approached in very different manners, depending on the ‘background’. Such sharing of both knowledge and of the difficulties encountered encourages the construction of a

common tax narrative and helps align expectations among the very different parties.

Our participation should also enable us to strengthen our investment analysis of corporate tax disclosures and to better assess any impacts, risks and opportunities surrounding company tax practices globally. Over time, it should also provide us with increased knowledge and ability to incorporate tax related issues into our stewardship practices.

During 2022, we participated in regular meetings involving numerous stakeholders such as investors, proxy voting agencies, and NGOs, about existing and future tax legislation coming into force, some companies’ practices and why and how tax impacts communities.

Our next steps as part of this initiative will be to engage with companies whose tax practices are of interest, either as best practices leaders or as companies of concern. We hope the leaders will share their experiences and difficulties in fulfilling best practices, while for the others, we hope for an opportunity to understand their views, whether there is room for improvement in their practices or if tax should be viewed as a potential red flag in our internal analysis.



30% Club France	Thematic	Governance – Board Diversity Recruitment and Retention- Diversity and inclusion	Influence Issuer Practice	Lead and Initiative co-lead	S	
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PAI 13. Board gender diversity

The 30% Club is a global campaign to increase gender diversity at Board and senior management levels. The campaign, was first launched in the UK in 2010, when just 12% of Board seats for the FTSE 100 companies were held by women. The Club believes both that gender balance on Boards and senior management not only encourages better leadership and Governance, and that diversity and inclusion also increase corporate performance for companies and their shareholders.

There are currently 15 chapters globally. One aim of the French Investor Group is eventually to open a full French Chapter of the 30% Club.

In France, under the Copé-Zimmermann and Rixain laws, listed companies have been required to appoint a minimum of 40% of women on their Boards of Directors since 2017. As a natural second step, gender diversity is expected to trickle down from the Board level to all layers of executive management.

As of mid-2020, an average of 21% of the Executive Committee members of the main French-listed companies²² were held by women. Their roles are predominantly administrative --

only 12% of operational roles in SBF 120 Executive Committees are held by women.

As investors, we believe both Boards and executive management teams that genuinely embrace cognitive diversity, as manifested through appropriate gender representation and a broad spectrum of skills and experience, are more likely to achieve better outcomes for investors. There is a growing body of research in support of this view.

Since we joined the initiative and became its co-lead, the group has engaged with three companies. Two of these dialogues were led by Candriam. These frank dialogues enable investors to voice their concerns on the performance of investee companies as well as to understand the efforts and challenges faced by these companies in the field of diversity and inclusion. Candriam expects to lead the engagement groups for three new target companies in 2023.

You can read more on this in the interview with Theany Bazet on diversity in the Direct Engagement section.

²² Based on the SBF 120 French stock market index.

Financial Sector Statement on Biodiversity for COP 15	Thematic	Environmental Preservation Responsible Use of resources Governments' international conventions ratification	Influence Issuer Practice	Passive Support	E	
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PAI 15. Sovereign GHG intensity

Ahead of the UN Biodiversity Conference (COP 15), 150 financial institutions, representing over \$24 trillion in assets under management, called on world leaders to adopt an ambitious Global Biodiversity Framework to halt and reverse nature loss by 2030.

Coordinated by the United Nations-backed Principles for Responsible Investment, the United Nations Environment Programme Finance Initiative (UNEP FI), and the Finance for Biodiversity Foundation, the statement calls on governments worldwide to adopt this framework for economic actors, including financial institutions. Investors are calling on governments to adopt measures within the post-2020 Global Biodiversity Framework which would set a clear mandate for the alignment of financial flows with the preservation of global biodiversity, similar to Article 2.1(C) within the Paris Agreement.

Signatories also commit more specifically to contribute to the protection and restoration of biodiversity and ecosystems through their financing activities and investments, and to working within their own organizations to support "[Living in harmony with Nature](#)" by 2050.

COP15 adopted the Kunming-Montreal Global Biodiversity Framework (GBF) on the last day of negotiations. We can now say that a great number of our demands have been heard. The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights. The plan includes concrete measures to halt and reverse nature loss, including putting 30% of the planet and 30% of the degraded ecosystems under protection by 2030. Further, it offers proposals to increase finance to developing countries.

The GBF consists of four primary goals to protect nature, including **halting human-induced extinction** of threatened species and reducing the rate of extinction of all species tenfold by 2050; **sustainable use and management of biodiversity** to ensure that nature's contributions to people

are valued, maintained and enhanced; **fair sharing** of the benefits from the utilization of genetic resources, and digital sequence information on genetic resources; and **equal access to the benefits of biodiversity** be accessible to all parties, particularly the least developed countries and small island developing states, through an adequate implementation of the GBF.

As part of these four goals, the GBF defines 23 targets for 2030, including:

- Effective conservation and management of at least 30% of the world's land, coastal areas and oceans.
- Restoration of 30% of terrestrial and marine ecosystems.
- Reduce the loss of areas of high biodiversity importance and high ecological integrity to near zero.
- Halving global food waste.
- Phasing out or reforming subsidies that harm biodiversity by at least \$500 billion per year, while scaling up positive incentives for biodiversity conservation and sustainable use.
- Mobilizing at least \$200 billion per year from public and private sources for biodiversity-related funding.
- Raising international financial flows from developed to developing countries to at least \$30 billion per year.
- Requiring transnational companies and financial institutions to monitor, assess, and transparently disclose risks and impacts on biodiversity through their operations, portfolios, supply and value chains.

The March 2023 [agreement](#) reached by delegates of the Intergovernmental Conference on Marine Biodiversity of Areas Beyond National Jurisdiction on Ocean protection will support achievement of GBF ocean-related targets.

Statistics.

Selected statistics for collaborative dialogues.

Focus on corporate issuers

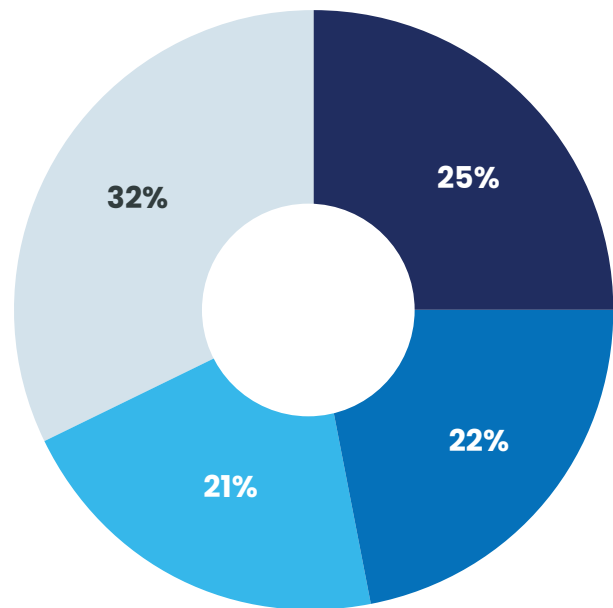
During 2022, a total of 7,539 issuers were targeted by collaborative initiatives we support (7,530 when not considering collaborative statements, but only collaborative dialogue).

Issuer by Region

■ Europe	■ Asia Pacific
■ North America	■ Emerging Markets

As CDP-SBTis, Climate, Forest and Climate surveys & dialogues we support, target in total 7,460 issuers and account respectively for 12,260 dialogues in total and may bias the global picture, we will systematically provide all our statistics with / without CDP's surveys.

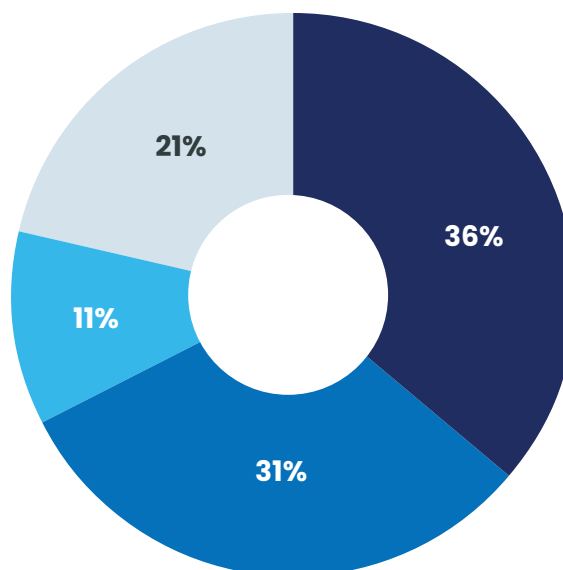
(The CDP organization was previously known as the Carbon Disclosure Project; its large size may skew the data.)



Issuers, targeted by collaborative dialogues, by Region, without CDP

Issuer by Region

Issuer by Region	%
■ Europe	36%
■ North America	31%
■ Asia Pacific	11%
■ Emerging Markets	21%

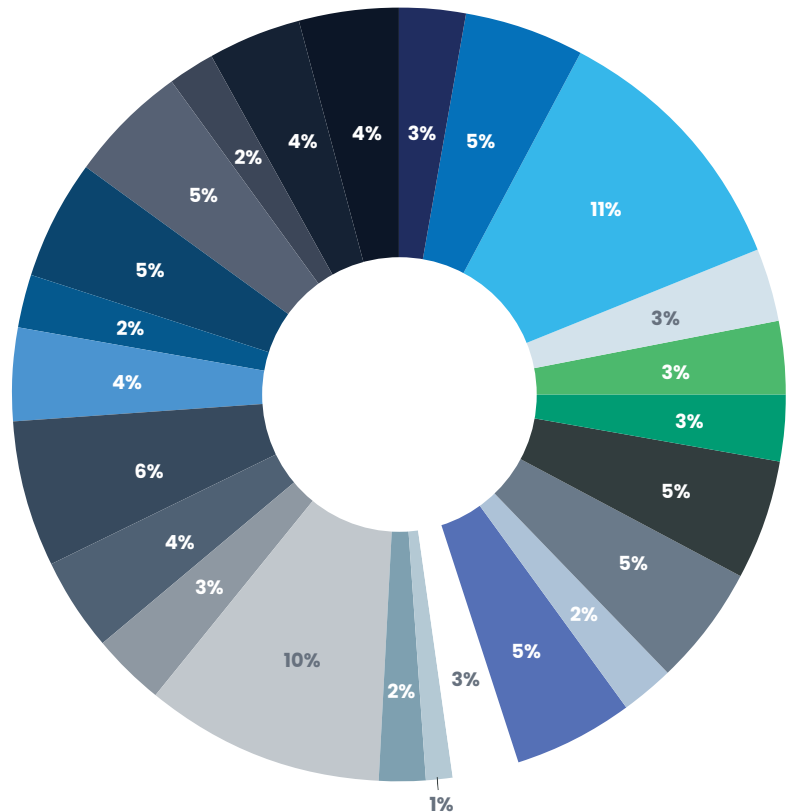


Sector Breakdown

Of a total of 7,530 corporate issuers targeted by collaborative dialogues in 2022

Sector breakdown

■ Automobiles & Components	3%
■ Banks	5%
■ Capital Goods	11%
■ Consumer & Professional Services	3%
■ Consumer Durables & Apparel	3%
■ Consumer Services	3%
■ Diversified Financials	5%
■ Energy	5%
■ Food & Staples Retailing	2%
■ Food, Beverage & Tobacco	5%
□ Health Care Equipment & Services	3%
■ Household & Personal Products	1%
■ Insurance	2%
■ Materials	10%
■ Media, Entertainment	3%
■ Pharmaceuticals, Biotechnology, Life Science	4%



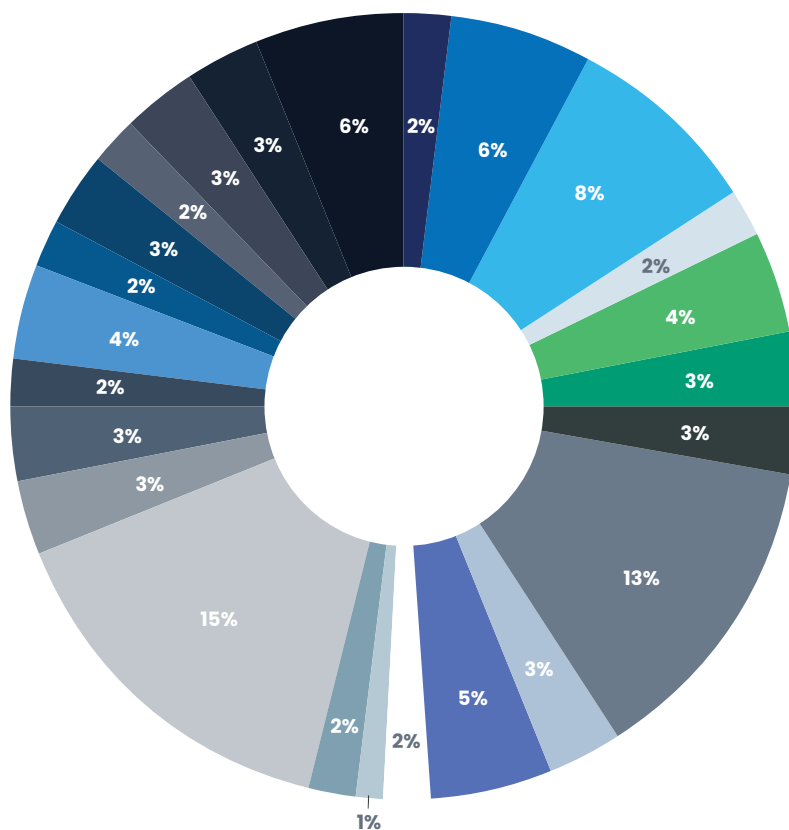
■ Real Estate	6%
■ Retailing	4%
■ Semiconductors & Equipment	2%
■ Software & Services	5%
■ Technology Hardware & Equipment	5%
■ Telecommunications Services	2%
■ Transportation	4%
■ Utilities	4%

Sector Breakdown, without CDP

Of a total of 1,413 corporate issuers targeted by collaborative dialogues in 2022

Sector breakdown

■ Automobiles & Components	2%
■ Banks	6%
■ Capital Goods	8%
■ Consumer & Professional Services	2%
■ Consumer Durables & Apparel	4%
■ Consumer Services	3%
■ Diversified Financials	3%
■ Energy	13%
■ Food & Staples Retailing	3%
■ Food, Beverage & Tobacco	5%
□ Health Care Equipment & Services	2%
■ Household & Personal Products	1%
■ Insurance	2%
■ Materials	15%
■ Media, Entertainment	3%
■ Pharmaceuticals, Biotechnology, Life Science	3%



■ Real Estate	2%
■ Retailing	4%
■ Semiconductors & Equipment	2%
■ Software & Services	3%
■ Technology Hardware & Equipment	2%
■ Telecommunications Services	3%
■ Transportation	3%
■ Utilities	6%

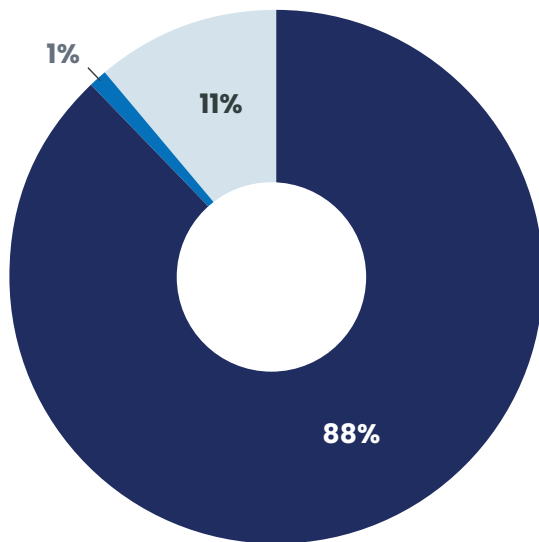
For any collaborative initiative, investors can opt for different roles :

- leading exchanges with issuers,
- being an active participant offering true support to the coordinators or lead investors
- remaining 'passive' and benefiting from the economy of scale while bringing more leverage (AUM) to the initiative.

In practice, coordinators and supporting investors share the workload, choosing lead or active investors essentially on the basis of their competence, history of relationships with the company, of their geographical proximity, of their respective leverage. **In 2022, Candriam has (co-)lead or be an active participant for 210 of these dialogues, 180 not taking into account CDP collaborative initiatives.**

Thematic breakdown of collaborative dialogues (not including statements)

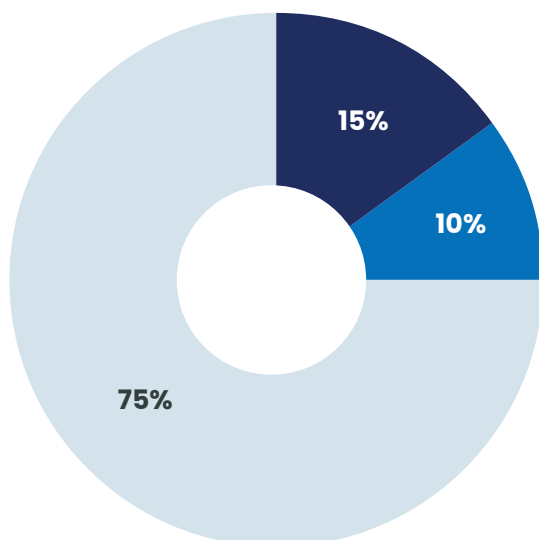
Of a total of 14,334 dialogues in 2022 with corporate issuers



Thematic	%
Environment	88%
Social	1%
Governance	0%
Overlapping ESG issues	11%

Thematic breakdown of collaborative dialogues (not including statements), without CDP

Of a total of 2,074 dialogues in 2022 with corporate issuers



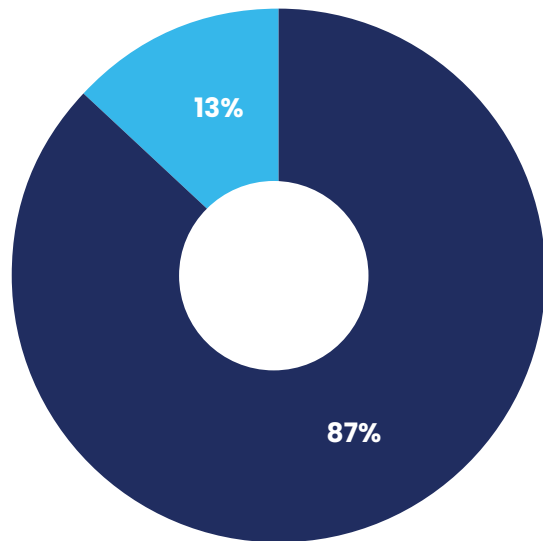
Thematic	%
Environment	15%
Social	10%
Governance	0%
Overlapping ESG issues	75%



Dialogue Primary Objectives

Of a total of 14,334 collaborative dialogues in 2022

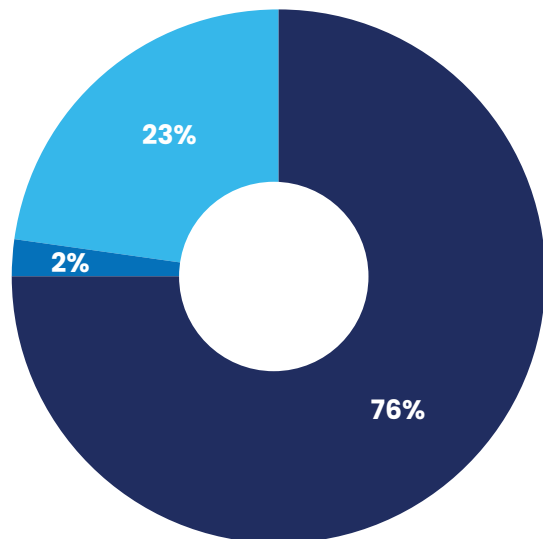
	%
■ Encourage improved ESG disclosure	87%
■ Support investment decision-making	NM
■ Influence Corporate Practice (inter alia, AGMs related letters)	13%



