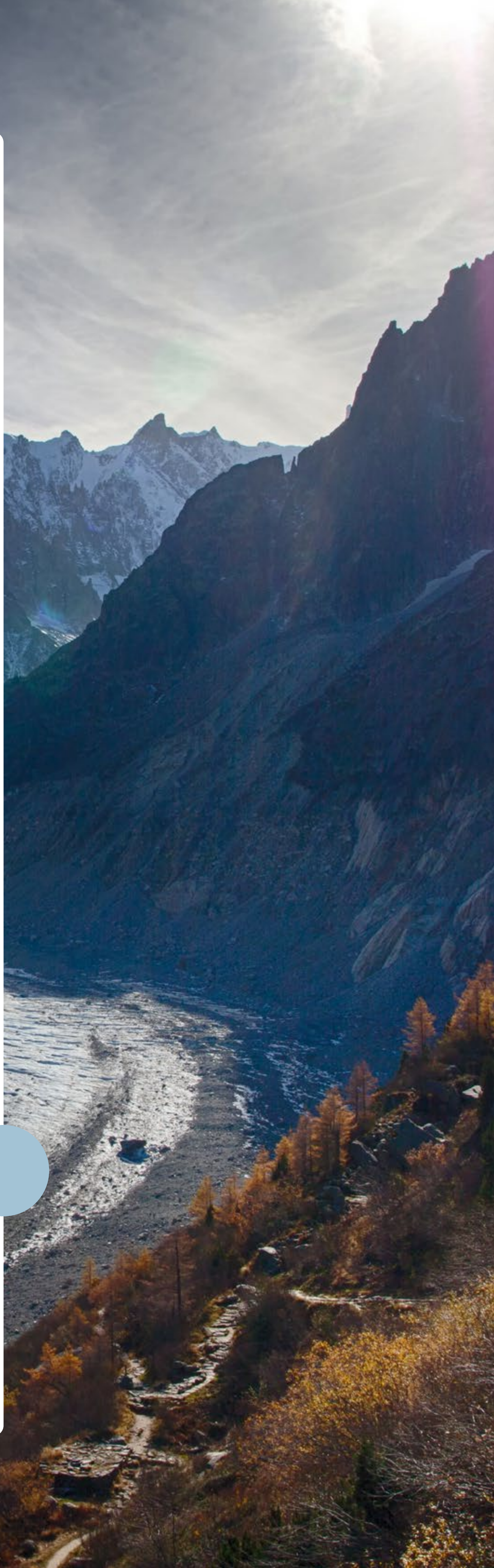
CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

2023 Annual Engagement & Voting Report



MARCH 2024

In 2023, we began to pre-declare our voting intentions. This provides transparency to our stakeholders, and may also provide a means of escalation.

The year at a glance.

Main themes:

- Strong corporate Governance
- Climate change
- Biodiversity
- Human Rights

314 corporates engaged directly

36% of our AUM*

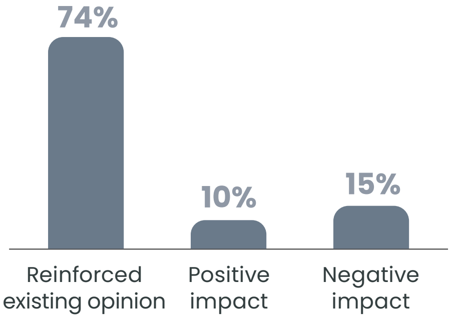
Collaborative dialogues

734 corporate issuers engaged collaboratively (outside CDP and WDI initiatives)

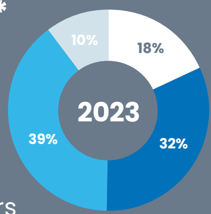
256 dialogues led or actively supported by Candriam (outside CDP and WDI)

9,365 corporate issuers engaged through large initiatives (CDP and WDI)

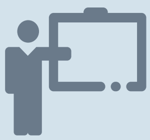
Direct dialogues impact on Candriam ESG opinion



Collaborative dialogues % of our AUM*

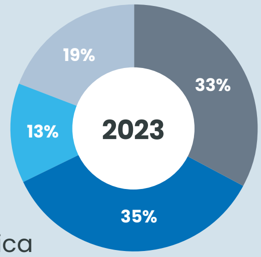


- Engaged non-corporate issuers
- Engaged corporate issuers via CDP or WDI
- Other engaged corporate issuers
- Non engaged issuers



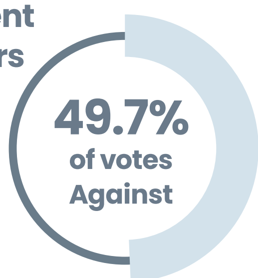
1,876 voted meetings

Geographical split of meetings
(voting)



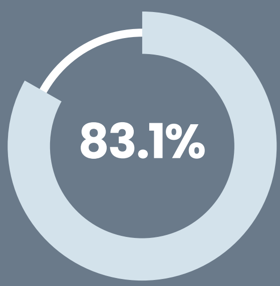
- Europe
- North America
- Asia Pacific
- Rest of the World

Compensation of management and directors
(voting)



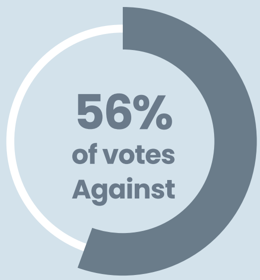
Globally Candriam supported 71% of management resolutions

Active voting



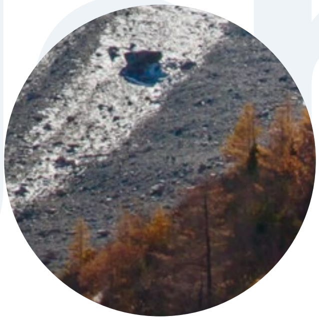
of meetings with at least one vote Against management

Climate in voting



Say-on-Climate resolutions sponsored by management

*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.



Agenda.

The source for all data in this report is Candriam, unless otherwise noted.

Evergreen, yet ever-changing.

Engagement — at Candriam – means the interactions we have on Environmental, Social, and Governance (ESG) issues. This includes current and potential investees, as well as entities which, through their competence or authority, are able to initiate or influence change in the regulatory or market frameworks involving ESG aspects.

These can be constructive individual or direct conversations as well as collaborative dialogues. As an extension, co-filing of resolutions, public statements, or pre-announcement of our voting intentions may be escalated efforts.

Our scope of engagement covers the full range of issuers and regions, addressing our full direct investment universe[1], prioritizing issuers covered by our ESG analytical framework. We engage across equity and bond assets, and across corporate and non-corporate issuers, including private equity.[2]

Our dedicated Engagement and Voting Team, created in 2016, includes six ESG analysts specializing in engagement and voting. Our 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 often take part in the dialogues and are regularly informed of all engagement.

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

Not enough info? More in our Engagement policy

[Stewardship @ Candriam]

Energy Transition

Fair Work Conditions

Business Ethics

Meet the team:

[2022 Stewardship Report.]