Dialogue Primary Objectives, without CDP

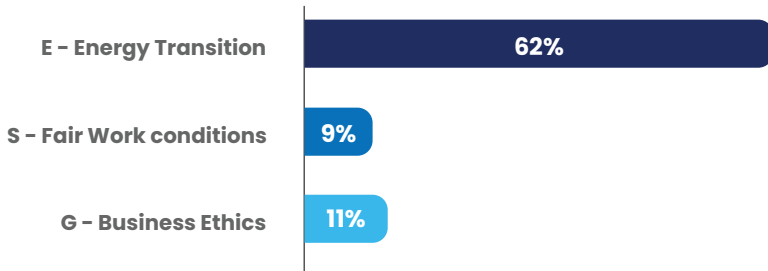
Of a total of 2,074 collaborative dialogues in 2022

	%
■ Encourage improved ESG disclosure	76%
■ Support investment decision-making	2%
■ Influence Corporate Practice (inter alia, AGMs related letters)	23%



Share of collaborative dialogues related to our Conviction topics

Of a total of 14,334 dialogues in 2022

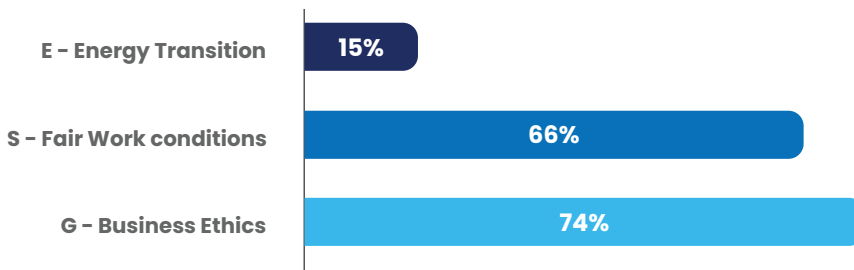


Conviction topics %

Conviction topics	%
■ E - Energy Transition	62%
■ S - Fair Work conditions	9%
■ G - Business Ethics	11%

Share of collaborative dialogues related to our Conviction topics, without CDP

Of a total of 2,074 dialogues in 2022



Conviction topics %

Conviction topics	%
■ E - Energy Transition	15%
■ S - Fair Work conditions	66%
■ G - Business Ethics	74%



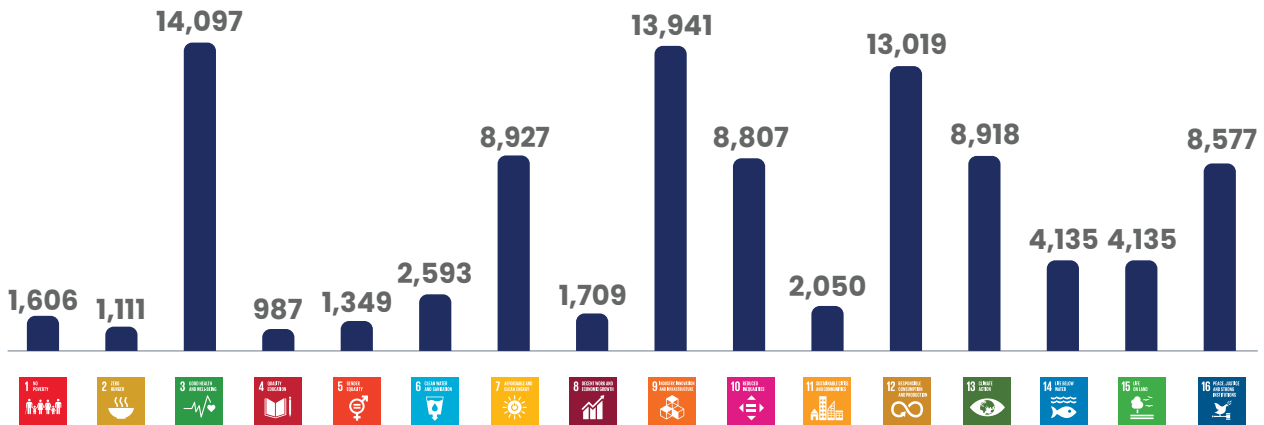
Considering all collaborative dialogues with corporate issuers, we can also display further statistic comparable to what we provided for direct dialogues.

As we have for our direct dialogues, in our collaborative dialogue efforts we listen to our clients as well as paying close attention to regulatory change, notably in Europe.

Therefore, we continue to clarify the links between our dialogues and the specific United Nations Sustainable Development Goals²³ (UN SDGs), as well as with Principal Adverse Impacts (PAIs)²⁴ on sustainability factors caused by security issuers held in our portfolios. The bar charts illustrate this effort.

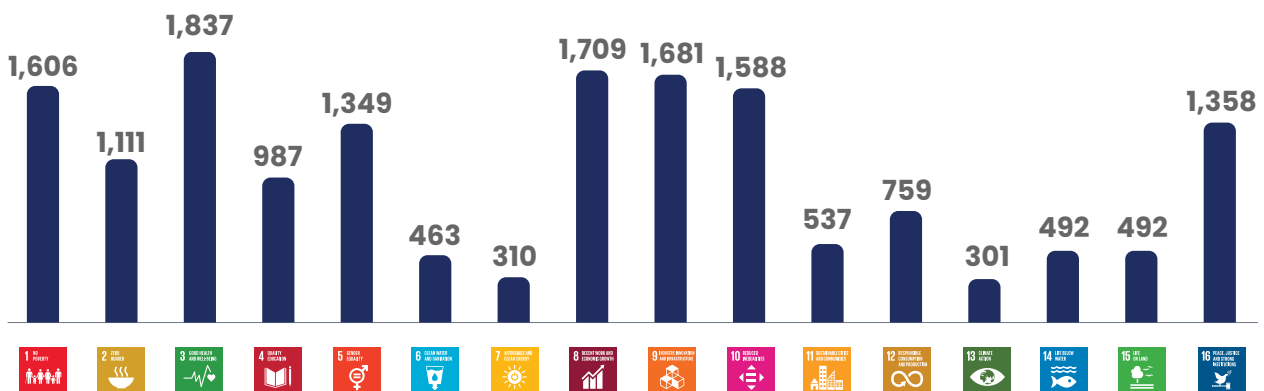
Share of Collaborative Dialogues related to 16 of the UN SDGs

Of a total of 14,334 dialogues with corporate issuers in 2022



Share of Collaborative Dialogues related to 16 of the UN SDGs, without CDP

Of a total of 2,074 dialogues with corporate issuers in 2022



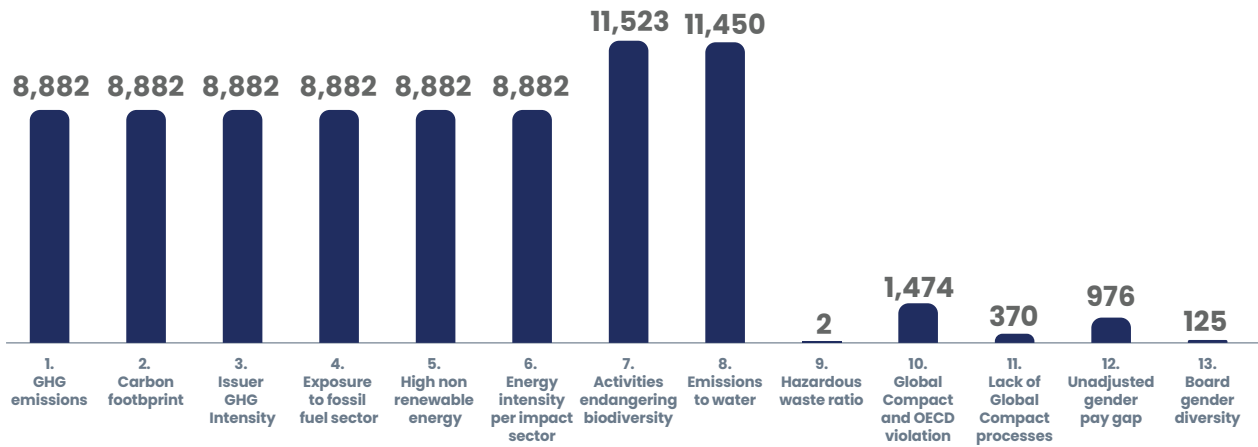
²³ For more background information about the United Nations Sustainable Development Goals, please refer to the UN official website under <https://sdgs.un.org/goals>

²⁴ You will find more information about how Candriam answers to the European Sustainable Financial Disclosure Regulation under our dedicated webpage <https://www.candriam.com/en-be/professional/stdr/>



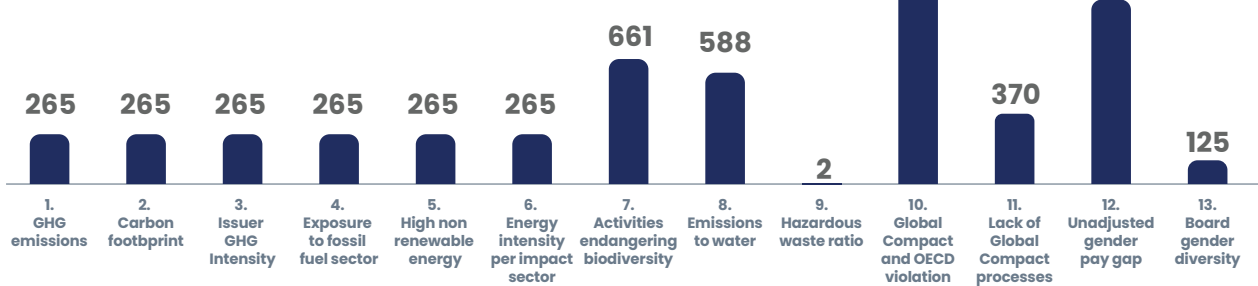
Share of Collaborative Dialogues related to the 13 first PAIs

Of a total of 14,334 dialogues with corporate issuers in 2022



Share of Collaborative Dialogues related to the 13 first PAIs, without CDP

Of a total of 2,074 dialogues with corporate issuers in 2022



It is difficult to quantify the impact of the engagement, given both the diversity of topics and the latency of engagement results. There is a time lag time between the start of engagement and the effective change at issuer level (if change, rather than info or some other purpose, was primary objective).

The way engagement is integrated in the investment process is also of importance as it helps to better understand our process of investment and how engagement feeds it, support it. At Candriam, the most direct link between engagement and the investment process is through ESG opinion, or ranking, expressed over the considered issuer. Of course best practice ideas, and nuances of risks, flow through other companies,

through the analysis of the portfolio managers, and other immeasurable ways.

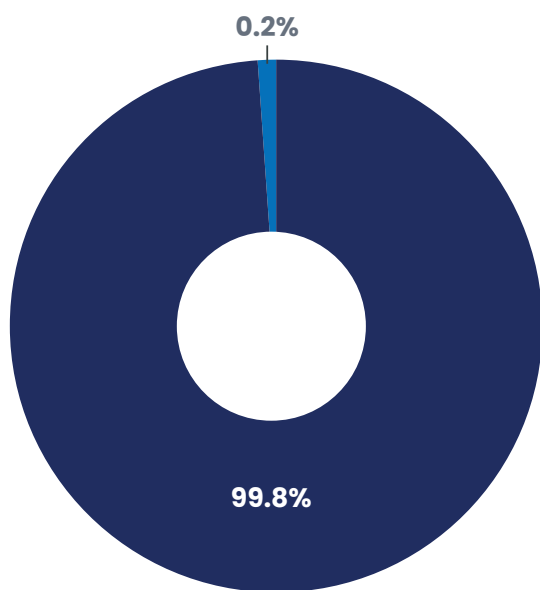
As a result, we have chosen to measure our impact in two different ways :

- Highlight the respective influence of dialogues on the opinion of the ESG analyst in charge, for every dialogue closed during the year under review.
- Measure the level of achievement of primary objectives for every dialogue, both closed and ongoing, during the year under review.

These two measurements are illustrated in the charts.

Impact of collaborative dialogues on Candriam ESG opinion

Out of a total of 13,302 closed dialogues with corporate issuers in 2022

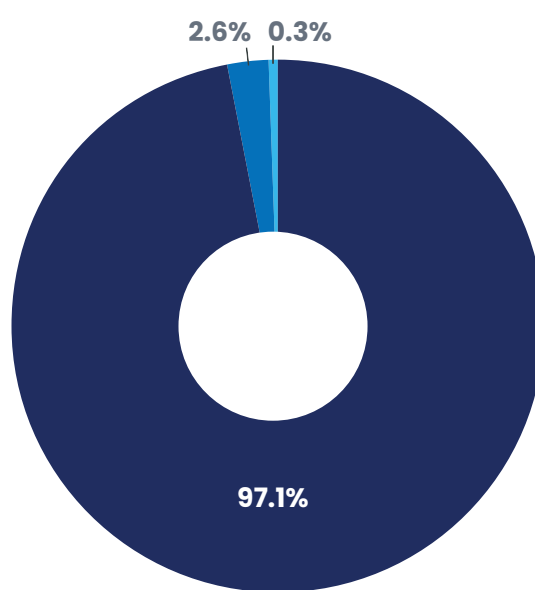


Impact on opinion	%
■ Reinforced existing opinion of analyst	99.8%
■ Positive impact on opinion of analyst	0.2%
■ Negative impact on opinion of analyst	NM

Note: This chart gives an idea of the share of 2022 collaborative dialogues having already influenced the ESG analysts in their opinion on the target issuer involved. Influence on opinion does not systematically mean a change in ESG eligibility.

Impact of collaborative dialogues on Candriam ESG opinion, without CDP

Out of a total of 1,042 closed dialogues with corporate issuers in 2022



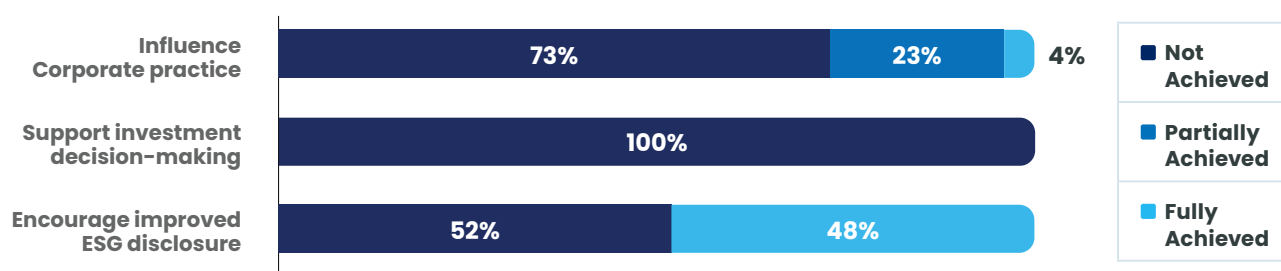
Impact on opinion	%
■ Reinforced existing opinion of analyst	97.1%
■ Positive impact on opinion of analyst	2.6%
■ Negative impact on opinion of analyst	0.3%

Note: This chart gives an idea of the share of 2022 collaborative dialogues having already influenced the ESG analysts in their opinion on the target issuer involved. Influence on opinion does not systematically mean a change in ESG eligibility.



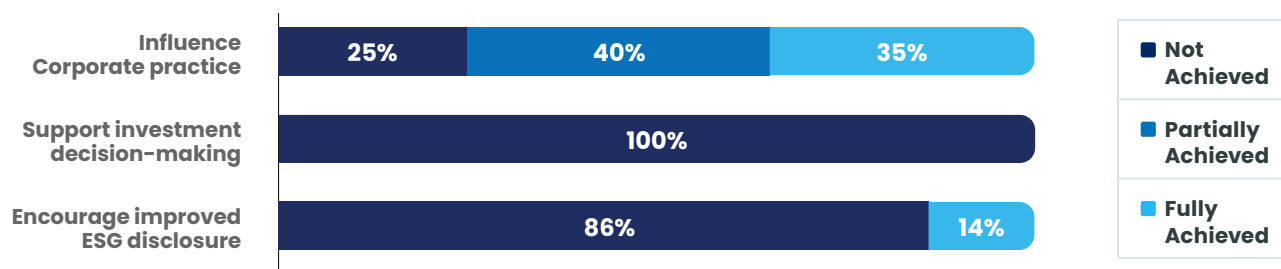
Primary objective achievement level

Of a total of 13,302 closed dialogues with corporate issuers in 2022



Primary objective achievement level, Without CDP

Of a total of 1,042 closed dialogues with corporate issuers in 2022



Collaborative initiative case studies: Acting together.

Facial Recognition Initiative.

Thematic	UNGC -Human Rights Tech & Democracy Tech & Data Privacy Social License to operate Oppressive Regimes	Influence Issuer Practice	Lead and Coordinator	SG	
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PAI 10. Global Compact and OECD violation
PAI 11. Lack of Global Compact processes



Benjamin Chekroun
 ESG Analyst
 Social/Human rights Specialist
 Engagement and Voting

Benjamin, as our point person for Social and Human Rights engagement, can you tell us why and when you launched this engagement on Facial Recognition?

We started working on the risks posed by Facial Recognition Technology (FRT) back in 2020. But we could already see significant markers of change:

- Companies were starting to put in place moratoriums on the sale of FRT,
- Authorities were beginning to regulate, and even ban, certain use of the technology,
- Public opinion across western democracies was shifting from a desire safer use to an outright ban of the technology.

As a responsible investor in technology, we felt a deeper understanding was needed, so we began by contacting experts, academics, journalist and NGOs. We published our findings in a white paper, because we felt it was important to share with the investor community. In March 2021, we published our [investor guidance on the risk of Facial Recognition Technology](#). We gathered 55 of our asset management peers, representing over \$5trillion of AUM, to sign an [investor statement on facial recognition](#).

What were your expectations for this investor statement?

Well, we had three ‘asks’. First that companies improve disclosure in what is considered a very black box technology. Where are databases coming from? How accurate are the algorithms? How much bias do they produce? Then, we are calling on companies to improve practices, such as performing extended impact assessment and due diligence ahead of product development and sales. And finally, we are calling for proper regulation as this technology is far ahead of regulation and actors need a level playing field.

And was that enough to get things moving?

An investor statement, in itself, has limited impact and only a handful of issuer companies reacted to the statement. So, in 2022, we acted on our joint intent and, with a smaller group of 20 investors ready to go the extra mile, we engaged with 30 companies involved in FRT.

Of these, 15 companies responded. That includes 13 public and 2 private companies, and 5 of this total are companies based in Asia. Most of the responders are software companies. We were able

to hold useful discussions on what procedures these firms had already put in place to ensure a safe and ethical use of FRT. The result was informative enough that we decided to publish an [interim engagement report](#) to gather and share the best practices observed so far. In our report we (that is, the engagement group) highlight examples of governance, principles, and procedures.

Can you highlight some of the practices that you feel are important?

Absolutely, I think four observations are worth highlighting:

- Those companies that were closer to writing the algorithms, were those most concerned with the human rights risk, and had the best procedures in place. Hardware and semiconductor companies were less concerned with the end use of their products.
- Publicly disclosure of principles, discussions with external experts and NGOs about the risks of FRT in particular, and of Artificial Intelligence in general, together provide a great starting point.
- Ensuring human oversight of machine decisions is a must. Human monitoring, supervision of the algorithms and ultimate decision making is clearly crucial. This we learned from companies which put this in place, and we share their conclusions with others in the industry.
- The ‘acceptable’ level of the risks to FRT varies dramatically by culture and region.


Three companies with strong procedures in place agreed to be identified and presented in our report, to help the industry advance to a higher standard. These three are Microsoft Corporation, Motorola Solutions, Inc. and Thales.

Now that you have defined these good practices, what do you plan to do?

We will engage with each of these 30 companies in 2023, after conducting a gap analysis for each of them. We will discuss procedures we believe are missing, and how they might apply to and be implemented in each situation.



Access to Medicine Index (AtMi).