1 invested in direct lines (both through equity and fixed income instruments)

2 With regard to the UK stewardship code principles and information about signatories approach to seeking amendments to terms and conditions in indentures or contracts, we need to precise Candriam Fixed Income portfolio management teams DO NOT engage in dialogue to change terms and conditions of upcoming debt issuance. They DO NOT get taken "over the wall" by syndication banks to discuss and negotiate deal terms and conditions ahead of new issuance. If our portfolio managers do not like the T&Cs of a new bond issuance, then they don't buy it. Note that dialogue obviously occurs regularly between portfolio managers and syndication banks on the pricing terms of new issuance.

A virtuous circle: ESG analysis and opinion feeds the engagement design and process, while the outcomes of the engagements feed the ESG analysis and serves all the portfolio managers and investment strategies.

Proactive engagement: Together, our Candriam teams create a common understanding of which concerns to pursue, and which best practices we choose to promote and defend. Success requires close collaboration among our teams. While engagement may be prompted by exceptional events such as an acquisition, a change in an issuer's 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, type and timeline of engagement are defined and/or updated. Some of the considerations include:

- Candriam's exposure (investment), interest from the investment teams,
- Materiality of the topic (both for the issuer, and for society in general),
- Presence of clear observable and measurable objectives,
- Precedent-setting nature of the topic or of the issuer which may involve and potentially positively impact its suppliers and clients when committing to better practices,
- Engagement history and momentum (eg run-up to AGM period is often the best time to influence issuers on corporate governance practices), and
- Feasibility with regards to available resources as well as chance of success relative to effort required.

Since 2015, we also prioritize engagements related to our three Conviction topics: **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. When relevant, we also dialogue with other stakeholders such as unions, industry or consumer federations, non-profits, academics or influencing entities such as the High Committee for Corporate

Governance in France[3], to obtain a more precise and balanced approach.

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 make certain 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.

Over the past three years, our stewardship activities have twice been subject to our internal audit, challenging our approach and helping us to feed our continuous improvement. For instance, these audits helped us improve the level of detail in our reporting, the quality and resources of our internal procedure. These recommendations have been systematically followed by action plans which were meticulously followed. The forthcoming update to our engagement policy will also integrate these recommendations.

In addition our stewardship activities are annually audited by third party audit firms, checking that SRI requirements are well met and practices fit for purpose. Because several of our managed funds have been awarded ESG labels[4], their audit requirements must be met as well.

Regular assessments of the quality of external research and service providers, such as proxy advisers, are performed by the Candriam ESG Stewardship Team, in conjunction with other involved departments such as the Middle Office. Potential concerns are discussed during these reviews and Candriam's expectations are clearly explained. A due diligence of these external providers is also performed regularly by Candriam's Risk Department when deemed relevant, addressing, amongst other items, information security risks and business continuity risks.

3 HCGE - Haut Comité de Gouvernement d'Entreprise

4 Towards Sustainability : Towards Sustainability | Candriam
LuxFlag ESG label : LuxFlag | Candriam
Label Investissement Socialement Responsible : AFNOR Certification | Candriam

Transparency is key. Candriam published our first engagement report in 2009 and strive to continuously improve our reporting quality. We survey market practices, but also — and primarily – we pay close attention to the expectations of our clients and other stakeholders, as these assess practices of a wide range of investors on a regular basis[5].

We hope this annual review of our the voting and engagement activities we conducted in 2023 will help you discover how we approach engagement, and the progress we made during the year. This year we chose to highlight top topics of engagement and to explain how both dialogues and voting-related actions serve our investment strategies and Convictions, for various asset classes and issuer types. A detailed statistical review offers more data and quantitative information on our voting and dialogue initiatives.

Foreword.

In the foreword of our 2022 Engagement & Voting annual review we wrote :

"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."**

We are still convinced. Our regular discussions with stakeholders such as NGOs or unions[6] tell us that they usually prefer investors to actively push for improvement, rather than to divest.

However, defending such a position has not become any easier in 2023:

- The European Shareholder Directive II really launched the movement of active and transparent ownership, and subsequent European regulations have confirmed the key role engagement should play in ESG integration and sustainable finance. Yet, recent evolutions in the European SFDR regulations and national SRI labels make it almost impossible for investors who wish to call their funds 'sustainable' to own issuers from sectors such as the energy industry.

  While we fully agree with the need to offer clear definitions, this and some other elements make it difficult for responsible investors to invest in and support the transition of such sectors, and to press them to adopt more ambitious and better-structured strategies. Indeed, having less exposure to such sectors means we have also less leverage.

5 Examples: EFAMA with its overview of asset management industry (Asset Management Report 2023.pdf (efama.org)) or scorecards attached to UNPRI transparency & assessments reports (2023 PRI Transparency and Assessment Reports available online | PRI (unpri.org)) or ShareAction with regular benchmark or surveys over investors' practices (ShareAction).

6 Such exchanges are held either to gain further expertise on a specific topic or in specific situation where our ESG analyst and investment teams need to better balance their opinion, notably completing business view by its main stakeholders' opinion.

- The anti-ESG movement in the US, and the polarization of the opinion, inhibit constructive and peaceful relations between investors with strong ESG Convictions and their investees. Challenging investee boards via active voting practices, or even explaining why we find some of the ESG issues they face to be material to their business, has become a real taboo in some cases.

- The increasingly tense geopolitical and economic landscapes further increase the tension. Uncertainty is rising, and a "business as usual" strategy now looks obsolete. In 2023, our stewardship analysts undertook dedicated training both to improve our negotiation skills as well as to manage emotions to keep them from invading our exchanges with issuers.

Exclusion is not a one-fits-all solution, especially for average ESG performers. And it is these middle-of-the pack issuers who are most likely to listen to investor demands, with a reasonable chance of improvement. What course to sail through conflicting winds of change? Transparency, expertise and situational intelligence, and nuance.

- *Transparency* over the mandate our clients have given us and which backs our approach, and sometimes our escalation.

- *Transparency* over the way we assess the ESG performance of issuers.

- *Transparency* over our expectations and time frames.

- *Expertise* to challenge investees on relevant and material topics, but also thee willingness to be challenged ourselves and expertise to understand when we should revise our targets.

- *Identification* of contacts at investees organizations who share our views and who we can, in turn, support.

- *Transparency* over outcomes, and recognition of efforts made by investees.

Concretely, this has resulted in a streamlining of our engagement scope during 2023, including closing collaborative targets where we were passive participants and were not comfortable about the way the engagement was being performed. Even more effort is being dedicated to precision in our engagement plans, and to ensuring all our engagements are regularly reassessed against initial objectives and updated.

The proprietary database developed in 2022 for the coordination and monitoring of engagement activities has been particularly useful in this exercise. Our database is integrated with Candriam's systems for holdings, and also fed by the inputs of ESG analysts and 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. This database is now central to sharing information about engagement activities and actions with our investment teams and clients.

Concomitantly in 2023, we experienced a surge in educational calls with corporates and sovereigns. While educational calls, whether individually or collaboratively, usually target a single issuer, in December 2023 Candriam organized a dedicated conference for all European small- and mid-cap investees on how they could better prepare for inclusion of ESG metrics into executive remuneration[7]. In all cases, these calls have been extremely well received by target issuers.

As you will discover in the following pages, a large share of our engagement efforts during 2023 were concentrated on, **Governance**, **Climate**, **Biodiversity**, and **Human Rights** topics. You will see that as a responsible investor Candriam also tries to use all the engagement tools at our disposal to reach our objectives. As we enter 2024 we expect these topics will remain centre stage. However other topics are ready to ambush investors — finding the right equilibrium between rewarding investors and financing transition efforts raises questions about the sustainability of restructuring efforts. Amidst economic strains, the viability of our investees' tax strategies comes into question. Be assured, we are committed to addressing these concerns as well.

7 More under Candriam on LinkedIn: #investing4tomorrow #candriamesg #executiveremuneration…

Thematic focus.

Strong governance, the foundation of sustainability

A thorough understanding of governance is crucial. Analysis of an issuer's governance has been an investment topic for more than three decades. We draw special attention to governance frameworks here because accurate and robust governance is fundamental to outlining and implementing a strong strategy and policies.

Governance mechanisms are central to both our corporate and sovereign analysis. For corporates, engagement plays an important role in promoting, maintaining or strengthening corporate governance models. On behalf of our clients, we exercise our shareholder rights and dialogue with corporate investees (equity listed or not) about our Convictions. We believe that actively voting at general meetings is part of our fiduciary duty and a practical and direct way to voice our support or concern on critical topics. Our voting activities focus on governance practices because governance is central to the long-term interest of Candriam clients.

The core tenets of our voting policy are:

- **Shareholder rights.** Fundamental shareholder rights, such as participation and voting in general meetings, electing board members and auditors, and expressing opinions on executive compensation plans, must be safeguarded.
- **Equal treatment of shareholders.** All shareholders of the same class should receive equal treatment, adhering to the principle of one share, one vote. This principle asserts that all shareholders should possess voting rights commensurate with the number of shares they hold.
- **Board accountability.** Boards should operate with full awareness and prioritize the sustainable medium- and long-term interests of all shareholders. Achieving this entails having an adequate number of independent board members, segregating CEO and chairperson roles, and establishing a diverse board with requisite skills and expertise.
- **Transparency and integrity of financial statements.** Financial information should undergo independent audits, with timely, accurate, and transparent disclosure. We enforce specific requirements to ensure that auditors maintain independence and objectivity in their judgments.

To learn more:

Sovereign Sustainability: Natural capital vs The nature of Capital

Get the full picture:

2024 Voting Policy

Candriam performs a comprehensive examination the agendas of general meetings.

When voting on conventional governance agenda items, we also consider company approaches to business-relevant environmental and social risks.

We believe the four principles of our voting policy yield a well-operating board, strong remuneration practices, thorough and independent audit procedures, and effective and equitable capital utilization. Traditional principles such board independence, time commitments of board members, performance-linked remuneration, and the safeguarding minority shareholder interests during capital issuance are central to the analysis we perform prior to casting our votes. Of the 1,876 meetings that we screened during 2023 using the principles in our Voting Policy, we saw that certain issues gained momentum and/or become more contentious in 2023.

Further data available in Part 2 of this report (page 75)

'Onboarding' expertise

While gender and ethnic diversity have been longstanding topics on the engagement agenda for Candriam and others, the demand for skill diversity has come increasingly to the fore, not only from shareholders but also from regulators.

Stakeholders expect boards to equip themselves with the necessary skills to address complex and specific business challenges that the company might encounter, to ensure comprehensive oversight and effective promotion of informed decision-making.

This becomes pivotal when overseeing management's actions to attain ESG targets. Through the implementation of the European Union Corporate Sustainability Reporting Directive (CSRD)[8], companies and groups subject to the CSRD are required to disclose the role of the board in sustainability matters and the director expertise and skills relevant to fulfilling that role. In the United States, the Securities and Exchange Commission (SEC) is proposing amendments to the Securities Act of 1933[9], mandating companies to disclose whether their board possesses expertise in climate-related risks.

In 2023, we adjusted our voting decisions and rationales in instances where we determined that the board lacked specific skills to effectively oversee and address business-relevant ESG risks[10].

8 https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2022%3A322%3A-TOC&uri=uriserv%3AOJ.L_.2022.322.01.0015.01.ENG

9 SEC.gov | SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors

10 Please note that since 2021 we also take into consideration when voting renewal of auditors' mandate, and when business relevant, their expertise in 'Climate accounting'.

Archer-Daniels-Midland Company (ADM)

May 4, 2023 Annual Meeting

Priority Trigger for more in depth analysis : Controversy

Items 1h and 1k: Election of Directors

Candriam voted Against the re-election of incumbent directors because they had been serving as 'independent' members for 20 years, while this same board has lacked responsiveness to long-standing legal and social issues.

As a company with vertically integrated supply chains spanning from oil palm and soy plantations, through refineries and oleochemical plants, to product manufacturing, ADM should have greater traceability and transparency, and stronger leverage for change. Nevertheless, over the years, the company continues to be noted and associated with multiple controversies over illegal deforestation, land conflicts with the indigenous populations, and forced and child labour cases. These instances have been reported on by NGOs, news outlets, and other investigations on the ground, particularly in Brazil, Bolivia, Indonesia and Malaysia. Candriam consider these issues systemic given the nature of the controversies and the extent to which the company has been long implicated.

In such situations, the board is expected to include sufficiently-skilled members to oversee and address risks. Given the absence of an adequate response, Candriam holds board members accountable for poor board oversight.

More information on how we prioritize annual meetings is in Part 2 of this report.

Evaluating board expertise: What is the challenge for investors?

Candriam benefits from recognized financial and ESG experts whose analysis feed our engagement. However, assessing whether proper expertise is available at board level not only requires knowing the company in question, it requires access to director biographies and outlines of their expertise. While an increasing number of companies disclose the skill matrix of their board members, the methods of disclosure vary across companies and regions. It remains challenging to evaluate the specific expertise of board members, and how companies define their expertise.

Say-on-Pay:
ESG metrics enter the arena

Determining how a company integrates environmental and social metrics in executive compensation is a primary example of why we attribute such importance to Governance. Stakeholder demands to tie executive compensation to (material) sustainable business performance continue to grow. This is a crucial element in how responsible investors can hold management accountable for meeting their sustainability commitments.

While we did not formally require all of our investee companies to include non-financial metrics in their executive remuneration in 2023, we nevertheless scrutinized the choices of specific metrics in awarding variable remuneration to determine whether the metrics are sufficiently challenging, material, and relevant.

The initial step is for companies to establish a clear sustainability vision with defined long-term goals, including both short- and long-term targets. These targets are expected to be closely monitored and supported at operational and strategic levels. Additionally, executive pay should reflect overall performance including both financial and non-financial aspects, and should incorporate Key Performance Indicators (KPIs) aligned with the Environmental, Social, and Governance (ESG) objectives of the company.