Thematic	Health Wellness Access to products & services	Influence Issuer Practice	Mix of Support	s	
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The mission of the *Access to Medicine Foundation* is to stimulate and guide pharmaceutical companies to do more for the populations of low- and middle-income countries which may be lacking access to medicine. The Access to Medicine Index analyses 20 of the world's largest research-based pharmaceutical companies with products for high-burden diseases in low- and middle-income countries.

The Foundation ranks pharmaceutical companies on their efforts to improve access to medicine across seven areas of corporate behaviour, while identifying best practices. It highlights where progress is being made, and identifies where critical action is required.

Candriam has chosen to dialogue with the companies we invest in to encourage them to:

Integrate these issues into executive compensation;

- Boost their research efforts, alone or in collaboration with other actors, on emerging diseases or those for which no scientific treatment exists;
- Communicate on their anti-corruption efforts more transparently;
- Measure the impact of their access initiatives, whether through the adoption of differential pricing, donation strategies to control or eradicate certain diseases, or initiatives to strengthen health systems.

The Access to Medicine Foundation offers us privileged access to companies and their top management to discuss these issues, and to engage constructively on improvement of practices in the field.

The 2022 Access to Medicine Index since that since the Covid-19 pandemic, more pharmaceutical companies have

stepped up to make some products more widely accessible in low- and middle-income countries (LMICs). If the pandemic is to be a turning point in the fight for equitable access to medicine, companies must now scale their efforts to cover more products in their portfolios, and across a greater number of countries.


For the first time, all 20 companies in our scope report an access-to-medicine strategy, with 19 integrating this into their overall corporate strategy. The Index also outlines examples of companies that are increasing access and strengthening delivery of their products in LMICs, with GSK plc, Pfizer and Takeda standing out. In addition, more companies have engaged in voluntary licensing agreements, making their still-patented products available for generic manufacturing.

We are co-leading the engagement with Merck KGaA, who moved from the 8th rank in 2021 index to the 5th rank in the 2022 AtM Index. The company excels in R&D access planning and performs well in its approach to patent transparency. It has embarked on high-quality capacity building initiatives across all fields and has an average performance²⁵ in Governance of Access. Areas for improvement remain, notably on improving the quality of access plans for R&D projects for cancer and expanding access to cancer treatment.

We will continue to support this initiative in 2023 and beyond, as well as 'sister initiatives' such as inclusion of access-related metrics into executive compensation, or on anti-microbial resistance.

²⁵ Rankings from AtMi, <https://accesstomedicinefoundation.org/medialibrary/2022-access-to-medicine-index-1668514482.pdf>

Access to Nutrition Initiative (ATNI).

Thematic	Health Wellness Access to products/services - Food Product / Service Quality Product / Service Safety	Influence Issuer Practice	Mix of Support	s	
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PAI 11. Lack of Global Compact processes

The aim of the Access to Nutrition Initiative (ATNI) is to drive change by tracking and driving the food industry's attempts to tackle undernutrition, obesity and diet-related chronic diseases at the local and global levels.

Every action taken by ATNI is intended to encourage businesses to promote good health through improved diets and nutrition. ATNI focuses on developing tools and initiatives that track and drive the contribution made by the food and beverage sector to address the world's global nutrition challenges. The Initiative is also establishing partnerships with other organizations committed to solving the world's nutrition challenges by working with food and beverage companies to improve their business practices. ATNI collaborates with investors, academics, not-for-profits and foundations.


ATNI works extensively with the investment community to ensure that its tools are designed to provide investors with the in-depth information they need, which may not be available from any other source. Investors can use indices and reports in their ESG research, integration and engagement.

As the efforts of food companies to fight chronic diseases is central to our ESG analysis of the sector, Candriam has been active for years in this initiative, actively supporting the lead investors for several target companies and co-leading the engagement with Ajinomoto.

The [ATNI independent impact review](#) was released in July 2022. ATNI was found to be the most in-depth corporate accountability mechanism for the private sector's role in global nutrition and health objectives (SDGs 2 and 3). Importantly, the report indicated that there is ample evidence of change in companies that ATNI assesses; that is, positive impact. Further, the changes generated at the company level over the past eight years and their positive impact on health and nutrition are judged to be permanent. The investor group in particular has proven to be an effective entry point and a lever to generate change at companies. ATNI launched 2022 its UK Retailer index and US Index in 2022.

Now completing its tenth year, the Access to Nutrition Initiative (ATNI) is rolling out a new five-year strategy (2023-2027) focused on transforming markets -- food markets must be transformed so that equitable access to healthier, affordable products becomes the norm. Candriam plans to support the initiative in its journey.

Corporate Human Rights Benchmark Engagement.

Thematic	Human Rights Forced Labour	Influence Issuer Practice	Mix of Support	SG	
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PAI 10. Global Compact and OECD violation

During the 2022 engagement phase, the *Corporate Human Rights Benchmark Engagement* (CHRB) received feedback from 84 out of 129 companies, meaning an engagement rate of 65%. Most of the increased responsiveness versus 2021 was because of significantly higher engagement in the automotive sector, which was being assessed for the second time. In the automotive sector, 52 companies (40%) scheduled a 2022 engagement call with the CHRB.

Thirteen new companies which had never previously engaged with the CHRB agreed to in 2022, six of which were in the automotive sector. This is consistent with a trend that we have seen with other sectors in the past, where engagement numbers rise significantly for the second iteration of a benchmark (for example, the engagement rate for Information & Communication Technology companies rose from 67% in 2019 to 76% in 2020).

This year, the investor engagement coordinated by the *Investor Alliance for Human Rights* (IAHR) also proved useful for engaging with previously hesitant companies. Four companies -- Subaru Corporation, Falabella S.A., Kyocera Corporation and Inner Mongolia Yili Industrial Group Company Limited -- reached out to the CHRB and submitted feedback after receiving an email from an investor(s) urging them to do so.

The CHRB team has felt that engagement with companies was generally positive. In most cases, companies focused on better understanding the requirements in the methodology rather than challenging the contents of the draft assessment. Several companies also pointed out that they value the quality and detail of the assessment, as this helps them to improve their own disclosures. While there were some more difficult engagement instances, these usually ended on a positive note.

We have seen a 10% reduction of companies scoring zero on human rights due diligence (HRDD) compared to 2020, progress could be faster, which is why the need for investor and legislative action continues. Across the three sectors, companies which improved their scores on HRDD did so following an initial step of a due diligence process, namely identifying, assessing, integrating, and taking action on human rights risks and impacts.

Candriam is lead investor for two semiconductor companies



CA100+ (end of Phase 1) including the Paris Accounting sub-initiative.

Thematic	Climate Change Thermal Coal NZ GHG Emission by 2050 (or sooner) Ambition LT targets ST/MT targets Decarbonisation strategy	Encourage More Info Disclosure	Mix of Support	E	
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- PAI 1. GHG emissions
- PAI 2. Carbon footprint
- PAI 3. Issuer GHG Intensity
- PAI 4. Exposure to fossil fuel sector

- PAI 5. High non renewable energy
- PAI 6. Energy intensity per impact sector

The CA100+ collaborative engagement is a five-year initiative launched by the *UN PRI* in collaboration with several other networks – *Asia Investor Group on Climate Change* (Asia), *Ceres Investor Network on Climate Risk and Sustainability* (North America), *Investor Group on Climate Change* (Australia/New Zealand) and the *Institutional Investor Group on Climate Change* (Europe).

By engaging with more than 100 companies (166 in 2022), responsible for over 80% of global industrial greenhouse gas (GHG) emissions, the aim is to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risks.

When launched at the end of 2017, the objective was to see how focus companies were doing against three ‘asks’. As we conclude the, it is time to evaluate progress against these markers.

- **First Ask: Improve Board-level oversight of material climate-related issues.** When Climate Action 100+ launched at the end of 2017, only five focus companies had set net zero commitments, while today, 92% of them now have some level of executive oversight, and 75% of companies have committed to net zero by 2050.
- **Second Ask: Make absolute emissions reductions in the real economy.** Progress against this needs to be accomplished quickly if we want to halve emissions by 2030 and keep 1.5°C goal within reach. Therefore, we will continue to engage with companies through CA100+, as well as through other direct and collaborative initiatives, to push companies to develop and implement a credible transition strategy aligned with the goals of the Paris Agreement.

- **Third Ask: Improve corporate climate-related disclosures. Substantial progress has been achieved.** As of December 2022, 91% of the 166 focus companies are now aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), either by supporting the TCFD principles or by adopting climate scenario planning.

It is worth noting as well that CDP reporting (a separate disclosure initiative from CA100+, of which Candriam is also a member) has substantially contributed to improving the climate-related disclosures of corporates.

As stated in the most recent [CA100+ progress report](#), significant progress has been seen across a range of industries, many of which are among the most challenging businesses to decarbonize.

Examples of substantial improvement made by some focus companies include:

Enel SpA: Only one year ago this Italian energy company disclosed only six indicators. This year saw the company score all nine assessed indicators, making it the first company to fulfil all the disclosure indicators of the Net Zero Company Benchmark.

While investors still want to see further improvement from Enel on the alignment indicators, the benchmark has proven to be an invaluable engagement tool, clarifying both the progress, and the areas for further improvement.

Formosa Petrochemical: Following continuous investor engagement from CA100+, the Taiwanese oil and gas company announced its commitment to achieve carbon neutrality by 2050, with short-term and medium-term targets to reduce GHG emissions by 22% and 28% by 2025 and 2030, respectively. The company also published its first standalone TCFD report in 2022 and plans to update the report annually. In October 2021, Formosa Petrochemical's parent company, Formosa Plastics Group, announced its commitment to achieve carbon neutrality by 2050 covering Scope 1 and 2 emissions. Despite Formosa Plastic Group claiming that this commitment applies to all its affiliate companies, there was no formal announcement of carbon neutrality at the individual company level, such as Formosa Petrochemical. After continuous private dialogues between the Climate Action 100+ investor group and the company, the chairman of Formosa Petrochemical announced the commitment at its company level, in addition to the group-level target, at the Annual General Meeting in May 2022.

Dominion Energy: Important progress made after continued dialogue and multiple shareholder proposals. Dominion now issues a *climate lobbying report*, disclosing the company's direct and indirect lobbying activities. Management now expressly supports the goals of the Paris Agreement. In line with best practice, investors hope to see the company's reporting continue to evolve as they now intend to release reports on an annual basis.

Dominion joins Duke Energy and Xcel Energy Inc as early movers in *setting comprehensive Scope 3 GHG targets*. Recognizing this important progress, this target should be matched with interim targets and a robust decarbonization strategy.

Dominion has *explicitly linked its capital investment plan and net zero goal*. In addition, the company identified a \$73Bn investment opportunity by 2035, focused on building zero-carbon generation, energy storage and upgrading the electric grid. Based on its key resource plans, the company estimates its zero-carbon generation will increase to 69% in 2035, alongside a near complete phase-out of coal generation.

A sub initiative, led by IIGCC (*Institutional Investors Group on Climate Change*, the European coordinator of CA100+), is focusing on accounting practices. Indeed, we believe company accounts should address the financial implications of climate risks in their audits wherever material.

As part of this engagement, we targeted the UK and French operations of the 'Big Four' global accounting firms, requesting

that they alert shareholders to instances where company accounts are not considering the financial implications of the current decarbonization pathway, the physical impacts from climate change, or the global transition onto a 1.5°C pathway. Candriam led the dialogue with French branches.

We have targeted specific CA100+ companies that are lagging in terms of Climate Accounting, as per the CA100+ Climate Accounting and Audit Alignment Assessment done by Carbon Tracker. As highlighted in their last report²⁶, "*if there has been a growth in net zero pledges and other climate-related commitments and increased reporting on climate risks 'outside' the financial statements, most companies still do not appear to be including the financial impacts of such commitments, or indeed climate change risks, in their financial statements.*"

Candriam has been lead contact for the collaborative engagement with *Compagnie de Saint-Gobain SA* since 2021, and we have exchanged substantially with the company. If we have seen improvements in 2022 since 2021 in the way they incorporate Climate into their financial statements, we believe it is not sufficient, the company is aware and committed to continue to improve its disclosures. We will closely monitor Saint-Gobain's publications. We (Candriam) pre-announced our own voting intentions for the company in 2022 to better inform stakeholders of the evolution of the group engagement, and how it was impacting our voting choices.

Next Steps

The first phase of CA100+, as planned, ended on 31 December 2022. Building on the success of Phase 1 and the lessons learnt, the initiative is currently developing the strategy for Phase 2. The focus will be on ensuring effective engagement, especially in the critical years remaining before 2030. The initiative members held a consultation in the summer of 2022 on the proposed Phase 2 strategy, expected to run from 2023-2030. In total, 172 (24%) signatories responded and 78% of lead investors, with a fairly even distribution across regions and AUM range. CA100+ is currently reviewing the findings and the final Phase 2 details will be announced in 2023 when the new strategy is launched.

²⁶ Still Flying Blind: The Absence of Climate Risk in Financial Reporting - Carbon Tracker Initiative, <https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>



Investor Policy Dialogue on Deforestation (IPDD).

Thematic	Environmental preservation Environmental regulation Deforestation	Influence issuer practice	Supporting Investor	E	
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Now entering its third year, IPDD is a very active initiative, with 67 Investors from 19 countries representing over \$10 trillion in AUM. Although many investors are from the developed western countries, it is interesting that the coalition includes three investors from Brazil and two from Singapore. This should help prevent a ‘developed North vs emerging South’ dialogue. Both the Brazil and Indonesian working groups are continuing their engagement work. A third workstream has begun to target consumer countries.

Brazil: Throughout 2022, many discussions took place with members of government and regional governments, national agencies, the central bank, legislative representatives, and other stakeholders. It is also worth mentioning that, in May 2022, the IPDD co-chair participated in the National Carbon Market Congress in Rio de Janeiro.

With a presidential and legislative election taking place in 2022, the political agenda was a central issue, and the election of President Lula is an encouraging sign for the protection of the Amazon rainforest.

Deforestation slowed in the 12 months through July 2022, down 11% from the previous 12 months. Nevertheless, it was the second-highest level of deforestation in 13 years.

Deforestation rate in Brazil’s Legal Amazon (km2)



Source: IPDD, and http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates



Indonesia: The Indonesia working group has held numerous engagements with government officials, government agencies, a foreign embassy as well as various other stakeholders including the stock exchange, financial regulator, chamber of commerce, and NGOs. Four of the investor coalition members visited Jakarta, meeting with various government agencies as well as other stakeholders. This on-the-ground engagement led to the signing of a memorandum of understanding with the Indonesian Business Council and the Indonesian Stock Exchange IDX, as well as another memorandum with the Indonesian Chamber of Commerce KADIN. Discussions were centred around Green Financing.

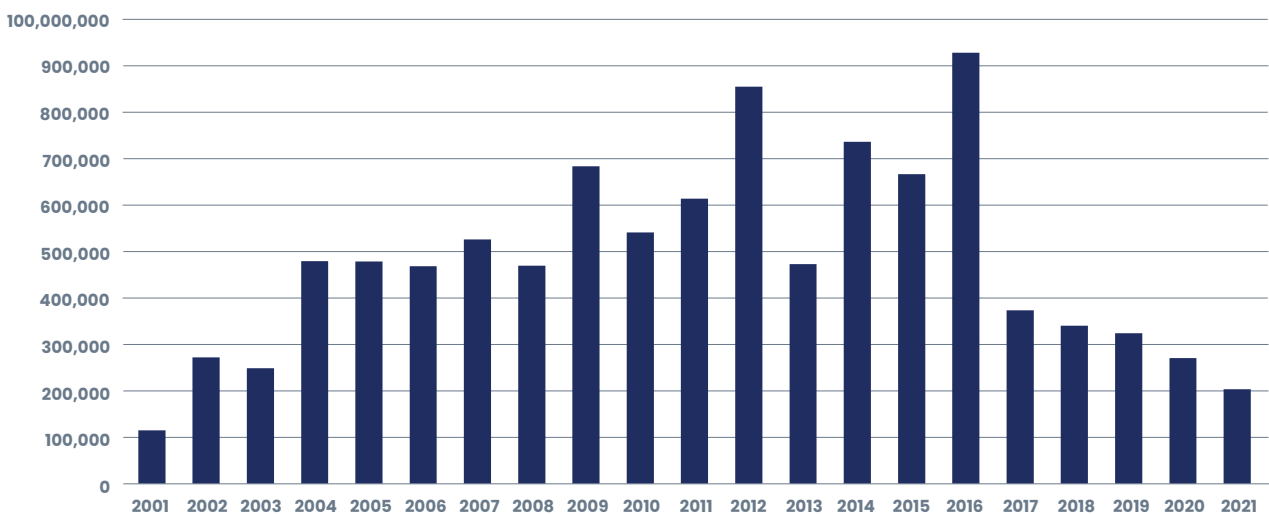
Despite the recent passing of the so-called “Omnibus law”, which IPDD member investors feared would endanger the Indonesian rainforest, the recent trend in deforestation remains positive.

We are also concerned by government plans to make the country a leader in sourcing of Electric Vehicle Batteries. Indonesia holds the world’s largest reserves of nickel. In some regions, nickel mining is already causing more deforestation than Palm Oil farming. *#Nickel is the new Palm Oil*

Consumer Countries: To complement the engagement campaigns with Brazil and Indonesia, a third workstream was launched in July 2022. The objective is to target the ‘demand side’ of deforestation – the most prevalent of these nations include the US, the UK, the EU, and China. The focus will be on deforestation-related regulation such as the recent December 2022 EU agreement to prevent companies from importing commodities linked with deforestation and forest degradation into the EU market, or exporting them from the EU.

The IPDD has published a comprehensive [report](#) of its work.


Primary Forest Loss in Indonesia (Ha)



Source: IPDD, and <https://www.globalforestwatch.org>

Investor Alliance

Ranking Digital Rights.

Thematic	Human Rights	Influence Issuer Practice	Lead on 2 issuers	SG	
	Tech and Democracy				
	Tech and Data Privacy				
	Social License to operate				



PAI 10. Global Compact and OECD violation

Investor Signatories

Signatories and their representatives now number 176, representing over \$9.2 trillion in assets under management.

Ranking Universe

Now 26 companies are now included in the ranking: 12 Telecom Companies and 14 Internet Platforms.

The index is available at: <https://rankingdigitalrights.org/>

On the [telco](#) side, RDR's findings show that, year after year, telcos perpetuate the same digital rights harm, while facing far less scrutiny. And yet, despite being less visible than their 'Big Tech' counterparts, telcos wield far more power. This is especially true where telcos are government-owned, in part or whole, and where they operate in authoritarian or authoritarian-trending regimes. To develop a global internet that is more accessible, inclusive, and supportive of human rights, these companies must also be held accountable. Freedom of expression remains a serious weak spot for all telecoms, and yet they still fail to improve on transparency.

The step forward for 2022 was that for the first time, all 12 ranked telecom companies have published a general commitment to both freedom of expression and privacy in their operations. The majority of companies evaluated have also established Board-level oversight of these commitments and provided relevant training for staff.

Candriam is lead investor for engagement for two major European telecom operators.

Key findings in 2022

Ranking Digital Rights updated both their Internet Platform and their Telecom [indices](#) in 2022. None of the 14 internet platforms evaluated earned a passing grade. On a more positive note, 2022 marks the first time all 12 ranked telecom companies have published a general commitment to both freedom of expression and privacy in their operations.

While the overall average of scores for internet platforms ticked up slightly this year, such incremental progress is far from enough. The RDR Engagement had hoped for more, given the widespread recognition of how the governance and operations of these companies, and particularly their business models, are corrupting our information environments, compromising human rights, and undermining our democracies.



Companies are content to conduct business as usual when the state of the world demands anything but.

– Ranking Digital Rights, 2022 Big Tech Scorecard

Engagements on Plastic and on Microplastic Plastic Solutions Investor Alliance.

Thematic	Product / Service Quality Resource Depletion Raw materials & waste, Plastics Land use & biodiversity Product disposal and recycling	Influence Issuer Practice	Mix of Support	ES	
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PAI 7. Activities endangering biodiversity

PAI 8. Emissions to water

PAI 9. Hazardous waste ratio

PAI 11. Lack of Global Compact processes

Summary

This *Plastic Solutions Investor Alliance* initiative (PSIA), launched in 2018 by As You Sow, calls for a reduced use of plastics, improved collection and recycling channels, and for the development of sustainable alternatives to plastic packaging. Plastic remains essential to our society and, in some cases, irreplaceable. However, the unprecedented growth in the production and use of plastics, especially for single-use packaging, has led to excesses. Plastic production now accounts for 20% of oil consumption. Plastic pollution is now a threat not only to biodiversity, with hundreds of species endangered, but also to human health. For businesses, and especially consumer brands, plastic is fast becoming a reputational and regulatory risk that should compel them to rethink product packaging, with impacts at supply, production, and consumer-relationship levels.

In 2022, out of 11 resolution co-filed by PSIA:

- Four were withdrawn after reaching agreements -- specifically, the four companies above.
- Four gathered a substantial support ranging from 36% to 49% (Amazon.com Inc 48.9%, ExxonMobil Corp 36.5%, McDonald's Corp 41.9% and The Kroger Company 38.4%);
- One succeeded passed (Phillips66 with 50.4% of the vote);
- Two were either withdrawn (Restaurant Brands International Inc.) or blocked by company at SEC (Dow Inc.).

Achievements

Continued engagement with 16 food and beverages companies, plus three European based retailers.

Achievements in 2022 for decreasing single use packaging.

- **The Coca-Cola Company** agreed to increase use of refillable containers to 25% of total sales by 2030.
- **PepsiCo Inc** agreed to increase sales in refillable containers to 20% of all beverage servings it sells delivered.
- **Church & Dwight Co Inc** and **The Kraft Heinz Company** agreed to set new plastic packaging reduction goals.

Next Steps

Focus on European companies: *As You Sow* has an historical North American bias. But with what is currently happening on the French market, i.e. with the demand letters addressed to nine companies over their duty of care on excessive use of plastic, and companies being sued, Candriam intends, through *As You Sow*, to play an even more active role in the coming years.

Engagements on Plastic and on Microplastic Marine Microplastic Pollution Engagement.

Thematic	Resource Depletion Water consumption & emissions Land use & biodiversity	Influence Issuer Practice	Mix of Support	E	
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PAI 7. Activities endangering biodiversity

PAI 8. Emissions to water

Summary

The Marine Microplastic Pollution Engagement (MMPE) aims to push the manufacturers of domestic and commercial washing machines to fit all their products with filters to prevent plastic microfibres from entering the world’s marine ecosystems. Filter technology is currently available but is not systematically used across the industry.

Scientific evidence of the significant harm to marine biodiversity and ecosystems is emerging, as well as widespread public awareness and support for action in tackling plastic pollution in the marine environment. Synthetic fibres - a type of microplastic - make up 14% of global plastics production and generate synthetic microfibres through fragmentation and degradation. Microfibres constitute a significant fraction of microplastics accumulating in freshwater, marine, coastal, terrestrial, and Arctic ecosystems, where they pose risks to aquatic organisms and terrestrial biodiversity.

Microfibre filters on washing machines have been shown to be the most effective solution to reducing the flow of microfibres into the ocean. Only few companies are currently offering washing machines with a built-in internal filter. (For example, Koç Holdings’ Arçelik A.S. brand advertised the availability of such a machine in 2020.) Internal filters are commercially available, and research found an internal filter was the most effective, removing 78% of microfibres.

Achievements

In January 2023, Samsung, one of the target companies, announced a collaboration with clothing company Patagonia to develop a new machine with a microfibre filter. This is another positive development for us following Arçelik’s “Grundig Fibrecatcher” machine launched in late 2021. Samsung Electronics Co Ltd machines are the third most popular brand in France, where a new law will come into force in two years time which will prohibit sale of washing machines without a microplastic filter.


In 2022, Electrolux launched an external microplastic filter that works with its Electrolux, AEG and Zanussi washing machine brands.

Next Steps

The group will continue engaging with companies who have business interests in France relating to their plans for that market post January 2025. Candriam will request updates from the companies for which we are lead.

On the secondary objective of the engagement to influence policymakers to push legislation requiring that new machines have filter mechanisms, the UK “Microplastic Filters (Washing Machines) Bill 2021” is currently being given a second reading at the House of Commons.

Workforce Disclosure Initiative.

Thematic	Recruitment and Retention Equal Pay Diversity and Inclusion Fair remuneration, living wage Health and safety Pace & Hours of work	Encourage more information disclosure	Mix of Support	SG	
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PAI 10. Global Compact and OECD violation
PAI 12. Unadjusted gender pay gap

2022 Summary

- The initiative now counts 68 investors representing over \$10.5 trillion in AUM.
- We saw a small decrease in the number of issuers responding, for the first time since the survey was launched in year. In 2022, there were 167 responders, from 24 countries.
- The retention rate decreased from 85% to 81%, suggesting some form of responder fatigue.
- Financials and Consumer Discretionary are the best represented responders, Energy companies showed a growing interest in the survey and companies in the materials sector remained the worst responders.

Given that a large number of companies refuse to respond (the survey was sent to over 1000 issuers for 167 responses), and that the number of responders decreased in 2022, ShareAction performed a wide analysis to understand these shortcomings.

The main reasons cited for the decline in responses is *insufficient internal resources* to be able to take part, or the feeling from they company that it already publishes sufficient information on company website, in annual/sustainability report, etc.

This has led to an overhaul of the initiative. These are the main steps taken going forward:

- ShareAction/WDI will question companies at AGMs and publish a 'name and shame' list of non-responders.
- The required section of the survey will be shortened significantly.
- Performance scores will be given to companies that complete the full survey.



Candriam walks the walk.



Nadia Tortel
Global Head of Human
Resources, Candriam

Nadia why did you find it important to fill out the Workforce Disclosure Initiative survey?

Candriam has made a name for ourselves in the field of Responsible investments. But it is also important that we apply to ourselves what we would like to see from our investee companies. The WDI survey is important to our ESG research and much of the data is used in the analysis of our investments. So, when the Engagement Team asked us in 2022 if we were ready to fill out the survey, we were keen to accept the challenge.

Challenge? Was it that hard?

Well, yes. The survey does require a fair amount of work, and we had to coordinate the responses of our Corporate Social Responsibility, Risk, Procurement, ESG Research and Human Resource Departments in order to complete it.


What is the main advantages of filling out the survey for a firm like Candriam?

I see three very clear advantages.

- First, it helps us identify new indicators and areas where we can improve on reporting and disclosure.
- Secondly, it allows us to benchmark our human capital management performance and disclosure versus our peers in the asset management industry and address differences early on. It's a fact that WDI respondents tend to improve their performance when they start. We have already started on making improvements to some of our practices and policies covered by the WDI survey.
- Thirdly, it shows that Candriam leads by example, as we are one of only 167 global companies (and only a handful of asset managers) to have filled out the survey so far.

We hope to influence both our investee companies and our peers by walking the talk.

Collaborative engagement on Uyghur slave labour in the supply chain (coordinated by Investor Alliance for Human Rights).

Controversy	Human Rights	Influence Issuer Practice	Mix of Lead and Supportive	S	
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PAI 10. Global Compact and OECD violation

Summary

The 51 investors in the collaborative engagement group on the Xinjiang Uyghur Autonomous Region (XUAR) target companies involved in this human rights crisis. An estimated 1.8 million Uyghur, Turkic, and Muslim peoples have been subject to extrajudicial detention in internment camps, prisons, and factories. This human rights crisis in the XUAR is considered a wide-spread, government-sponsored system of forced labour, consisting of people in and from the Uyghur Region who have been made to work in factories across China as part of global supply chains, and mass surveillance of people in and from the Uyghur Region.

The UN Guiding Principles on Business and Human Rights forms the underpinning of this engagement. Global companies across multiple sectors have operations, investments, partnerships, and other business relationships in the Uyghur Region, as well as in other parts of China and across the world that are connected to the violations in the Uyghur Region. The group seeks to engage with at least 79 large international corporations which have been identified as potentially employing forced labour of Uyghurs somewhere within their supply chain.

Investors are asking these companies to fully map their supply chains to identify direct and indirect business relationships connected to the Uyghur Region, to demonstrate steps to disengage from suppliers connected with forced labour, and to publicly disclose efforts and progress on how they are working with affected rightsholders in determining remedies.

Achievements

In 2021, 61 companies were sent letters outlining investor expectations, 41 responded, leading to engagements. During 2022, the group extended the list of target issuers to those mentioned in [‘Driving Force – Automotive Supply Chains and Forced Labor in the Uyghur Region’](#), a new report on from Hallam Sheffield University. The group now targets 79 issuers.

Numerous countries have enacted legislation to prevent Uyghur forced labour, the most notable being the Uyghur Forced Labour Prevention Act in the US. Legislation has also been enacted in Australia, Japan and France.

Candriam is lead investor for engaging with a Chinese solar module manufacturer which was highlighted in the Hallam Sheffield report. There is potential presence of forced labour at this company both within their direct operations as well as in their supply chain, as some of their listed suppliers publicly support the Chinese governments ‘XUAR poverty alleviation programs’. These programs are criticised for harbouring some forms of forced labour. After discussions in 2021, we organised a call in May 2022 with the officer in charge of legal and compliance to gain insight into the company’s efforts to tackle the potential presence of forced labour.

Challenges

It is particularly difficult to obtain clear reporting and impact for this collaborative engagement, for several reasons. The coordinator is currently drafting the report on the 2022 activities of the full engagement group. It has been hard for the Investor Alliance on Human Rights to coordinate 59 investors with varying levels of motivation, resources, and experience and convince all of them to report on their engagement efforts in a consistent fashion. Further, because the subject is highly political, it is also difficult for investors and investee companies to be seen to be acting together on this issue which is so sensitive to such a top global economy.

Next Steps

- Continue monitoring the company’s efforts to mitigate forced labour risk within their own operations and supply chain.
- Provide the head of compliance with examples of best practice by early 2023.

Teleperformance SE.

Controversy	Staff Relations	Influence Issuer Practice	Active Support	SG	
	Labour rights, freedom of association				
	Worker's safety				
	Fair remuneration, Living Wage, Pace & Hours of work				



PAI 10. Global Compact and OECD violation

Context

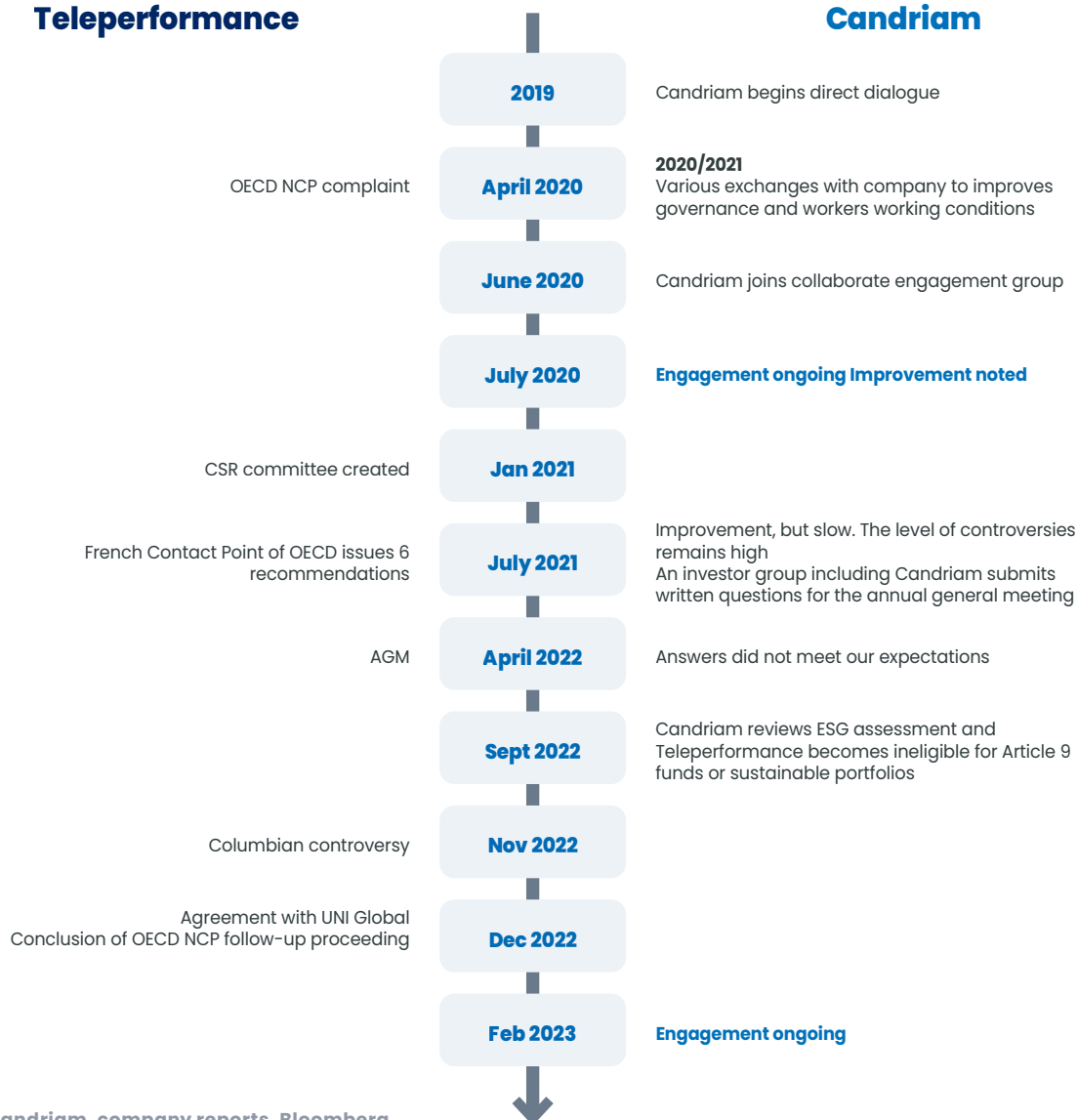
Candriam joined this collaborative initiative in 2020 as an escalation of a direct engagement struggling to achieve its goals.

Teleperformance is a global digitally-integrated services and customer call centre business, which has both won workforce awards and yet generated workforce controversy. In service

businesses, the quality of the employee is central to the quality of the product. It is also the main expense. At Teleperformance, we identified a risk, and we engaged with the company and external stakeholders such as global unions, both individually and collectively.

Teleperformance

Candriam



Source: Candriam, company reports, Bloomberg.

Our engagement work, along with our ESG analysis, continued throughout 2022.

We paid particular attention to the significant annual employee turnover, estimated to exceed 90%. While the company did not publish its voluntary turnover rate, in 2021 over three quarters of the workforce (301,673) left the company for reasons other than layoffs and transfers, which suggests a high number of employees that leave voluntarily. A high voluntary turnover rate raises questions on the effectiveness of the measures that a company puts in place to retain employees and ensure good working conditions. Even if common in this sector, there is a strong dichotomy between such a high turnover and Teleperformance turning towards more expert services committing to deliver high quality client experience. Capacity to retain employees after six months is of particular importance, because in the first six months Teleperformance actually invests considerable resources to train new employees, but the company has always refused to disclose publicly this KPI so far.

Impact

Considering these weaknesses, followed by the insufficient answers to our concerns at the April 2022 AGM, we performed a thorough review and update of our ESG analysis and in September, we removed Teleperformance from our ESG-eligible universe for Article 9 funds and sustainable portfolios.


During this process, starting from August 2022, new allegations about poor working conditions in the Colombia operations were published by the business media, including Forbes and Time magazines. In November, the Colombian Ministry of Labour announced that it had opened an investigation into Teleperformance.

Following the announcement by the Colombian government, in December 2022 Teleperformance signed an agreement with UNI Global Union, a global union federation for the services sectors, aimed at strengthening shared commitments to workers' rights to form trade unions and engage in collective bargaining. Also in December, the OECD NCP specific instance on Teleperformance's management of the Covid-19 epidemic was formally closed based on the company's estimated adequate response to its recommendations. While the level of controversy is still high, we see the recent developments as positive steps towards increased social dialogue: we are now waiting for tangible improvements in working conditions and overall human capital management, including better disclosure.

Next Steps

Throughout this multi-year engagement program, our ESG Research Analysts and investment teams worked hand-in-hand to understand and evaluate the progress and outlook for the company and its transparency. So far, we perceive the company's progress to be too slow while significant concerns remain. We continue to closely monitor developments at Teleperformance, to engage directly with the company, and to remain active within the collaborative investor group. The group will continue to focus on the progress of social dialogue at the company, notably on the implementation of the new agreement with unions, and on the effectiveness of TP's governance structures overseeing ESG risks. Individually, Candriam will closely monitor the changes and developments within the company's governance structure and any remaining concerns will be targeted through our vote at the upcoming general meetings as our active ownership requires. Based on the outcomes, our ESG opinion will be adapted if needed.

Vaccine Access & Remuneration.

Thematic	Non-financial Metrics in Executive Remuneration	Encourage More Info Disclosure	Mix of Support	SG	
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Initiated in 2022 by *Achmea Investment Management*, a large and diverse group of investors called on pharmaceutical companies to include vaccines, medicines, diagnostics and healthcare in their strategy plans and related remuneration policies. As stated in our common letter²⁷, alongside an assessment of traditional financial risks and opportunities, there is growing recognition among the investment community of the potential for environmental, social and governance (ESG) factors to impact financial performance. Given that the issue of access to medicine in developing countries presents significant business impacts for companies in the pharmaceutical sector, we have been seeking assurances from our investee companies that the management considers the risk and opportunities of the issue and has effective policies and processes in place to deal with the challenge. This is in line with the approach that Candriam adopts in our voting policy, that scorecards shall include material factors covering the challenges the company should meet including those in the financial, economic, social, environmental and technological spheres, to anticipate, prevent and manage risks which would otherwise weigh on the business.

During the first phase of engagement in the first half of 2022, several pharmaceutical companies were contacted, and the requests were made on that that integrate the [WHO goals](#) into their executive remuneration policies in a meaningful, material, measurable and transparent way. On the basis of our discussions and our research, we have learnt that, at present, compensation and nominations committees in the pharmaceutical sector broadly fail to integrate Access to Medicine considerations, targets, and metrics into remuneration and incentive plans.

The overall findings of the first engagement phase were:

- Compensation committees have limited experience with ESG topics in general.

- While companies may report on Access, it does not have a place in the company's governance practices, targets, and metrics.
- The metrics chosen by compensation committees to measure ESG performance and Access are insufficient.
- There are limitations on gathering externally verifiable data on Access, and limitations to ensuring external reporting on the topic.

At the end of 2022, a second letter was sent to the engaged companies as well as to a new group of issuers. During the engagement calls, companies are being provided with a set of guidelines for formulating clear KPIs for the Access to Medicine topic:

- There must be a clear link between actions taken and positive social impact. This applies to the (emerging) markets where the company operates and where Access to Medicine is most critical.
- The metrics should be clearly linked to the business strategy and, if possible, should link to existing business goals.
- The chosen goals and standards must be publicly reported and be verifiable.
- The chosen objectives and benchmarks must be sufficiently ambitious.
- Embedding Access to Medicines and Healthcare in the strategy should not lead to disproportionate expansion of compensation packages. That is, adding new ESG factors involved/covered should be *offset* by *reducing* the weight of existing compensation metrics.
- The remuneration and appointments committee should have sufficient knowledge and insight into the subject, for example by consulting experts and stakeholders.

The second phase is ongoing.

²⁷ <https://news.achmea.nl/download/1125576/letterexecutiveremunerationpharma-4-1-2022-def.pdf>

ShareAction Investor Letter to Global Banks on Climate Change and biodiversity.