You can read more about how Candriam assesses the resilience of non-financial metrics in executive compensation plans in paper The State of Pay, including case studies demonstrating exemplary approaches.

Danone SA

April 27, 2023 Annual meeting

Priority trigger for more in-depth analysis : Controversy

Item 9: Approve Compensation of Antoine de Saint-Affrique, CEO

We note that the total short-term remuneration is more than 150% of base salary, which is not within our guidelines. We have further concerns as none of the non-financial metrics reflect progress in the management of plastic, an issue brought recently to court by NGOs. As this is one of the key sustainability challenges that the company faces, the overall performance of the company on which the CEO's remuneration is based should include the progress of the company in decreasing plastic pollution. As such, Candriam voted Against this item.

Beginning in 2024, Candriam will enhance analysis of executive remuneration plans at investee companies to ensure alignment between chosen performance metrics and KPIs. Dialogue between our experts and investee companies will help us to better assess whether the non-financial metrics they apply are robust, material and relevant. The list of companies subject to increased examination will expand over time.

A thorn in the side of shareholder democracy: Virtual-only AGMs

When the global pandemic hit in 2020, local regulators introduced the option to hold virtual meetings to allow shareholders to attend annual general meetings during lockdowns. Although this sudden change in approach was supported by some investors, arguing that it encourages more participation, it has been criticized as well - shareholders' ability to engage with the company and its board was limited, reducing their capacity to voice their opinions during the shareholder meetings.

Jurisdictions including Germany, Switzerland, and Italy have recently authorized virtual-only meetings, in some cases for an unlimited period. Companies argue that virtual-only meetings protect them from the costs of physical meetings and from constant interruptions. Often, company decisions to hold virtual meetings require shareholder approval.

Even so, Candriam believes that virtual-only meetings deviate from the fundamental principles of shareholder democracy, as set out in European Shareholder Rights Directive. Large and institutional investors usually cast their votes weeks ahead the date of the meeting. Often they can be comfortable because prior to the meeting, they may have several opportunities to discuss potential concerns or questions through direct and collaborative engagement. For individual shareholders, the annual meeting is a unique opportunity for exchanging with the board. Precisely this concern was clearly expressed during one of the most animated meetings of the year, at Shell, in May 2023.

Candriam also believes that in-person attendance, AGM statements from the audience, and live questions are part of the levers used by investors to escalate concerns. In some cases, managements do not respond to engagement attempts, and/or lack the willingness to deliver changes on material topics that are brought to their attention through dialogue. Practices that limit shareholder rights remain problematic and investors including Candriam have expressed their concern by voting against such proposals. In 2023, we opposed 13 resolutions for the adoption of virtual-only meetings at European general meetings, citing inadequate protection of shareholder rights.

Good governance means a fair and sustainable sharing of value

Candriam places great importance on our recurring pre-AGM engagement campaign, during which we contact companies to address significant governance issues that have led to dissenting votes. This type of engagement is primarily accessible for equity assets, although bonds should also benefit from enhanced governance.

Our efforts are concentrated on core topics of governance, such as board composition, executive compensation, shareholder rights and transparency. Through these discussions, we communicate our voting approach and expectations regarding corporate governance practices, while also gaining insights into the challenges faced by investee companies. Understanding how companies are tackling these challenges can help mitigate our concerns. It is also a chance for us to address the 'elephant in the room'; that is, whether and how the company endeavours to harmonize the interests of key stakeholders, such as employees, investors, clients, local communities, and regulators while adequately preparing for investments needed to address medium- or long-term challenges.

For instance, debates regarding the allocation of capital may sway our decision on approving financial statements, and proposals for share buybacks will not garner our support if our analysis shows that the company has allocated insufficient resources towards its sustainable future. Remuneration policies for executives are a primary focus of our voting decisions, and we evaluate whether director compensation appropriately reflects the ongoing commitment to balancing competing interests. These voting matters represent a significant portion of our engagement efforts. Our voting decision is aligned with the outcome of any past and ongoing engagement, which in turn also drives our in-house ESG opinion on the company.

However, while voting can be used as an escalation of a failed dialogue, it can also be the acknowledgement of any improvement made following a direct or collaborative engagement. We show this contrast in the case studies on BFF Bank and SAP.

Voting as escalation

BFF Bank SpA,

March 31, 2023 Annual meeting

Priority trigger for more in-depth analysis : Previous/ongoing Engagement-Related, and large shareholding

Item 3: Approve Remuneration Policy

We have held several engagement calls with the company since 2021, sharing our concerns on the lack of transparency and lack of alignment with the best market practices. While some issues were addressed in 2022, the policy and the disclosure practices under the remuneration report still fall short of investor expectations, with a 40% dissent vote in 2022. As we believe that the company should be guided collaboratively to increase its disclosure practices and align the remuneration package of the CEO with the best market practices, we advocated for a collaborative engagement held in March 2023[11] during which the shared concerns were explained to the company. While we acknowledge the improvements that the new policy brings (including more material and relevant ESG metrics, along with customer satisfaction metrics), the company still lags behind the market expectations for disclosure and transparency.

Further, we raise significant concerns about the composition of the remuneration committee. The company failed to provide the public with compelling explanations after the resignation of an independent member from the board, which signals a potential conflict of interest. Given the lack of reaction to the high dissent votes of previous years, we strongly encourage the board to revise its composition and propose a fully independent committee including remuneration experts.

Based on these concerns above, Candriam voted Against this item.

11 Engagement under the moderation of the Investment Managers' Committee (p22 protocollo_funzionamento_112022.pdf (comitatogestori.it)

Voting as acknowledgment

SAP SE

May 11, 2023, Annual meeting

Priority trigger: Previous/ongoing Engagement-Related

Item 9: Approve Remuneration Policy

Candriam engaged with SAP SE since 2020 to share our concerns about the influence of the non-independent chairperson on board committees and the company's remuneration structure. We submitted two AGM questions at the 2022 shareholder meeting on the personnel and governance committee composition and the remuneration structure. Although the answers at the meeting were not satisfactory, the company reached out to us to address the concerns and to communicate the changes they wish to bring to their remuneration policy.

Under this revised policy, the company plans to:

- Implement shareholding guidelines to ensure the interests of executives are aligned with those of other stakeholders,
- Introduces ESG targets in its long-term incentive plan to better reflect the company's business performance in the executive remuneration package,
- Remove the retention share units component, which was solely time-based,
- Remove the special bonus plan,
- Reduce the total maximum compensation,
- Introduce a deferred element into short-term incentive compensation, which further strengthens the long-term alignment of the total package, and
- Adopt a claw-back clause.

Overall, and in spite of remaining concerns, considering the changes that the new policy brings for further alignment with SRD II, we voted For this resolution.

Active ownership does not end with voting. We also use several tools to put in practice our Conviction that good governance is key to achieving sustainable long-term performance. Predeclaration of voting intentions and co-filing resolutions are among these.

Details of our approach, and data on our votes are shown in the voting statistics section.