Thematic	Climate Change NZ GHG Emission by 2050 (or sooner) Ambition LT targets ST/MT targets Governance & Disclosure Resource Depletion	Influence Issuer Practice	Mix of Support	E	
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- PAI 1. GHG emissions
- PAI 2. Carbon footprint
- PAI 3. Issuer GHG Intensity
- PAI 4. Exposure to fossil fuel sector

- PAI 5. High non renewable energy
- PAI 6. Energy intensity per impact sector
- PAI 7. Activities endangering biodiversity
- PAI 8. Emissions to water

Summary

Major international banks with a significant geographical footprint are exposed to a range of climate and nature-related risks, including physical and transition risks that could have a significant impact on the value of the bank’s assets and liabilities. Systemic banks are in a powerful position to drive the low-carbon transition and to address the worst consequences of climate change and biodiversity loss. In 2021, ShareAction coordinated a letter to more than 45 global banks promoting this approach.

Achievements

After continued engagement from ShareAction and the group of investors throughout 2022:

HSBC Holdings plc announced in December 2022 that it will no longer finance new oil & gas fields. As the UK’s largest bank and one of the world’s biggest financers of fossil fuels, this is a significant move. HSBC’s pledge sends a strong signal that European banks are losing their appetite for new oil & gas fields.

Next Steps

The group will leverage the new commitments by HSBC to persuade other targeted banks to align, and to encourage further steps. Even HSBC new policy should not be viewed as complete. The bank pledged to stop only one type of financing, which does not embed all the other types of financing that might fund oil & gas expansion plans.

In Early 2023 we wrote letters to encourage five major European banks to update and strengthen their climate and biodiversity strategies

Through this engagement, we will continue to engage with the targeted banks to encourage them to improve their climate and biodiversity policies, and to eventually align their banking practices with a Net Zero world by 2050.

See more about ShareAction’s next steps to build on the HSBC announcements [here](#).

An aerial photograph of a river delta, showing a complex network of channels and sandbars. The water is a mix of brown and grey, indicating sediment. At the bottom of the image, there is a dense forest of green trees. The overall scene is captured from a high angle, looking down on the landscape.

PART 2

2022 Voti Annual R



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As responsible stewards for our clients, actively and carefully exercising our voting rights is a core element of the Candriam belief in 'Conviction and Responsibility'.

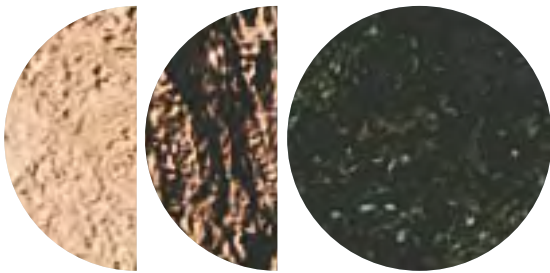
Candriam stewardship plays an important role in maintaining and strengthening corporate governance, in exercising shareholder rights and receiving transparency, and in communicating our values to the companies in which we invest of behalf of our clients. Together with our strategic engagement programmes, when necessary, voting can help us voice our opinions or signal our lack of agreement on specific issues to the investee companies.

Voting and its related activities are embedded in our sustainability philosophy. Our voting policy, is designed and updated to encompass emerging issues not only in corporate governance but also in environmental and social topics. Accountability and transparency are the backbone of our voting policy, as our 2022 voting results demonstrate. When casting our votes, we respect our fiduciary duty to our clients and we assess whether companies comply with internationally-recognized standards of corporate governance.

The 17th annual voting report details our voting activities in 2022, which are an important part of our role as an active and responsible shareholder.



What did we see in 2022?



Shareholder Resolutions on the Rise

The number of resolutions filed by shareholders rose, making 2022 *'the year of discussions'*.

Human capital and **climate** issues drove the increase. In total, we voted 732 *shareholder* resolutions, a 25% increase over 2021. Social-related proposals constituted two-thirds of this increase (186 proposals in 2022 vs 99 proposals in 2021). The year also brought new topics to the conversation -- including racial equity, civil rights, gender pay equity, tax transparency, and reproductive rights.

Actionable environmental issues have also taken the stage in general meetings, including topics such as the adoption of specific targets for Scope 3 emission reductions, net-zero scenario alignments, and banning of fossil fuel financing. Governance-related proposals in 2022 included rising pressure from shareholders to disclose the ratio of CEO compensation to median worker pay. The aim is to increase clarity on the alignment between the compensation of the CEO and the workforce, and to provide an understanding of human capital management strategies -- and potentially

to influence how other stakeholders perceive the business. It is worth mentioning that without detailed context, comparisons of this ratio across companies might be misleading as the structure and type of the business, geographical presence, etc. may affect the overall ratio. What is expected from companies is to report on the parameters used in the calculation of the pay ratio, and ideally reflect the pay differences across regions.

While shareholders are increasingly focused on a wide range of Social and Environmental topics, we are also seeing more proposals which touch one more than one pillar of ESG (Environmental, Social, and Governance factors). Examples during the 2022 voting season include proposals to amend company bylaws to become public benefit corporations, to set up climate/ESG committees, to include ESG metrics in executive remuneration policies, and to increase employee representation at the Board level.

Say on pay has become more critical

Among management-sponsored resolutions, shareholder support for company say-on-pay resolutions has declined, while shareholder expectations for compensation disclosure have significantly increased. While new regulation has provided momentum in Europe, companies are still struggling to provide sufficient information for investors to assess whether remuneration is justified by performance, especially non-financial elements. Ex post disclosure has been preferred by managements to preserve confidential information; however, we still see that ex post disclosure on targets and achievement levels is incomplete.



This has been problematic, especially when the remuneration includes non-financial metrics which, in theory, should support pay-for-performance. Investors expected that inclusion of ESG metrics would link the overall corporate performance with executive pay. However, without sufficient information on the actual KPIs used, along with target and achievement levels, inclusion of ESG metrics risks being considered as ‘tick-the-box’ actions. During our engagements, we strongly encourage companies to include non-financial metrics which are *transparent, relevant, challenging* and *measurable*. In other words, relevant KPIs.

While it is unusual among investors, including Candriam, to sanction companies based on a lack of ESG metrics in remuneration plans, the lack of relevant metrics (including, but not only, ESG metrics) are made known to corporates through the concerns we voice over the lack of pay-for-performance alignment during our dialogues with managements. To reflect the outcomes of our engagements, ESG metrics that do not demonstrate a clear link with the company’s strategy are scrutinized through our votes on the remuneration-related items on the agenda.

Electing Directors: Has there been progress on diversity?

When we opposed elections of directors, it was mainly due to the lack of Board diversity, oversight failures, lack of climate risk management, ‘over-boarding’¹ and lack of responsiveness to engagement activities. Board diversity is not only gender or ethnic diversity of Board members, but also diversity of *skills* to enable the Board to better identify key business challenges and to provide a more qualified approach for oversight.

Skills diversity includes the growing demand by investors to include directors with the skill sets and qualifications needed to address corporate climate challenges and to oversee material ESG factors. Because one of the most powerful tools for driving change is to hold directors accountable through the vote on director elections, we increasingly signal our concerns through this voting item. During 2022, we voted against the election of 16 directors at 13 companies specifically for failure to effectively supervise the management of ESG risks to the company and its shareholders.

We also expect companies to seriously address the concerns raised by investors on say-on-pay resolutions, and to take into account any dissent previously recorded on these topics. In 2022, we opposed or sanctioned 15 directors at 11 companies where the Board failed to provide details on actions taken to address dissent on last year’s remuneration-related proposals.

Do shareholders have more say on climate strategies?

‘Say on climate’ is incontestably a rising topic, progressing from a ‘simple’ environmental corner to a governance issue in itself. As a result we are dedicating a full section of our new [2023 Voting policy](#) to ‘Climate Voting’, and publishing more ‘climate’ details on the 2022 voting season (see next section).

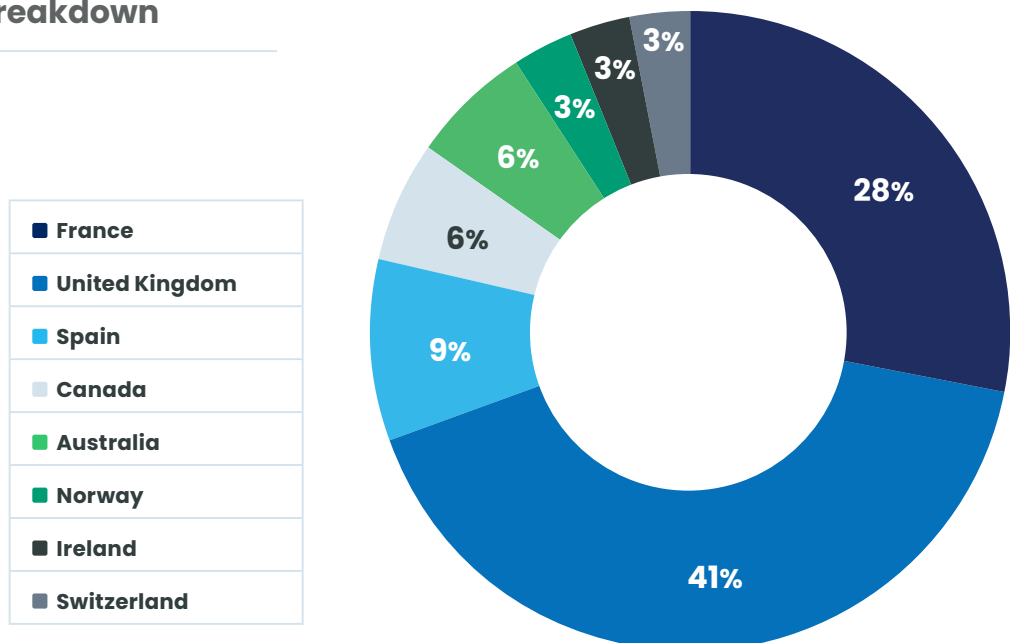
¹ Directors potentially over-stretched by sitting on too many Boards.

Focus on Climate.

The Say-on-Climate trend: Have the limits of the mechanism been reached ?

After an explosion in Say-on-Climate resolutions (SOC) in 2021, where management-sponsored advisory resolutions asked shareholders to approve the companies' climate transition plans and progress, the trend continued in 2022. Candriam had the opportunity to vote on 32 of these in 2022 (compared to 19 in 2021), and we analysed and voted on each of the 32.

Say-on-Climate 2022* Geographical Breakdown



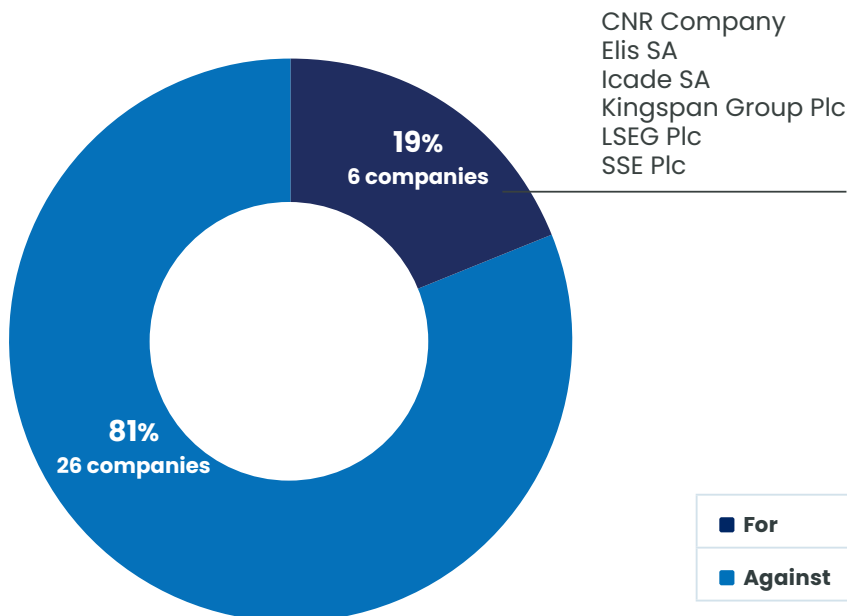
(*) Except where otherwise mentioned, the source is Candriam.



Two-thirds of the SOCs Candriam voted in 2022 were general meetings of issuers based in the UK or France.

Say-on-Climate 2022

Vote Instruction Breakdown



However, the level of Candriam support in 2022 differed substantially relative to that of 2021, with only 19% of votes 'For' in 2022, versus 74% in 2021. The reason is twofold:

- We strengthened our SOC analysis framework by adding criteria and increasing the weight of certain elements, such as a clear capital spending (capex) plan and target covering all scopes (see the Net Zero Engagement section of our [2022 Engagement Report](#));
- An increasing number of SOC resolutions are from companies in carbon-intensive industries, for which we have higher expectations for disclosure, targets, and actual emissions reduction.

Say-on-Climate 2022

Resolutions voted, Candriam decision, overall outcome

Company Name	Country	Meeting Date	Candriam Vote	Final Outcome
Aena S.M.E. SA	Spain	31 Mar 22	Against	Passed, 94.4%
Amundi SA	France	18 May 22	Against	Passed, 97.7%
Anglo American Plc	United Kingdom	19 Apr 22	Against	Passed, 94.2%
Aviva Plc	United Kingdom	09 May 22	Against	Passed, 97.9%
Barclays Plc	United Kingdom	04 May 22	Against	Passed, 80.8%
BP Plc	United Kingdom	12 May 22	Against	Passed, 88.5%
Canadian National Railway Company	Canada	20 May 22	For	Passed, 98.5%
Canadian Pacific Railway Limited	Canada	27 Apr 22	Against	Passed, 86.9%
Carrefour SA	France	03 Jun 22	Against	Passed, 87.4%
Electricite de France SA	France	12 May 22	Against	Passed, 99.9%
Elis SA	France	19 May 22	For	Passed, 87.9%
ENGIE SA	France	21 Apr 22	Against	Passed, 96.7%
Equinor ASA	Norway	11 May 22	Against	Passed, 96.6%
Ferrovial SA	Spain	06 Apr 22	Against	Passed, 92.5%
Getlink SE	France	27 Apr 22	Against	Passed, 97.3%
Icade SA	France	22 Apr 22	For	Passed, 99.3%
Kingspan Group Plc	Ireland	29 Apr 22	For	Passed, 96.1%
London Stock Exchange Group Plc	United Kingdom	27 Apr 22	For	Passed, 98.6%
M&G Plc	United Kingdom	25 May 22	Against	Passed, 79.6%
National Grid Plc	United Kingdom	11 Jul 22	Against	Passed, 98.4%
NatWest Group Plc	United Kingdom	28 Apr 22	Against	Passed, 92.6%
Nexity SA	France	18 May 22	Against	Passed, 87.9%
Repsol SA	Spain	05 May 22	Against	Passed, 83.0%
Rio Tinto Limited	Australia	05 May 22	Against	Passed, 84.3%
Rio Tinto Plc	United Kingdom	08 Apr 22	Against	Passed, 84.3%
Royal Dutch Shell Plc	United Kingdom	24 May 22	Against	Passed, 79.9%
Santos Limited	Australia	03 May 22	Against	Passed, 63.1%
SSE Plc	United Kingdom	21 Jul 22	For	Passed, 98.9%
Standard Chartered Plc	United Kingdom	04 May 22	Against	Passed, 83.0%
TotalEnergies SE	France	25 May 22	Against	Passed, 88.9%
UBS Group AG	Switzerland	06 Apr 22	Against	Passed, 77.7%
United Utilities Group Plc	United Kingdom	22 Jul 22	Against	Passed, 80.6%

Source: Candriam, and individual company reports.

In the previous voting season, 2021, we grew increasingly concerned that some companies would use the high level of support gathered for their first SOC as a shield to avoid any additional climate-related resolutions in the future, and to avoid responding to shareholder requests for additional transparency. Our one hope was that shareholders, notably with the help of proxy advisors and the global rise of climate awareness, would be more careful and pay attention to details of the climate strategies of companies before giving their support.

Unfortunately, 2022 confirmed our concern and crushed the hope.

Only seven of the 19 companies that submitted a SOC last year put it on the agenda again this year (Canadian National Railway Company, Aena S.M.E. SA, Aviva Plc, Shell Plc, TotalEnergies SE, SSE Plc, and National Grid Plc).

Moreover, in our view, the average very high level of support (90.3%) for the Climate plans on which Candriam had the opportunity to vote this year contrasts sadly with the disappointing level of disclosure and ambition regarding the transition towards a 1.5°C climate and economy. This support, averaging 88%, is shown on page 10. (Please also refer to the extensive and consistent engagement and voting activities undertaken by Candriam in 2022 on our website.)

It is time to ask ourselves if the SOC mechanism has not reached its limits. Please refer to our section on [What will 2023 bring?](#) to understand the next steps Candriam is considering for advancing on this topic.

More to read under

[Key Voting Takeaways in 2021: Climate Resolutions from Managements?](#) – September 2021

[Why Would Investors Vote Against a Climate Resolution?](#) – June 2022

[2022 Mid Year Voting Report](#) – September 2022

[Candriam Proxy Voting](#) – January 2023 voting policy revisions, see particularly section 3.8

Deep dive into Climate Accounting

During this 2022 voting seasons, ten European companies, flagged by CA100+ and its partner Carbon Tracker, were more specifically under our scrutiny. We had engaged with them on this topic and were expecting substantial progress in their 2021 Financial Statements, compared to prior years. Of these ten priority companies, *eight made little or no progress*.

This was also the first season for which we implemented new voting guidelines on this matter, where Candriam considers sanctions by voting against specific items, companies and auditors which fail to sufficiently incorporate climate reporting information when preparing and auditing financial statements. Following our new voting guidelines, we sanctioned these eight companies by voting 'Against' financial statements and statutory reports, and/or 'Against' reappointment of auditors and/or auditors' remuneration.

The two remaining companies, Volkswagen AG and Compagnie de Saint-Gobain SA, while not fulfilling all our expectations, were commended for their efforts and/or commitments in integrating climate into their financial statements².

² For Volkswagen AG, on the sole basis of Climate Accounting, we would have Abstained on the reappointment of auditors to encourage progress made last year, which was the first year of the new auditor. But as per Candriam policy, we were already voting Against this resolution due to the non-audit fees being as high as 70% of the average group audit fees over the previous 3 years.

Analysing 2022 by the numbers . . . and what is *behind* those numbers.

In 2022, we participated in 1,939 equity meetings and voted on 25,715 resolutions for our open funds, dedicated funds and mandates we manage under our Candriam voting policy.

An effective voting process requires a well-structured and efficient organization. Several teams are involved in this process, the ESG Voting Team and the Middle Office being the most involved.

For the funds part of our voting scope, Candriam reconciles the Listed Equity/Bond Assets positions and cash balances as well as the transaction movements with the involved custodian on a daily basis. The Listed Equity/Bond Assets positions are sent by the custodian to our Proxy Voting provider (ISS) who, in turn, sends the vote to the sub-custodian according to the Listed Equity Assets positions reported by the custodian and reconciled by Candriam.

The funds element of our voting scope consists predominantly of equity funds, plus some balanced funds or pure fixed income funds. In 2022 we were not invited to vote any bondholder meetings.

All funds which fall under the Candriam Voting Policy are voted the same way. The [policy](#) we applied to our 2022 votes is available on our website, as is our updated [policy for 2023](#).

Candriam's proxy voting policy applies to the open-ended equity funds which are managed by entities of the Candriam group.

For dedicated funds and mandates (segregated accounts), Candriam's clients determine whether to delegate voting decisions to Candriam. Conditions of (non-)delegation are contractual. When a client does not delegate voting decisions to Candriam, the client may choose to vote directly, or may choose not to vote. Delegated voting for segregated client accounts can take one of two forms:

- The client requires Candriam to apply the Candriam Voting Policy to its segregated account.
- The client requires Candriam to apply a custom voting policy which could take the form of:
 - The Candriam voting policy with contractually-specified exceptions(eg, for particular companies or particular voting topics), or
 - The client instructs Candriam to apply the client's own specific voting policy. In such cases, the client may also ask to be informed of our voting intentions in advance, and may amend them.

As of this date, Candriam does not allow clients to direct voting in pooled accounts.



Pedro Oliveira
Proxy Voting Officer,
Middle Office, Candriam

Pedro, what is the role of the Middle Office in Proxy Voting, and why is it crucial?

The Middle Office is the ‘secret sauce’ in exercising voting rights. For Candriam to have a voice and an impact in the General and Extraordinary Meetings of the companies in which we invest, the Middle Office must ensure the securities positions are accurate. Any mistake, and we will not be able to exercise our votes. The Middle Office supports the ESG team with daily data on votable positions. We ensure the set up of voting portfolios are aligned with the requirements of both internal and external clients.

How many people in your team are involved?

We have five people involved in voting -- Wendy Bora, Karine Brelot, David Drappier, Stéphanie Quibel, and myself, the latest ‘acquisition’ in this talented and expert team. I handle the daily operations of Proxy Voting, with the reliable back-up of Karine and Wendy.

Can you give us some examples of how you ensure efficiency in exercising voting rights?

Candriam invests worldwide, therefore the Proxy Voting scope and activity is spread over a large number of markets, with a wide range of different rules and requirements which need to be met in order to participate in the meetings of all the companies in our voting scope. It is my responsibility to ensure all the requirements are met. That’s quite a checklist!

My role can range from setting up new funds and mandates for voting activities with all parties (our

provider ISS, the custodians and our clients), ensuring any Power of Attorney documents are in place, delivering the attestations of holdings on time wherever the investee company requires them to be delivered, share-blocking between the record date and the actual date of the annual meeting if circumstances require, ensuring the policies and the instructions defined by the Candriam Proxy Voting Committee are correctly applied, and checking our reporting portal to ensure we are publishing accurate records.

My job doesn’t end when the voting ends, either. Post-voting tasks include tracking rejected votes, monitoring securities lending, generating and delivering the proxy voting activity reports to all the relevant parties.

The active and useful day to day communication with Candriam’s ESG team, Operational Excellence team, Client Servicing team, the Reporting team and Investments team is what generates a successful activity in the Middle Office Proxy Voting team.

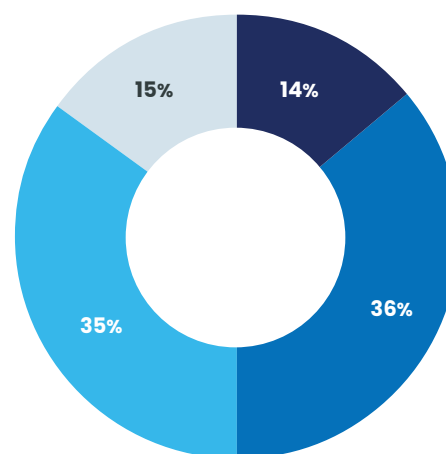
What do you enjoy most?

The most thrilling part of my job is the satisfaction that I am helping to making a real impact. Exercising our voting rights can ultimately result in an issuer designing stricter goals to reduce its environmental impact -- perhaps because we helped co-file a resolution, if an issuer appoints a more gender-balanced Board of Directors, or other ways in which exercising our votable shares successfully influenced positive change.

The geographical split of meetings voted follows (for open-ended equity funds, mandates and dedicated funds part of our voting scope):

Geographical distribution of Candriam Meetings

■ Asia Pacific
■ Europe
■ North America
■ Rest of the World



Candriam approved 71% of the resolutions proposed by managements. The rights and equal treatment of shareholders, the accuracy of financial information, and the accountability and independence of the Board are the three cornerstones of Candriam's Voting Policy.

The list of Candriam Equity open-ended funds can be accessed via our [Voting dashboard](#).

Names of voting mandates or dedicated funds managed by Candriam are confidential.

Voting Scope

Voting portfolios	Candriam Policy		Client Custom Policy
	Open Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)
No. Voting funds at end 2022	44	35	19
No. Voted Meetings at end 2022	1,807	811	427
% Voting funds (in number) vs total eligible to vote, with the category at end 2022	97.8%	Not relevant (*)	Not relevant (*)
% Voting funds (in AUM) vs total eligible to vote, with the category at end 2022	98.5%	Not relevant (*)	Not relevant (*)

(*) Mandates or dedicated fund can only be included in the voting perimeter if the client grants us a voting delegation. This decision belongs to the client, not to Candriam.

For the equity open-ended funds segment of our voting scope, we voted in 98.3% of the meetings where we were eligible to vote in 2022. Non-voted meetings resulted from six types of events:

- Delay in receiving power of attorney;
- Falling below the votable share minimum;
- Positions acquired after the cut-off date, or after the share registration meeting and before actual meeting;
- Positions sold before meeting date;
- Cross-border limitations;
- Name of the fund shortened by the custodian.

On average in 2022, for every position we voted under the Candriam Voting policy, we exercised our vote on more than 97% of the associated voting rights.

For more information on our voting process, please refer to our [2022 Voting Policy](#).

Detail of our votes for Candriam open-ended funds, including explanations of 'Against' votes, are publicly available on our [Voting dashboard](#).

For mandates or dedicated funds voting under Candriam or custom voting policies, information is available to those clients in annual or in dedicated reports we deliver directly to those clients.

For the funds and mandates applying Candriam Voting policy, Candriam uses the service provider ISS to exercise voting rights, as detailed in Candriam's voting rights policy. For custom policies, Candriam may use additional proxy advisers.

Any confirmed breach of our voting principles is communicated in the annual report(s) of the respective fund(s) when relevant. With the exception of one meeting for which one voting instruction was not well encoded, the sole breaches experienced in 2022 were non-voted meetings, and for the reasons outlined above.

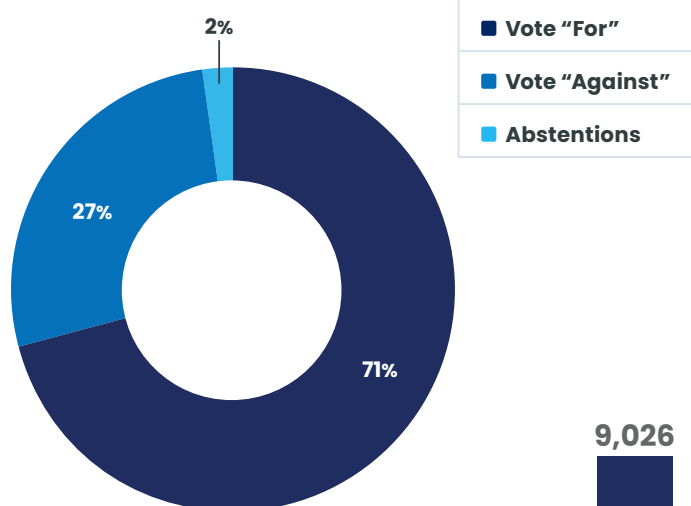
No conflict-of-interest situations were encountered during 2022.

Management resolutions

Overall Approval Rate

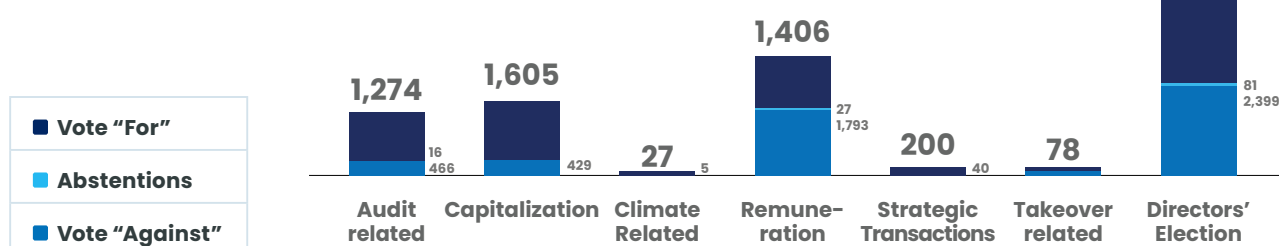
(Management resolutions only)

In 2022, we saw a decrease versus 2021 in our approval rates for the management resolutions due to the strengthening of our own guidelines for say-on-pay and say-on-climate resolutions (71% For in 2022, versus 74% For in 2021). Furthermore, we have introduced ethnic diversity requirements for four markets (UK, USA, Australia, and Canada) as well as a maximum average tenure requirement for US Boards. These changes triggered more adverse votes in 2022.



Main areas of concern

(Management resolutions only)



Our Votes by Topic.

For company specific and resolution-specific detail, please see our website.

Management resolutions

Taking all concerns together, the graph [on the previous page](#) demonstrates the level of Candriam support for some frequent management resolution categories through 31 December 2022. Please also note that the opposition under 'director elections' and 'auditor-related' also includes situations where directors and auditors are targeted due to ESG concerns, especially where climate risks represent a material headwind to a business and the reporting of these risks is deemed inadequate or we consider financial statements to be misleading. In 2022, this applied to 16 directors at 13 companies.

Time-based grants, short vesting periods, lack of risk mitigators, and/or lack of information on the performance assessment of variable plans have contributed to our adverse votes on Say-on-Pay proposals. We voted against the executive remuneration packages and policies that provided a significant raise to the beneficiaries, senior management, or directors of companies which benefitted from public aid programmes while other stakeholders did not appear to benefit from the same level of support - e.g. employees experiencing redundancies, or shareholders not receiving dividend for several years. This was a continuation of our existing stance.

The most common response to compensate executives for a loss in performance remains to modify the 'running cycle' and/or time frame. Companies that had adopted time-based equity awards during the pandemic maintained their practices, even introducing entirely time-based awards or awards without performance requirements. The granting of discretionary payments to executives without clear, transparent, and objective performance criteria is the most common way to 'reward' the below-target achievement of existing performance plans.

The main reasons behind our adverse votes on capitalization proposals can be grouped under five categories:

- The maximum number of shares to be purchased exceeds 10% of the shares outstanding;
- The authority is requested for a longer period than a reasonable threshold;
- The repurchase price exceeds 110% of the market price;
- The share issuance request with or without pre-emptive rights exceeds reasonable limits;
- The capitalization authorization requested can be used during a takeover period.

Takeover-related proposals are opposed mainly if they could be used to thwart a hostile takeover.

Director Election

	2022 No.	2022 %	2021 %
Votes For	9026	78.5%	80.6%
Votes Against	2399	20.95%	18.3%
Abstentions	81	0.70%	11.1%

Remuneration Proposals

	2022 No.	2022 %	2021 %
Votes For	1,406	43.6%	49.3%
Votes Against	1,793	55.6%	49.5%
Abstentions	27	0.8%	1.2%

Auditor Related

	2022 No.	2022 %	2021 %
Votes For	1274	72.6%	69.7%
Votes Against	466	26.5%*	29.7%
Abstentions	16	0.91%	0.6%

(*) Please note that Candriam voted more auditor-related proposals (33.8% increase) in 2022. Therefore, while the percentage decreases, the absolute number of proposals voted against increased compared to 2021 (by 19.5%). The abstention votes were cast in markets where an Against vote is not a possible option.

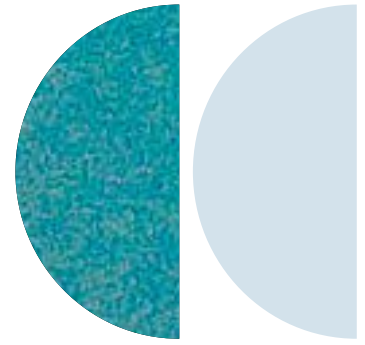
Capitalization

	2022 No.	2022 %	2021 %
Votes For	1,605	78.9%	81.0%
Votes Against	429	21.1%	19.0%
Abstentions	0	0.0%	0%

Takeover-Related

	2022 No.	2022 %	2021 %
Votes For	78	40.0%	40.7%
Votes Against	117	60.0%	59.3%
Abstentions	0	0.0%	0%

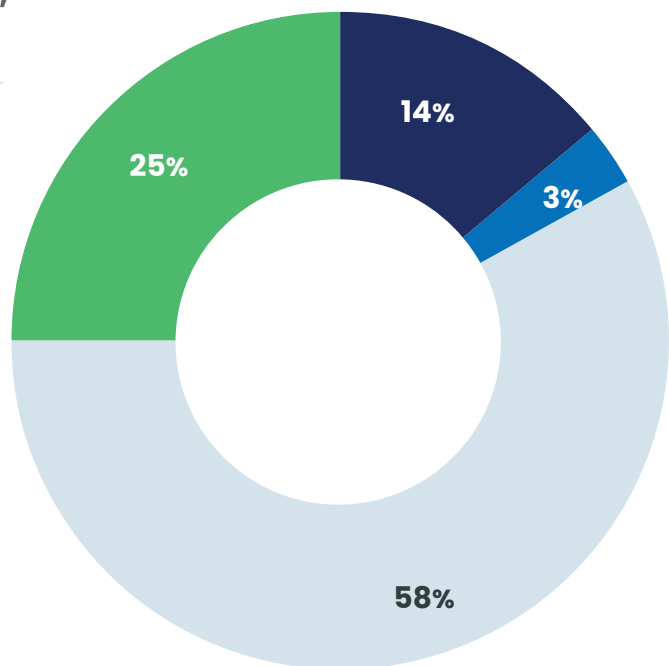
For more information on the Say-on-Climate votes, please refer to the section [Focus on Climate](#).



Shareholder resolutions

Environmental, Social, Governance, or a combination?

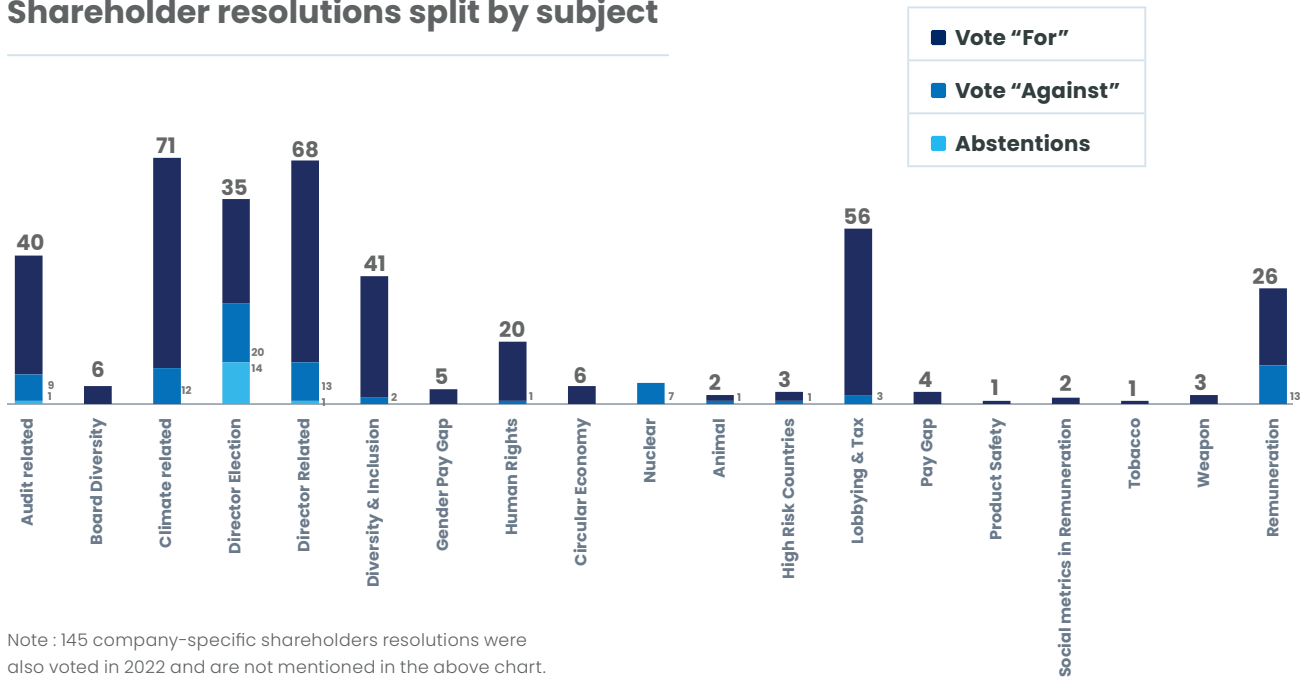
■ E
■ ES
■ G
■ S



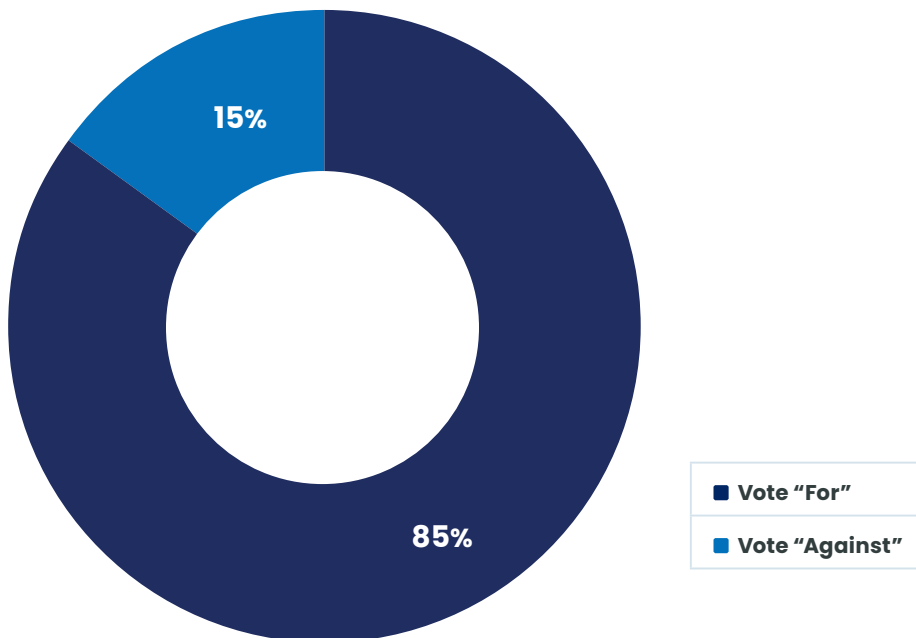
In 2022, we updated our internal tool to provide more granular information on the topics voted through shareholder resolutions. In line with the breakdown provided in our 2021 reporting, climate-related proposals constituted 83% of all **E** (Environmental) proposals voted in 2022.

Among **S** (Social) proposals, lobbying and tax resolutions have the highest proportion (31.9%) while diversity-related and human rights-related items constituted 26.5% and 11.4%, respectively.

Shareholder resolutions split by subject



Votes on E and S resolutions



Overall, Candriam supported 85% of all **E** and **S** resolutions in 2022 (264 proposals out of 309). This is a 10 percentage-point increase compared to 2021 (75% support in all **E** and **S** proposals).

Active Ownership.

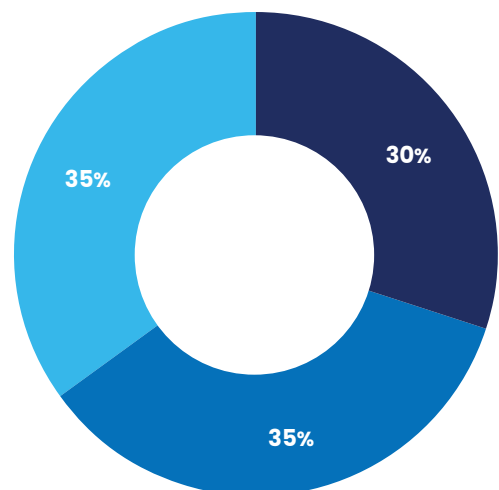
Candriam is an active shareholder. We systematically engage with a defined set of companies prior to the AGM season to help them better understand our views and better respond to investor expectations on corporate governance matters. As the guardian of our voting policy, our Proxy Voting Committee is informed ahead of the engagement of contacts taken with companies and the Committee reviews potential escalation actions including, but not limited to, co-filing a shareholder resolution, launching a collaborative engagement, pre-declaring votes, or submitting questions at general meetings. For further information on the tasks and responsibilities of the Proxy Voting Committee, please refer to [Section 4.1. of the Candriam Voting Policy, on the Proxy Voting Committee of the Voting Policy.](#)

In 2022, we engaged with 46 companies ahead of their annual general meetings to address specific issues identified in their governance structures.