Corporates do not hold a monopoly on good governance, transparency, and fairness

If this title sounds provocative, we are glad we caught your attention. We want to highlight that all these topics can also be discussions with sovereigns.

In 2023, at the demand of our Sustainable Risk Committee and for a specific investment strategy (emerging debt), Candriam conducted a direct dialogue engagement over tax-transparency related issues with an emerging market country, Costa Rica, and its counterparts.

The root engagement trigger was the inclusion in February 2023 of Costa Rica on the list of non-cooperative jurisdictions for tax purposes by the Council of the European Union, after the country failed to implement its commitment to abolish or amend the harmful aspects of its foreign source income exemption regime. This designation triggered a significant risk to our investments in the country.

To assess whether there was a need to divest Costa Rica sovereign debt, our engagement specialists and our emerging market debt team were instructed by our Sustainability Risk Committee to engage with Costa Rica. The Risk Committee proposed a six-month deadline to determine what achievements could be made and to provide input for a decision on our investments in the country.

Our engagement objectives were threefold:

- To understand the government's approach to this situation and gauge their willingness to act.
- To understand the legislative process involved.
- To estimate the likelihood of the country being removed from the list and the time it may take.

Through this engagement with the Costa Rican government representatives and other local, international, and European stakeholders (the EU and specialized NGOs), we gained substantial insight into the positions held by the Costa Rican government, the International Monetary Fund, and the EU concerning the presence of Costa Rica on the EU tax grey list. The information we gathered allowed both our investment and risk teams to be fairly confident that the country would soon be removed from the EU tax 'grey list'. Indeed there was strong commitment from the Costa Rican government and parliament to adopt legislation to remove the country from the EU tax grey list.

In September 2023, the Costa Rican Parliament passed a bill by a supermajority vote which addressed the concerns, in time the October 2023 meeting of the EU Working Group. This enabled the removal of Costa Rica from the EU tax grey list. Our engagement, complementing the continuous monitoring of our investment teams, enabled the involved Emerging Market Debt portfolios to maintain their holdings during this period of uncertainty and to limit liquidity and financial risks accordingly.

A look ahead: What do we see in 2024?

The world goes to the polls

In 2024, elections are slated for roughly half of the global population, spanning countries such as the US and India, and supra-nationals (the European Union)[12]. Many of the elections are expected to have a long-term impact on the global economy, on trade between regions, and on country policies and resources which will directly affect the ESG trajectories at country and company levels. The political polarization in the US, which may increase due to the upcoming elections, has been drawing businesses into these discordant dynamics. We expect the polarization to persist into 2024 and beyond, impacting agendas of general meetings through shareholder proposals and universal proxy cards.

The rise and rise of shareholder proposals

In 2024, we expect the rising trend of shareholder proposals to continue, showing a growing involvement among stakeholders in corporate decision-making processes. Contributory factors include changing regulatory environments, heightened awareness of environmental and social issues, and rising investor activism.

Political polarization, both in the United States and around the world, could fuel shareholder activism as investors aim to address perceived gaps in corporate accountability and responsibility. As companies confront mounting pressure to respond to stakeholder concerns and adapt to changing societal norms, the number and variety of shareholder proposals are poised to continue their upward trend beyond 2024.

Board diversity to the fore

The ESG regulatory landscape is undergoing a significant shift in 2024 as a number of laws, including reporting requirements, take effect.

Among the provisions of the CSRD, the directive recommends enhancing the traditional skills matrix and mandated disclosures on director backgrounds to offer more detailed insight into how individual directors contribute to the board vis-à-vis the company's business strategy. With heightened expectations for risk management, emphasis will be placed on the ability of boards to identify and address key ESG challenges. This could manifest through director elections and discharge votes during the voting season.

Cybersecurity and Artificial Intelligence

In 2024, the Annual Reports filed on Form 10-K or 20-F mark the inaugural instance where calendar year companies are required to outline their cybersecurity risk management and governance frameworks. This provision stems from the SEC's adoption of the cybersecurity rule in July 2023, as cybersecurity and data privacy remain prominent risks that numerous companies must acknowledge in their annual reports. Entities involved in the development or utilization of generative or other artificial intelligence products ('AI') may contemplate incorporating risk factors concerning potential challenges in this realm either independently or as part of broader risk considerations.

As the landscape becomes increasingly complex and regulatory requirements intensify, issuers must strategically ready themselves to respond to the evolving expectations of stakeholders. This could also prompt inquiries regarding the board's capability to identify and mitigate cybersecurity risks and any failure could trigger a vote Against the director elections, executive remuneration and discharge.

12 Time Magazine, 28 December, 2023. The Ultimate Election Year: All the Elections Around the World in 2024

Relentless on climate

In the most recent World Economic Forum annual global risks report,[13] two-thirds of the survey respondents ranked extreme weather as the risk most likely to present a material crisis on global scale *this year*.

At Candriam we are convinced protecting our clients and ultimate beneficiaries from those financial risks arising from climate change is part of our fiduciary duty. Regardless of the type of assets or issuer, protection means supporting effective, efficient and realistic energy transition as well as alignment with credible 1.5°C trajectories at our investees companies and other issuers.

According to the World Meteorological Organization (WMO),[14] "the annual global temperature was 1.45 ± 0.12°C above pre-industrial levels (1850-1900)".[15] As we approach the 1.5°C change threshold of the 2015 Paris Agreement, leaders from regional and global institutions are calling action.[16]

Our clients, and notably those who are members of the Net Zero Asset Owner initiative, encourage our active engagement. The individuals who are the ultimate owners of our retail funds, and especially clients of Belfius, our exclusive retail partner in Belgium, also confront us regularly via their bank advisors. We actively listen to their voices, ensuring their priorities shape our direction.

Candriam NZAMi Commitment

Candriam joined the Net Zero Asset Managers Initiative (NZAMI) in November 2021, supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

We have committed to :

- 2025 Engagement Target: Engage with 40 corporates that are top contributors to the Weighted Average Carbon Intensity (WACI) of our Net Zero perimeter by 2025.

›› Status = Achieved: At end 2023, we had engaged with 52 issuers, accounting for 53% of the WACI of our Net Zero perimeter.

- 2030 Engagement Target: By 2030, over 70% of financed emissions will have been successfully engaged ('net zero' status) or will be under engagement, via either direct or collaborative approaches. The 100 largest contributors to our financed emissions will be either 'net zero' or will be under direct engagement.

›› Status = On track : We are currently engaging 52% of our financed emissions (carbon footprint). Our 60 top contributors are currently under Net Zero Assessment, and 20 have already been engaged.[17]

Want to know more about NZAMi ?

CANDRIAM - The Net Zero Asset Managers initiative

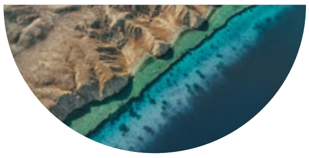
13 WEF_The_Global_Risks_Report_2024.pdf (weforum.org)

14 The WMO is the primary authority within the United Nations system regarding the Earth's atmosphere, its interactions with land and oceans, and the consequent weather, climate patterns, and water resources. Overview (wmo.int)

15 WMO confirms that 2023 smashes global temperature record

16 *"Humanity's actions are scorching the Earth. 2023 was a mere preview of the catastrophic future that awaits if we don't act now,"* said United Nations (UN) Secretary-General Antonio Guterres ; *"We are already taking action but we have to do more and we have to do it quickly. We have to make drastic reductions in greenhouse gas emissions and accelerate the transition to renewable energy sources."* Said WMO Secretary General Celeste Saulo ; *"Rapid reductions in greenhouse gas emissions are the only way to stop global temperatures increasing."* Said Samantha Burgess, Deputy Director of the Copernicus Climate Change Service

17 The WACI and the carbon footprint are two distinct metrics that we follow closely to decarbonize our portfolio. That explains why out of the 52 issuers that have been engaged chosen on the highest WACI, only 20 for now are also amongst the top carbon footprint.



Despite rising global awareness and even anxiety, 2023 once again demonstrated that climate engagement is not a smooth ride.

Climate on the ballot: asset managers face conflicting pressures

Voting is the primary mechanism through which responsible investors apply stewardship pressure. Asset managers voting decisions are increasingly under scrutiny, with several non-profits issuing periodic analyses of how large asset managers vote on key resolutions[18].

As polarized politics enter the engagement field and regulatory landscapes, both sides of the Atlantic are moving in different directions and along different paths, leaving global asset managers to operate in a more complex and somehow contradictory sphere. This year, elections in the US will significantly influence the environment – but which direction? Research from Harvard and Columbia universities shows that during the Trump administration, more than 100 environmental regulations were overturned or rescinded[19], among them the US withdrawal from the Paris Agreement.

A group of large UK asset owners met with their asset managers during the second half of 2023 over concerns "about a misalignment between asset and investment managers' proxy voting and key AGMs of European oil and gas companies".[20] The asset managers were accused of short-term vision in their votes, in contrast to the views of their asset owner clients.

Meanwhile, Tennessee's (Republican) Attorney General requested information from ten major asset management firms regarding their approaches to climate change, suggesting they are breaching their fiduciary duties by considering environmental and social issues in their investment decisions.[21] Related accusations expressly mention that asset managers' ESG objectives were clearly demonstrated through shareholder voting history and interactions with companies. More recently (January 2024), ExxonMobil, the US oil and gas major with a market capitalization of over $400 billion, filed a lawsuit against Follow This, a Dutch climate activist group, to prevent them from filing a climate shareholder proposal for a vote on targets to reduce indirect (Scope 3) emissions.[22]

As a result of these conflicting forces, large asset managers may progressively lose voting leverage :

- On the European side of the Atlantic, asset owners are increasingly trying to take back control on climate voting decisions by having their own dedicated climate voting policy across all their investment managers, ensuring consistent support for climate resolutions and ensuring they exercise their full leverage as owners.
- On the other side, large asset managers now offer clients in pooled funds, including individual private investors, the possibility of individual votes, progressively depriving themselves from any voting leverage they may have.

18 Reclaim-Finance_Climate-Votes-2023_VF-1.pdf (reclaimfinance.org), ShareAction's Voting-Matters-2023.pdf (assets-servd.host), and Ceres' Hot and Cold: How Asset Managers Voted on Climate-Related Shareholder Proposals in 2022, and What It Means for 2023 (ceres.org)

19 The Trump Administration Rolled Back More Than 100 Environmental Rules. Here's the Full List. - The New York Times (nytimes.com)

20 *Asset managers risk losing mandates over ESG voting: expert,* Ignites Europe, 22 september 2023

21 Climate Action 100+

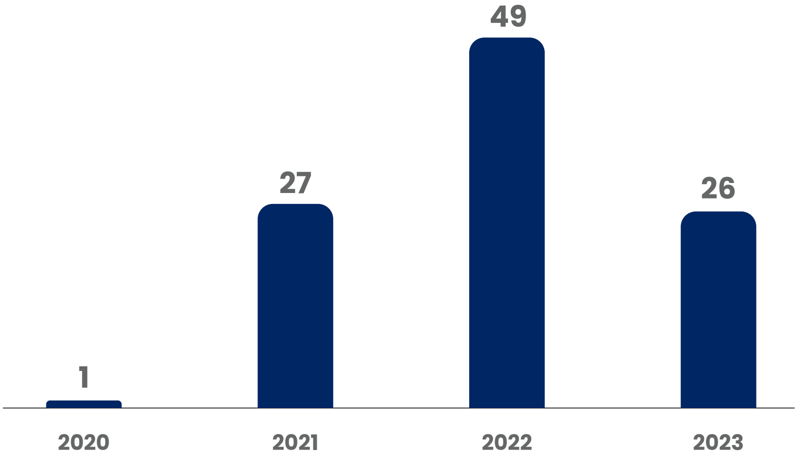
22 ExxonMobil takes legal hammer to climate shareholder groups (ft.com)

For years, and particularly since the rise of the Say-on-Climate[23] voting dynamic, Candriam is pushing through its vote for climate strategies compatible with the goals of Paris Agreement but always backing our votes by proper analysis of related materiality for the considered company, with view on business risks and opportunities.

Candriam voting policies call for alignment with the 2015 Paris Agreement. For some years, and particularly since the rise of Say-on-Climate resolutions, Candriam continues to back our votes with analysis. We examine the particulars of the resolution, the materiality for the company in question, and consideration of the business risks and opportunities.

In 2023, there was a decrease in the number of Say-on-Climate (SOC) submissions at Annual General Meetings (AGMs), marking the first such decrease since the introduction of SOC in 2020. Globally, there were 27 SOC submissions in 2021, 49 in 2022, and 26 in 2023.

Number of SOC resolutions approved since 2020 (global)



This decline mostly reflects the anti-ESG movement in North America and the 'cyclical' trend of SOC, in our opinion. That is, when issuers put an SOC to their shareholders' vote, they usually do not include another one for some years.

This had a direct and quite impressive impact on companies listed in English-speaking countries. Last year (2022), companies in the UK, Australia, South Africa, Canada and the US saw a total of 27 Say-on-Climate votes, against nine this year (2023)! We also notice that SOCs are struggling to expand beyond developed markets.

23 Say-on-Climate (SOC) refers to a management-sponsored resolution asking shareholders to validate the climate plan or transition strategy established by the company. An SOC can refer to either a resolution asking shareholders to approve the strategy itself, or a resolution seeking to approve the achievements made during the previous financial year against a climate strategy that had been previously approved.

Fusing voting and engagement: Driving towards the 1.5° climate goal

Say-on-Climate

In 2024, we will expand the predeclaration of our voting intentions to include every SOC for which we are able to vote, whether we vote For or Against. Our public statement promotes awareness of the specific situations, and encourages pre-vote engagement with issuers.

The global decline in SOC votes applies to Candriam voting decisions as well. In 2023, we were presented with, and voted on, 18 Say-on-Climate resolutions, compared to 32 last year.