While the companies engaged were incorporated mainly in Europe (94%), we have seen a growing interest from non-European companies in engaging with investors prior to their general meetings to collect feedback. Still, out of 46 companies, only 16 companies were considered 'easily responsive', that is, we enjoyed smooth conversation with company representatives and they demonstrated their readiness to improve practices.

Issuer Responsiveness

■ Difficult
■ Easy
■ Medium



We acknowledge the improvements made by some companies. Our remaining concerns helped determine our votes during the 2022 AGM season. After the voting season, we identified 14 companies with persistent problems within their governance structure and a second engagement process was initiated in the second half of 2022 in preparation for the next AGM, with the aim of influencing company practices.

In addition to engaging with companies, filing resolutions, AGM statements or AGM questions are standard tools of the responsible investor. We usually use them to escalate an unfruitful engagement or when we believe these options will serve our investment strategies and the values we stand for. Below, we summarize our engagements during 2022.

Companies	Action	Escalation?	Topic	Outcome
Illimity Bank	Resolution co-filing	No	Nomination slates	Passed
Intesa SanPaolo	Resolution co-filing	No	Nomination slates	Passed
LVMH Moët Hennessy	Questions at AGM	Yes	Governance matters	Company answered our questions.
SAP SE	Questions at AGM	Yes	Governance matter	Company answered our questions.
Teleperformance SA	Questions at AGM	Yes	Social matters and link to general Governance	Company answered our questions.
TotalEnergies SE	Resolution co-filing	Yes	Climate	Some shareholders withdrew from the co-filing after Company made new commitments. Quota required for filing no longer reached.
Unilever Plc*	Resolution co-filing	Yes	Healthy Products	Withdrawn after company's new commitments
a European Bank (anonymized)	Resolution co-filing	Yes	Climate	Withdrawn after company's new commitments

(*) More information on the Unilever engagement can be found in the case study on page 22.

In addition to the activities above, we also pre-declared our voting intention for one meeting, that of St Gobain SA, in 2022. With pre-declaration formally added to our voting policy as of Jan. 1, 2023, the use of pre-declaration of our votes should increase in the [2023 voting season](#).

Unilever

Case Study



Sairindri Christisabrina
ESG Analyst, Candriam

Sairindri, as the ESG research analyst for the Food & Beverages sector, would you explain us why we engaged with Unilever?

The Food industry, including manufacturers, has a role in shaping the diets of consumers, and therefore needs to take a role in tackling diet-related disease. Obesity rates worldwide have tripled since 1975. More than 1 billion people worldwide are obese – 650 million adults, 340 million adolescents and 39 million children.³ Regulators worldwide are fast-tracking an array of fiscal measures (such as sugar and calorie taxes) as well as other policy measures (eg, reformulation targets, warning labels, marketing and advertising restrictions), all aimed at reducing sales of less-healthy food and drink products.

In 2020 Unilever reported that 61% of its food and drink sales were derived from products with 'High Nutritional Standards' and that it targeted to increase this proportion to 70% in 2022. However, independent third-party assessment⁴ calculated a much lower percentage when assessing products according to government-endorsed standards. As investors, and considering trends in regulation and consumer expectations, we are concerned by these types of discrepancies and uncertainties.

What action did we take?

Since 2018, Candriam has been part of the active working group engaging with Unilever under the *Access to Nutrition Initiative*, to improve the company's transparency and practices on nutrition. The company actually scored among the best of its peers.

In 2019 we engaged specifically and individually with Unilever on sugar matters via a dedicated campaign we led on *Sugar Risks in the Food and Beverages Industry*.

While making progress, Unilever, as others in the agri-food industry, falls below our expectation on nutritional matters. In 2021, after internal discussions and validation from both our Proxy Voting Committee and Stewardship Workstream **we decided to escalate our engagement. We agreed to co-file a resolution to accelerate the company's tangible actions and send a signal to the entire sector.** We believed that if Unilever was ready to move into top gear on healthy matters, its competitors would follow. In the following weeks, with other co-filers, we began active dialogue with Board members and representatives of Unilever's R&D staff.

³ <https://www.who.int/news/item/04-03-2022-world-obesity-day-2022-accelerating-action-to-stop-obesity#:~:text=More%20than%201%20billion%20people,adolescents%20and%2039%20million%20children.>

⁴ Access to Nutrition Initiative, <https://accesstonutrition.org/the-indexes/>

What were the results?

Engagement was successful.⁵ In March 2022, Unilever announced its decision to publicly report the performance of its product portfolio against at least six different government-endorsed Nutrient Profile Models (NPM), in both volume and revenue terms, as well as against its own Highest Nutritional Standards.⁶ The reporting began in October 2022, **making Unilever the first global food company to undertake such a commitment.**

The co-filed resolution was withdrawn ahead of the AGM, in the light of this new commitment.

And, as expected, in the months following the Unilever announcement **other major companies in the food industry began to take action**, with Nestlé⁷ adopting a similar broad approach and Danone⁸ taking action in the UK and some other markets.

What do you see for the next steps?

Unilever has committed to continue dialoguing with Candriam, via both the *Healthy Markets* and *Access to Nutrition* Initiatives. New commitments will be developed and implemented in the run-up to the 2024 AGM, to expand upon the first broad report provided in Oct 2022.

We will continue to monitor and challenge global food companies on this theme.

⁵ We co-filed with the *Healthy Market* coalition of *ShareAction*. We are members of the parent group *ShareAction*. While we work with the *Healthy Market* coalition, we are not formal members of the coalition.

⁶ Unilever to set new benchmark for Healthy Nutrition, Unilever, <https://www.unilever.com/news/press-and-media/press-releases/2022/unilever-to-set-new-benchmark-for-healthy-nutrition/>

⁷ <https://www.nestle.com/media/news/nestle-transparency-nutritional-value-portfolio#:~:text=The%20company%20will%20make%20the,%2Dof%2Dpack%20labeling%20systems.> Nestlé to provide transparency on nutritional value of its portfolio (nestle.com)

⁸ <https://www.danone.co.uk/content/dam/danone-corp/uk-irl/uk/medias/medias-uk/2023/corporatepressreleases/danone-uk-and-ireland-health-commitments.pdf>

Votes on Sensitive Resolutions.

Highly sensitive votes

The Candriam Voting Team sets a predefined list of companies at the beginning of each year as a framework to identify 'highly sensitive votes'. This list is not exhaustive and is updated during the voting season.

We vote for every 'votable' position of the portfolios part of our voting scope, as explained in our [Voting Policy](#). In cases of securities lending, during 2022 we reserved a minimum position of 20% in order to preserve our voting rights, but our average voting percentage is higher (more than 97% in 2022). For highly sensitive companies, and/or in instances where the shares are on loan, we ensure that all shares are recalled so that we can exercise our full leverage at the meetings.

If the circumstances which caused the company to be on the pre-defined list materialize, the Voting Team analyses the relevant resolutions and assesses whether any sanctioning vote, or vote against management, is necessary. The tables enumerate by topic the resolutions we targeted at these 247 highly sensitive meetings, and the alignment of our vote with that of other voting shareholders.⁹ Our reporting here is intended to provide more granularity on how Candriam voted at sensitive meetings and the alignment with a significant portion of the other shareholders.

Mergers and Acquisitions

Twelve resolutions flagged as 'most sensitive' due to a significant M&A transaction on the agenda **where we did not support the item.**

Aligned*	4
Partially aligned (resolution passed with at least 20% dissent)	3
Not Aligned (resolution passed with less than 20% dissent)	5

*Aligned data field includes cases where Candriam voted For the resolution and the resolution passed and where Candriam voted Against and the resolution failed.

Environmental and Social Resolutions

249 **E&S** Resolutions (excluding climate resolutions) flagged as highly sensitive,' for which we wanted to exercise our full leverage on and **were supported.**

Aligned (resolution passed)	26
Partially aligned (resolution failed with at least 20% support)	111
Not aligned (resolution failed with less than 20% support)	112

⁹ When we indicate 20% dissent, we mean 20% of those shares which were voted.

Shareholder Climate Proposals

Fourteen shareholder climate proposals were voted at companies flagged as 'most sensitive' for *Climate-related reasons*.

Aligned*	6
Partially Aligned (Candriam voted FOR and the resolution failed with at least 20% dissent)	3
Not aligned (Candriam voted FOR and the resolution failed with less than 20% dissent)	5

*Aligned data field includes cases where Candriam voted For the resolution and the resolution passed and where Candriam voted Against and the resolution failed.

Climate sanctioning: director election and discharge

Nine management resolutions on discharge and director elections were voted Against because of the lack of proper Board oversight for companies flagged as 'most sensitive' for *Climate-related reasons*.

Aligned (resolution failed)	0
Partially Aligned (resolution passed with more than 20% dissent)	1
Not Aligned (resolution passed with less than 20% dissent)	8

Historical dissent from shareholders

Only one resolution was flagged due to the *high dissent trigger*. We voted against due to our significant holding, the presence of a high dissent level in 2021, and the lack of response from the company to address the broad shareholder dissent. The resolution passed, but with more than 20% dissent, a significant portion of the investors aligned with our vote. Therefore, the alignment is considered 'Partially aligned' for this resolution.

Management Climate Proposals

Twenty-two management climate proposals were voted at companies flagged as 'most sensitive' for *Climate-related reasons*.

Aligned*	0
Partially Aligned (Candriam voted Against and the resolution passed with at least 20% dissent)	4
Not Aligned (Candriam voted Against and the resolution passed with less than 20% dissent)	18

*Aligned data field includes cases where Candriam voted For the resolution and the resolution passed and where Candriam voted Against and the resolution failed.

Weak outcome from engagement with company

A total of 225 management proposals on director elections, compensation and auditor-related topics at such companies were voted Against in 2022 after being flagged as 'most sensitive' because of a *weak outcome from engaging with the company*.

Aligned (resolution failed)	2
Partially Aligned (resolution passed with more than 20% dissent)	35
Not Aligned (resolution passed with less than 20% dissent)	188

Governance

423 management resolutions on *director elections, compensation* and *auditor-related* topics at companies flagged as 'most sensitive' for *weak governance* reasons combined with significant Candriam holdings in these companies :

Aligned (resolution failed)	7
Partially Aligned (resolution passed with more than 20% dissent)	63
Not Aligned (resolution passed with less than 20% dissent)	353

Meetings of specific interest

Highly sensitive resolutions such as those above are only one sub-category of our targeted items. Other resolutions are subjected to and benefit from the close attention of our Voting team. We use a wide range of triggers throughout the year to classify meetings as 'of specific interest'.

If a meeting warrants interest for the topics below or for any other reason, our internal Voting team analyses the general meeting agenda to determine whether an item should be targeted.

The aim of our internal analyses is to fulfil our responsibility as an Active Owner and to secure the maximum influence as owners of the company.

In 2022, we internally re-analysed 626 meetings, of 574 different companies, for a variety of reasons. Of these 626 meetings, 247 were deemed highly sensitive resolutions as detailed on page 24.

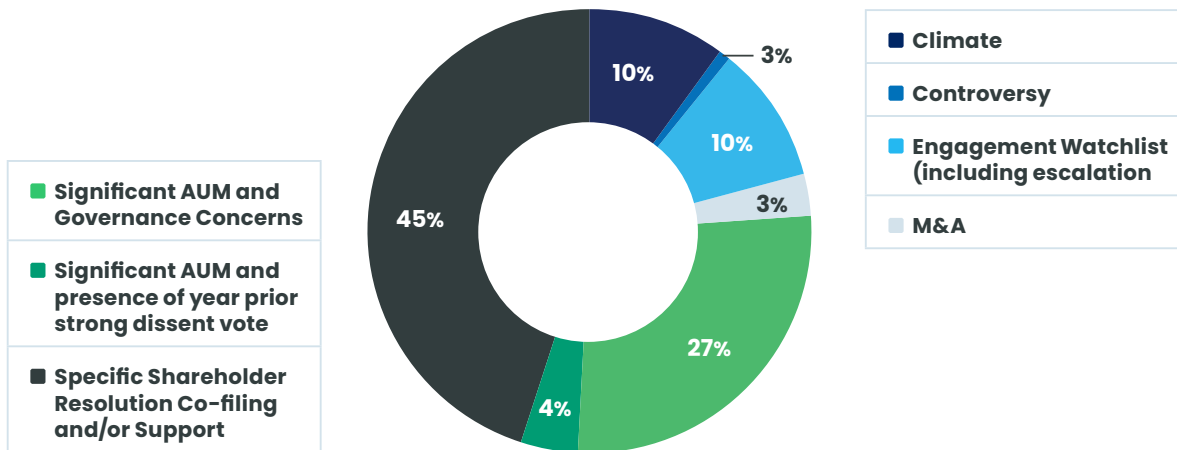
The topics of those meetings can generally be grouped under seven categories:

- **Climate**
- **Engagement Watchlist** (including escalation)
- **Specific Shareholder Resolution Co-filing and/or Support**
- **M&A**
- **Controversy**
- **Significant holdings and Governance Concerns**
- **Significant holdings and presence of year prior strong dissent vote**

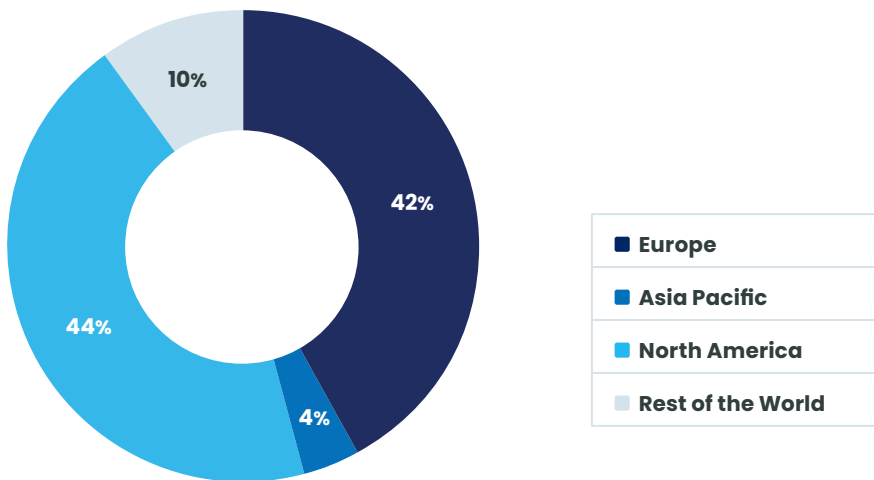
The statistics below include the 247 sensitive votes as well as the 379 other targeted items. On average, for these 626 meetings and the voting portfolios involved, we voted 93.9% of votable shares.¹⁰

Trigger Reason	Count of Meeting
Climate	60
Controversy	5
Engagement Watchlist (including escalation)	63
M&A	22
Significant AUM and Governance Concerns	166
Significant AUM and presence of year prior strong dissent vote	28
Specific Shareholder Resolution Co-filing and/or Support	282
Grand Total	626

¹⁰ Calculated based on the voted shares vs votable shares ratio for all proposals voted at all 626 meetings.



The geographical distribution of all sensitive meetings analysed in 2022 is shown in the chart below:



To illustrate our approach, we present eight case studies from our 2022 voting season, drawn from the Environmental, Social or Governance areas. In each instance, we include the priority trigger, the background, our voting rationale and the overall vote outcome.

All of our votes and the rationale for Against votes can be accessed on our [voting dashboard](#).

Environmental

TotalEnergies SE

25 May, 2022

Priority Trigger: Climate

Sector: Energy

Item 16: Approve Company's Sustainability and Climate Transition Plan

Context

This resolution was put forward by the management, already a good practice in itself. But while TotalEnergies has improved its climate-related disclosure and has made progress in the rollout of its climate strategy, the company's climate plan still suffers from some elements which do not deliver a Paris-aligned trajectory and are not in line with our climate expectations.

Our Vote

Therefore, we voted Against. Among the main drivers of our decision:

- The company has one of the most ambitious hydrocarbon expansion plans among oil majors, in contradiction with IPCC and IEA Paris aligned trajectory.
- The company has disclosed absolute targets for emission Scopes 1&2, but has so far failed to disclose a clear absolute Scope 3 reduction target. The current < 400mt target means that basically, TotalEnergies' emissions would remain stable until 2030, while the IPCC 1.5°C trajectory requires a 50% reduction of global emissions by 2030.

- The company's capex plans are not specific enough with respect to the expansion of its gas business, which represents the largest strategic driver in both the short- and medium term. The company's capex plan is not consistent with a science-based Paris-aligned trajectory, with the vast majority of the capex budget still allocated to investment in oil and gas-related activities through 2030 and presumably beyond.

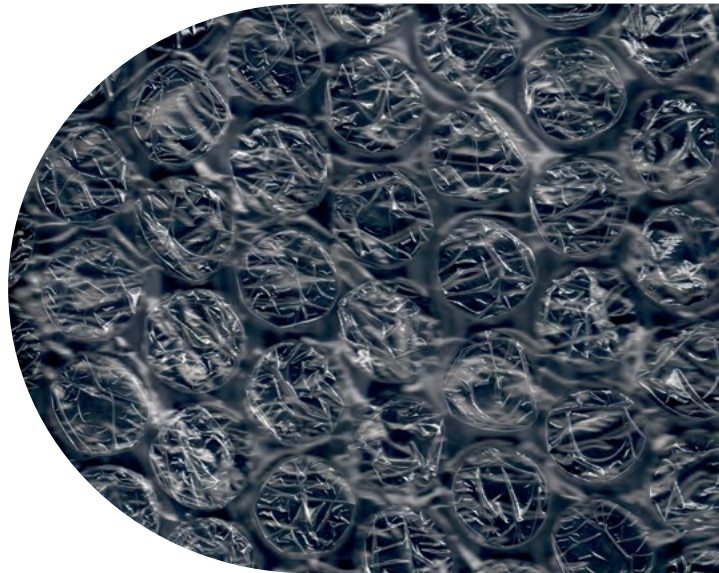
- While TotalEnergies states its ambitions to become net zero by 2050, the company fails to demonstrate to what extent its climate plan is aligned with the IEA 1.5°C scenario. Additionally, the company has acknowledged that its current targets are not science-based.

Outcome

The resolution was supported by 88.9% of the shareholders. While this outcome might be seen as a 'success' for the company, when compared to the level of support of SOCs at other companies, TotalEnergies' level of support is rather low,¹¹ showing a remaining discontent from a non-negligible part of its shareholder owners.

¹¹ By 'low' support, we mean that 11% of the shares voted dissented. This is a rather high level of dissent for a management resolution, therefore a low level of support for management.





Amazon.com, Inc

25 May, 2022

Priority Trigger: Specific Shareholder Resolution Support

Sector: Consumer Discretionary

Item 8: Report on Efforts to Reduce Plastic Use

Context

Amazon's substantial and growing use of plastic packaging exposes the company to increased financial and reputational risk from the millions of tons of plastic which end up in oceans and the environment. However, the company lags its peers on disclosure and commitment to reducing plastic used for packaging.

At the heart of the plastic pollution problem are single-use plastics such as those generated by Amazon packaging, which make up the largest component of ocean-bound plastic pollution. Amazon has not disclosed how much plastic it uses but the company is believed to be one of the largest corporate users of flexible plastic packaging, with heavy use of plastic e-commerce mailers, which are generally not recycled.