But we were able to support relatively more SOC in 2023 than in 2022 (44% this year vs. 19% in 2022). We believe the quality of the resolutions is driven by a number of 'SOC strategy' resolutions in France have were put to a vote during 2023. Indeed, given that France is one the most advanced markets in terms of climate regulation and requirements, French SOC precision definitely 'raised the game' on quality in 2023, allowing us to increase our For votes.

We view Say-on-Climate resolutions as a legitimate topic for annual meetings but would like them to offer sufficient information for any investor to make an informed vote. For example, in France, we engaged collaboratively on transparency and relevancy matters with the government and market authorities on this matter during 2023.

Each year we update our voting policy with the scientific consensus regarding what it means for a specific company in a specific sector to be aligned with 1.5°C trajectory. To illustrate, in November 2023, the IEA estimated that integrated oil and gas companies i.e. "would need to put 50% of their capital expenditures towards clean energy projects by 2030, on top of the investment required to reduce emissions from their own operations",[24] and that calculation will now figure into our assessment of the robustness of issuer climate strategies.

During 2023, we co-filed climate-related resolutions and introduced climate-related AGM statements for several of our investee companies. More information is available in the voting details section.,

Dedicated corporate Net Zero engagement campaign

Candriam's multiyear Net Zero engagement campaign aims to encourage investee companies to align with a 1.5°C pathway to limit global warming. This initiative stems from Candriam's commitment to net zero emissions by 2050 or sooner, as part of the Net Zero Asset Managers initiative. Our engagement strategy involves a multi-step program focused on supporting companies in their decarbonization journey, with measures such as filing shareholder resolutions and active proxy voting. Our engagement campaign does not just target listed corporates at which we can actively vote. Targets were selected based on their contribution to Candriam's portfolio Weighted Average Carbon Intensity, client priorities and ESG analysis knowledge and sector representation. Cross asset equity and bond investment strategies are also part of our Net Zero Scope.[25]

What do our experts say?

Read our 2023 interview with them

As a result **we target both listed and unlisted corporates**, all from to 'high-stake sectors', **and *also* financial companies financing the these high-stake sectors**. The inclusion of financials into our Net Zero scope was actively requested by our institutional clients.

Initial engagement efforts are being met with positive responses, and dialogues are ongoing, despite challenges and distractions from short-term targets due to droughts, and geopolitics, etc. During 2023, we contacted 52 companies directly, holding close to 30 calls, with 3 in-person meetings, and numerous email exchanges.

24 Oil and gas industry faces moment of truth – and opportunity to adapt – as clean energy transitions advance - News - IEA

25 The initial perimeter includes 60.5% of Candriam-branded SFDR Article 8 and 9 open-ended funds, or 17% of our AUM. That is to be progressively expanded to 100% by 2050.

For the majority of targeted companies, we exchanged directly. For a dozen others, we will probably continue to engage in collaboration with fellow investors, to maximize our leverage. We build trusting relationships by being transparent in our motives and objectives as investors. We relate that our assessment of investees' internal transition strategy is very important, especially for an engagement that is supposed to last several years.

A proactive approach with engaged issuers can be enhanced by

- Making clear that we spend our resources to engage with them, both because we are mandated by our clients to do so and because *we want to remain invested in and believe in their capacity to fulfill our expectations*.
- Acknowledging that our request can sometimes demand their time, resources and energy.
- Acknowledging that issuer representatives may face their own internal obstacles, despite a genuine desire to bring change.
- Reminding that since so many asset managers and issuers are striving to achieve Net Zero commitments working together and sharing ideas can be a 'two-way street'.

Our engagement objectives are to

1. Clarify unclear aspects of the issuer's strategy that could remain blur, and

2. Identify remaining hurdles which may prevent a Paris-aligned climate strategy. We set our specifics in collaboration with our investment teams, ESG sector and thematic experts, etc.

We have so far identified clear engagement objectives and time frames for 20 companies targeted by the Net Zero Engagement. We plan to put detailed engagement plans in place for all targeted companies by the end of 2024.

Out of those 20 companies with which we share ways of improvement, we have already secured several progress.

Darling Ingredients

Darling Ingredients Inc. collects and recycles animal processing by-products and used restaurant cooking oil, converting waste materials into products such as tallow, meat and bone meal, and yellow grease for sale in the United States and overseas.

The company is very responsive to engagement. Candriam shared several near-term engagement objectives in mid-2023, with our main requests being :

- Clear disclosure of their Scope 3 emissions,
- Climate target deadlines for each Scope,
- Improved disclosure of green capital spending and lobbying activities.

By the end of 2023, Darling published detailed Scope 3 emissions, and committed to developing clear dates to accompany their reduction targets on the 3 Scopes.

For the capex and lobbying-related demands, we have shared best practices.

We look forward to future disclosure.

Veolia Environment

Veolia Environnement offers water, energy, and waste recycling services.

During 2023, we have had multiple constructive exchanges, establishing a set of four clear objectives for their transition strategy.

1. SOC at Annual General Meetings.
2. Science-based targets.
3. Remuneration to incorporate clear climate metrics.
4. A more ambitious methane capture target.

As of January 2024, Veolia indicated they are working on SOC and remuneration, but have not yet made a formal commitment. They have received their new CO2 Scopes 1/2/3 trajectory from SBTi, and they are compatible with 1,5° and aiming for Net Zero by 2050. Their new strategy, is notably expected to include an increased methane capture rate target from their landfills.

Success on the horizon.

Société Générale

Societe Generale SA is a retail and commercial bank, broker, and asset manager.

We have been engaging closely with Société Générale for two years, both as part of our Net Zero Engagement, and also as a Institutional Investors Group on Climate Change (IIGCC) lead for Société Générale. Facing the combination of engagement and

multi-stakeholder pressure, SG has brought substantial improvements to its climate policy.

In September 2023, they set ambitious sectoral targets, including a 70% reduction in for oil and gas financing in absolute terms by 2030, from a 2019 base, and a cessation of financing pure-play companies in upstream oil and gas, and new greenfield projects. Halting the expansion of fossil fuels is necessary to oil and gas align with the 1.5°C climate target. However, state-owned companies will be exempt from these commitments, thus still financeable.

The bank is committed to providing more detailed information about client exclusions, as achieving a 70% reduction in absolute terms by 2030 will inevitably result in some clients being excluded.

We are in the process of identifying further objectives, for example, accepting responsibility for emissions facilitated. The Partnership for Carbon Accounting Financials (PCAF) issued recommendations on off-balance sheet emissions in December, 2023.

Identifying next steps.

Engaging with sovereigns on climate

Until 2020, our climate engagement with sovereigns was limited to supporting public statements such as the Global Investors statement on Climate Crisis from the Investor Agenda. Engagement must be suited to asset type, issuer type, and geography.

Investment decisions are based on a multitude of factors, and their associated risks. Climate change is an investment risk. Further, it is an accelerating investment risk. Climate risks need to be incorporated in investment decisions.