A recent report by the non-profit group *Oceana* estimated that Amazon generated 599 million pounds (300,000 Imperial tons, 272 million kg) of e-commerce plastic packaging in 2020. The company says the report overestimated its plastics use but has declined to disclose its actual e-commerce plastic usage or the amount of plastic used in its 400+ private-label brand operations.

The non-profit *As You Sow* filed a resolution requesting that Amazon issue an annual report on plastic packaging pollution, including an assessment of its efforts to reduce the impacts on the environment.

Our Vote

We voted FOR the shareholder resolution.

Outcome

A massive 48.9% of shareholders of Amazon.com supported the *As You Sow* shareholder resolution at the company's annual meeting. Although it narrowly failed, this vote should be seen as tremendous support for this proposal since, when management and insider shares are discounted, the proposal was approved by an estimated 59% of non-company-related shares.

Social

Sainsbury (J) PLC

July 7, 2022

Priority Trigger: Specific Shareholder Resolution Support

Sector: Consumer Staples

Item 21: Shareholder Resolution on *Living Wage* Accreditation

Context

A group of shareholders coordinated by *ShareAction* has put forward a shareholder resolution on the agenda asking the company to become a *Living Wage*-accredited employer. In its supporting statement, *ShareAction* noted that Sainsbury's, as a large retail group operating over 600 supermarkets and 800 convenience stores in the UK employs more than 189,000 workers. In January 2022, Sainsbury's increased pay for directly employed staff to £10.00 per hour outside of London (exceeding the *Living Wage* rate of £9.90) and matched the *Living Wage* rate for employees in inner London (£11.05). In April, Sainsbury's took the further step of matching the *Living Wage* in outer London.

However, *Living Wage* pointed out that Sainsbury's has not matched the rate for third-party contractors and there is no ongoing commitment to match increases in the real *Living Wage*, which accreditation would ensure.

Through shareholder resolutions, owners asked the company to become an accredited *Living Wage* employer to ensure all direct workers, in London and across the UK, are paid at least the real *Living Wage* rate now and in future, to conduct an analysis of third-party contractors to determine how many workers earn below this rate, and to work with the contractors to lift the wage to the real living wage rate by 2026.

Our Vote

At the AGM, we voted For the resolution, believing that a commitment to become accredited will be vital for the food retailer industry, and that Sainsbury's could set an example for other retailers, an industry associated with poor pay and poor working conditions. Accreditation would also help to extend the improvement to subcontracted staff (eg cleaners), who are often subject to poor working conditions. Given the key leading role of Sainsbury's already in lie with the figures from *Living Wage*, this request should be the logical next step to confirm the company's commitment.

Outcome

The resolution received 16.7% support from the shareholders who voted at the meeting (75.3% of the issued shares). While the resolution failed, we consider this a massive dissent vote, and the company should consider this in its approach to wage rates across regions.



Lowes Companies Inc

May 27, 2022

Priority Trigger: Specific Shareholder Resolution Support

Sector: Consumer Discretionary

Item 7: Report on Risks of State Policies Restricting Reproductive Health Care

Context

The Educational Foundation of America submitted a shareholder proposal requesting that the company report on the potential risks and costs to the company of state policies that restrict reproductive health care, and any plans the company puts in place to mitigate such risks. Lowes currently has stores in states that passed legislation challenging the US 'Roe v. Wade' framework by limiting abortion rights. Shareholders provided in their statement that the report should evaluate any risks and costs to the company associated with new laws and legislation which severely restrict reproductive rights, and similar restrictive laws proposed or enacted in other states. The shareholders hope the requested reporting would motivate the management to monitor and respond to imminent threats to its ability to provide the highest quality reproductive health care to its employees.

Our Vote

At the AGM, we voted for the resolutions as we believe that reproductive rights referred to in the resolution are fundamental human rights as expressed by bodies such as the *United Nations Office of the High Commissioner on Human Rights*. In that respect, Candriam brought its support to the resolution as corporates will indeed be impacted by such laws restricting access to reproductive technologies. That said, our support was not without concern.

The wording of the proposal, focusing on a specific group of employees only, and asking a company to report on risks and costs caused by such laws, may reinforce prejudices about working parents and deepen discriminatory behaviours based on gender in general. We reiterated in our rationale that Candriam defends non-discrimination values and in particular promotes measures supporting working parents (flexible work arrangements, quality childcare options, adapted health coverage, prevention of discrimination, etc). Workers forced to travel out of their residence state to seek access to reproductive technologies due to laws restricting reproductive rights are not being treated fairly and equally. Any corporate initiative advocating against state laws restricting access to fundamental human rights helps support working parents.

Outcome

The resolution was supported by 32% of the shareholders who voted at the AGM. Such strong support has also been seen at the AGMs of TJX, Walmart and Costco as the same resolution was added to the agendas at their respective AGMs.



Amazon.com, Inc

25 May, 2022

Priority Trigger: Specific Shareholder Resolution Support

Sector: Consumer Discretionary

Item 12: Publish a Tax Transparency Report

Context

With the resolution filing, shareholders asked the Board to issue a tax transparency report prepared in consideration of the indicators and guidelines set forth in the *Global Reporting Initiative Standard*. According to the supporting statement attached to the proposal, shareholders argue that Amazon does not disclose revenues, profits or tax payments in non-US markets, impeding the ability of investors to evaluate the risks to the company of taxation reforms, or to evaluate whether Amazon is engaged in responsible tax practices that ensure long-term value creation for the company and the communities in which it operates. Amazon's approach to taxation has been repeatedly challenged by tax authorities globally. The resolution, therefore, aims at bringing the company's disclosures in line with leading companies that have the reporting practice in place.

Our Vote

At the AGM, we voted FOR the proposal.

Outcome

The proposal is supported by 21% of the company's independent shareholders. Not only was this the first tax transparency proposal targeting Amazon, but it also shows the public demand for real transparency in the tax practices of large corporations.

Governance

BFF Bank SpA

March 31, 2022

Priority Trigger: Engagement Watchlist

Sector: Financials

Item 5.1: Approve remuneration policy

Item 5.2: Approve severance payments policy

Item 5.3: Approve second section of the remuneration report

Item 5.4: Approve incentive plan

Context

We have been engaging with the company on a variety of topics for the last two years including remuneration practices, human capital management and overall governance structure. Especially after their remuneration policy failed the shareholder vote in 2021, we shared our concerns on the lack of transparency and alignment with the best practices.

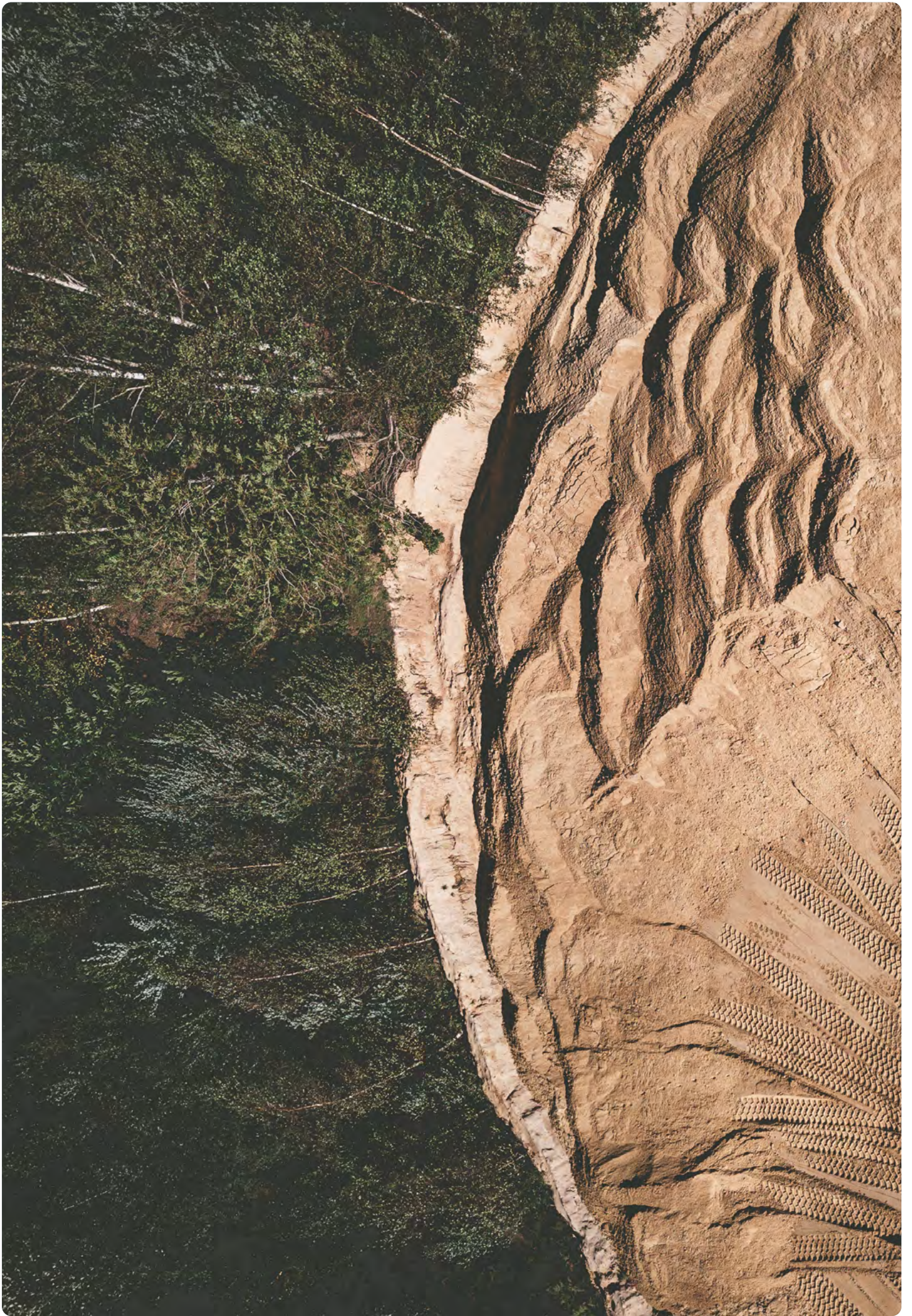
Our Vote

At the AGM in 2022, some of our concerns were addressed in the newly-proposed policy, but the remuneration report and policy disclosures still fell short of our expectations. We voted Against all remuneration-related proposals under Item 5, pointing out our acknowledgment of the improvements included in the 2022 policy while noting our concerns on both ex-ante and ex-post disclosure on target levels of compensation, presence of an extraordinary bonus plan, severance arrangements exceeding 24 months, and the lack of stringency of non-financial performance metrics.

Outcome

Such concerns are shared by other investors, demonstrated by the 40% dissent levels for the remuneration policies and the 17% opposition to the remuneration.





LVMH Moët Hennessy Louis Vuitton SE

April 21, 2022

Priority Trigger: Engagement Watchlist, Escalation Issue

Items 14-16 and 18-19

Context

We have conducted pre-AGM engagement campaigns with LVMH for the past three consecutive years, sharing our concerns on Board composition, lack of succession planning, and remuneration practices, including a letter sent prior to their general meeting. The company is not addressing our concerns, maintaining that as a family-owned company, the best market expectations and practices are not applicable to it.

As a first escalation measure, we [submitted questions](#) on four main topics at their 2022 AGM. In particular, we expressed concern on the combined roles of CEO and chairperson with insufficient Board independence, lack level of response to the dissent voted on items in 2021, the appointment of a censor¹² and lack of transparency on executive remuneration.

Our Vote

To signal our concerns once again, we also voted Against the election of Bernard Arnault to the Board as he serves as both the company's CEO and Chairman, which is considered to be a breach of good governance practices.

Moreover, we did not support either the election of a non-independent director or the election of a member of the remuneration committee, due to the lack of sufficient independence and the lack of response to the significant dissent on the remuneration report last year, respectively.

We also opposed the remuneration policy for the CEO and Vice-CEO, as the company does not disclose targets or pay scales for the annual bonus, while the vesting scales and the performance period of long-term incentive plans are not disclosed. In addition to other concerns about the company's remuneration practices, Items 14-16 and 18-19 did not warrant our support.

Outcome

Although the company is majority-controlled by the family and the free float is limited, the items received significant dissent, supporting our belief that investors agree on the company's shortcomings. The remuneration items in particular received more than 15% opposition from the shareholders who voted at the latest AGM.

¹² A 'censor' is typically a position to allow individuals to serve in a more consultative role at French boards. Mainly due to their past roles in the company (former CEO, founder etc) or to their close affiliations with the majority shareholders, they are asked to share their observations and opinions on matters that are discussed at the board level. They participate in board meetings but act as non-voting board members. Their Board positions have different (typically lower) levels of duty of care, confidentiality, etc than is typical for a Board member. In some cases, they are added to the board without their candidacy being voted on by the general assembly which is not considered the best governance practice.



Stellantis NV

April 13, 2022

Priority Trigger: Significant holdings and Governance Concern

Sector: Consumer discretionary

Item 2.c: Approve Remuneration Report

Context

The struggle with remuneration-related items is not new for automaker Stellantis. In 2021, the company's remuneration policy received criticism and was supported only by 55.8% of shareholders who cast votes. In 2022, disclosure improved slightly with respect to the amounts received by two executive directors in 2021. However, our concerns with regard to overall remuneration, which included a merger-related payment, remained weighty.

Our Vote

Specifically, the award made to the current CEO in relation to the merger and the overall amount are considered excessive for this sector, while the justification is not compelling (the compensation packages put forward in the remuneration policy should already be sufficient to reward executives for their performance).

Another issue was that the Board has decided to implement a one-off long-term incentive plan without disclosing the performance KPIs, and confirmed that such implementation is a deviation from the policy without providing the need for such an exceptional award plan and its fairness, as required by law.

Outcome

Based on these concerns, we voted Against the remuneration report. Given that the resolution did not pass at the AGM (52.1% dissent), these concerns are shared by the majority of the investors and further changes in Governance are expected from the company.

Softbank Group Corp

June 24, 2022

Priority Trigger: Engagement Watchlist

Sector: Communication services

Item 3.1: Elect Director, Masayoshi Son

Context

We engaged with the company for the first time in 2021 within the context of a fixed income engagement campaign and focused our questions on their governance structure and investment due diligence. At the time, we had concerns over the CEO/Chairman combination, succession planning and Board independence. It was important for us to share with the company our general expectations that all investee companies should separate the roles of chairperson and CEO, and that they should adopt succession policies to provide investors with some level of clarity on business continuity.

We have also been in contact with the company as part of our [Facial Recognition Technology Initiative](#), asking the company about the procedures they have in place to assess, monitor and mitigate the risks linked to this technology.

Our Vote

We voted against the election of Masayoshi Son because he serves as the company's CEO, Chairman and Chairperson of the company and these roles are combined without a sufficient counter-balancing mechanism on the Board. He also holds significant influence as the founder and main shareholder of the company. While we recognize that such separation is not a

market practice in Japan, we believe that a global and growing company that invests in rising technologies should meet the international best standards for curbing excessive risk-taking and ensuring business stability. We also underline the need for succession planning. We also note the need for having a far-reaching and comprehensive due diligence and risk assessment process for their existing and future investments by providing a clear and transparent disclosure of the KPIs and conditions used, reporting on the engagements with investee companies and the risk identification process. As we have concerns about the lack of a counter-balancing mechanism on the supervisory level, more transparency and challenging KPIs for the risk assessment are expected from the company.

Outcome

We note that the item is approved by 97.7% of the independent votes cast.

What will 2023 bring?

Regulatory Updates in the US

One of the most noteworthy developments of 2022 was the universal proxy card which came into effect on 1 September 2022. The new Securities and Exchange Commission (SEC) regulations enable shareholders to vote individually for their preferred mix of Board and dissident nominees at a contested meeting, rather than an up or down vote for the entire slate of candidates. This important development will make a more considered set of options available for shareholders. Candidates for Director positions will be supported solely based on their individual skill matrix and their potential contributions to the Boards.

These new universal proxy card rules require companies to review and possibly amend their bylaws to provide dissidents sufficient time for a contested election. While we maintain our long-held view that dissident proposals should present a justified case for change, we expect new proxy rules will result in more situations where directors with governance vulnerabilities will be scrutinized by investors, beginning in the 2023 voting season.

Close Monitor of Equity Awards Vesting in 2023

Another expectation for 2023 follows on the Covid-19 challenges first faced in 2020. Long-term incentives granted in 2020 will begin to vest in 2023, and we expect the windfall gains will make vesting, and measurement of executive performance, key topics of discussion topic for remuneration committees. For context, Boards granted large numbers of

additional shares in 2020 due to the significant fall in the share prices during the Covid-19 outbreak. Most awards made in 2020 in the uncertain environment are due to vest and we expect remuneration committees will take this into account when determining the vesting of the awards, potentially reducing the vesting outcomes.

Pre-declaration of Votes as an Escalation Tool

Following the updating of our 2023 Voting Policy to pre-declare votes, we now expect to announce our voting intentions for 'sensitive' meetings. The goal of this change is to improve market transparency and collaboration for asset owners and other stakeholders, by providing clearer insight into how responsible investment activities are implemented. We made our first pre-declaration of our vote in 2022, before the AGM of Compagnie de Saint-Gobain. We announced our abstention from the three resolutions on auditors and

financial statements. While the company made tangible commitments to improve climate-related accounting disclosures, we determined that their methodology of incorporating climate into their financial statements was still insufficient.

Please note that *one or more* resolutions may be subject to pre-declaration.

A stronger legal framework for Say-on-Climate Proposals?

The practice of Say on Climate is gradually developing in several countries around the world. In Europe, it mainly practiced in the United Kingdom and France. To date, there is no official framework to structure the practice and ensure equal levels of transparency among all companies.

Debates at general meetings are privileged moments for shareholders to deliberate on the strategic orientations of the companies they own. The opportunity to co-file

shareholder resolutions is another powerful tool. But given the complexity of filing external resolutions in some jurisdictions, this lever may be in jeopardy.

Candriam is considering engaging with stakeholders such as regulators, politicians and specialized financial market committees or working groups to push for clearer SOC frameworks and ease the ability to co-file ESG shareholder resolutions.

For more information, please note that Candriam discloses all our votes along with related rationale(s) for Candriam's open-ended equity funds, since 2020, on our dedicated [voting dashboard](#).



Promoting Sustainable Development.

Industry Associations & Responsible Investment Working Groups

	Name of Association	Joined in
SRI Working Groups within:	BEAMA - Belgian Asset Managers Association	2004
	AFG - Association Française de la Gestion financière	2003
	EFAMA - European Fund And Asset Management Association	2010
Several Social Investment Forums, such as:	VBDO - Dutch Sustainable Investment Forum	2007
	Forum Nachhaltige Geldanlagen (Germany, Switzerland & Austria)	2010
	Swiss Sustainable Finance (Switzerland)	2014
	Forum pour la Finance Responsable (French SIF FIR)	2014
	Forum per la Finanza Sostenibile (Italy)	2015
	UKSIF - United Kingdom Sustainable Investment Forum	2016
	US SIF - United States Forum for Sustainable & Responsible Investment	2016
Other sustainability-oriented investor bodies	ABIS - The Academy of Business in Society	2005
	IIGCC - The Institutional Investors Group on Climate Change	2020
	Investor Alliance for Human Rights (ICCR Initiative)	2021

Regarding how Candriam engages with policymakers, including:

- Related governance processes in place ,
- How we ensure alignment with our position on sustainable finance,
- Candriam policy engagement activities or those conducted on our behalf,

All related information will be made available in our 2021 CSR report.

For more information on our guiding Principles on ESG

Promotion and influence, you can refer to the CSR report section on our [Publications webpage](#).



€139B

**AUM at end
December 2022***



600

**Experienced and
committed professionals**



+25 years

**Leading the way in
sustainable investing**

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*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labeling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 31/12/2022.



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