Climate, and adaptability of the economy to climate change is one of, if not the factor, contributing the greatest weight in any sovereign bond equation today. Portfolio managers need to be able to assess the climate performance of the national economies, and the climate adaptability of the government and economy.

Sovereign climate engagement supports corporate engagement. Companies cannot accomplish their transition to a low-carbon economy if nations where they operate do not put enable transition through supportive and adequate strategies.

For all these reasons, we determined in 2022 to increase our sovereign stewardship activities. Our first step was to take an active role in a pilot collaborative sovereign engagement working group, focusing on how Australia tackles climate change and coordinated by the UNPRI.

We joined for two reasons. First, the initiative objective is to convince the Australian government to take all possible steps to mitigate climate change, both in line with the 2°C goal of the Paris Agreement, and to also pursue the 1.5°C ideal. Second, as a pilot initiative, this is a unique opportunity to gain knowledge and experience in the methods of sovereign engagement on sensitive topics.

Want more on this collaborative statement?

[Policy Advocacy | The Investor Agenda]

The engagement covers three areas:

- Transition risks and opportunities (1.5°C and Net Zero pathways)
- Physical risk assessment (lacking in Australia)
- Market developments (sustainable finance, disclosure, taxonomy, green bond initiatives)

This collaborative pilot engagement is a two-way street. On one hand, we assist Australian national and regional governments in mitigating greenhouse gas (GHG) emissions and building resilience to climate change, while we reduce our exposure to risks associated with a failure to rapidly transition to a net-zero global economy.

For Australia, this engagement enables Australian governments to gain knowledge and information about:

- How investors assess sovereign alignment on climate change.
- General investor and market expectations on climate risk and sovereign response.
- Other understanding of investor practices and activities that help Australian entities respond to climate change.

More on the PRI's pilot program inAustralia ?

[Collaborative Sovereign Engagement on Climate Change | PRI Web Page | PRI]

For investors, we address:

- Risks to investments in Australian sovereign debt (including potential downgrade).
- The competitiveness of the Australian economy (including the environment for investee companies in Australia).
- Systemic or systematic risks that diversified or universal investors face through their exposure to the global economy.

The results have been very promising. Each of the four domains are engaging with the group. For efficiency, the engagement group is divided into three working groups, each responsible for engaging with some of the four types of stakeholders: the federal government, sub-sovereigns (eg, state governments), and national regulators and authorities. Candriam is part of the working group engaging with the federal government.

This is an ongoing engagement. As participants have been actively involved and Australia has shown a willingness to develop this type of initiative, continuing success could lead to additional collaborative sovereign engagements.

Engagement integral to impact investing

With forms of engagement depending on the asset and instrument type, impact investments demonstrate yet another type of cooperation.

When investing in green, social, sustainable or sustainability-linked bonds (which we refer to collectively as sustainable bonds), our investment process requires that issuers produce a comprehensive impact report at least annually, providing granularity on use of proceeds and KPIs. Our ESG and Portfolio Management teams constantly assess these factors for holdings as well as for potential investments. If the impact report is unclear, or lacks data or granularity, we engage with the issuer to obtain the data and to improve future disclosure, if the issuer fails to meet our requirements, the associated position is sold from our funds.

Private equity is another area where stewardship includes a unique form of engagement. For our Candriam Impact One strategy, a fund of private equity funds, we 'engage' at two levels: Directly with the managers of our underlying funds, who in turn engage with and report to us on each of their underlying companies. Given that the investments are private companies, in early stages, and are founded with the goal of simultaneously achieving environment/social KPIs and financial targets, fund manager 'engagement' includes technical support, as well as advice on impact and other reporting systems, strategies, and business plans. The fund managers are often industry specialists with operating experience in the businesses being funded, as is typical in private equity. Before any investment we ensure 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.

Biodiversity on the rise

Investor interest in biodiversity is rising exponentially – one might say 2023 was the year of biodiversity in finance. The December 2022 adoption of the Kunming Montreal Global Biodiversity Framework[26] marks a major step in helping investors put concepts into practice.

What does the science tell us? Given the intricacy of biodiversity science, some investors may question its relevance to investment performance and the extent to which it should - or can - be considered. Our view is that science reveals tangible risks that could affect not only societal and economic structures, but also the value of investments. Additionally, the entities whose securities are held in portfolios directly influence biodiversity, creating a crucial feedback loop for portfolio sustainability.

The European Commission's concept of 'double materiality' offers an apt framework for understanding the connections — our business and financial endeavours impact biodiversity, posing risks to society and the environment, while biodiversity risks in turn threaten our financial system.

Our investee issuers are confronting mounting challenges related to natural resource depletion and biodiversity loss, necessitating adjustments to their strategies, operations, supply chains, and reporting practices. Therefore as investors, we are exposed to these risks.

Engagement will be critical to accelerating the integration of biodiversity into investing, both for sufficient disclosure, and for biodiversity management. Asset-level data is also necessary to target engagement efforts if we are to address the most material biodiversity impacts and risks, and to foster real life change. As we have experienced over the years with the climate change topic, asset owners will play a key role and Candriam fully integrates the needs and demands of these asset owners when designing dedicated biodiversity methodologies and engagement efforts.

Discover our full biodiversity approach:

It's all here

There's more on the TNFD website!

Promoting disclosure standards

A new and ambitious framework is under development by the Task Force on Nature-related Financial Disclosures (TNFD). The goal is to create a standardized framework for organizations to report financial risks and opportunities associated with nature. This intent is to enable companies to understand their dual-materiality connection with nature, while advocating for measures to alleviate both impacts and risks.

This framework, unveiled in 2023, consists of two main elements, the LEAP method, which evaluates a company's effects on and reliance on biodiversity, and the disclosure framework, which promotes increased transparency regarding internal biodiversity strategies.

Candriam became an early adopter of the TNFD in late 2023. We believe the framework offers guidance in identifying and

26 15/4. Kunming-Montreal Global Biodiversity Framework (cbd.int)

assessing our impacts, risks, and opportunities related to nature. We are confident that this proactive approach will equip us for the reporting obligations outlined in the EU CSRD (Corporate Sustainability Reporting Directive).

Candriam will report our own company data under TNFD, and we will strongly encourage our investee companies to adopt TNFD reporting recommendations as well.

Pre-declaration of votes: nature stewardship at AGMs

We supported all of the 11 nature-related shareholder resolutions presented for our vote in 2023.

Consistent with the Plastic Solution Investors Alliance Declaration we signed in 2018 and the VBDO Plastic statement we signed in 2023, we supported all shareholder resolutions co-filed by As You Sow. These asked Dow Inc, Yum! Brands, Amazon.com, Exxon Mobil, The Kroger Co. and Constellation brands to report on either the efforts to reduce plastic use, or on reduced plastic demand impacts, or on support for a circular economy for packaging.

Take a deep dive into the [Plastic Solutions Investor Alliance]

Of the eleven nature-related resolutions, six received more than 25% support from shareholders (30% average) and five generated from 7% to 15% support (11.6% average). The *main difference* between these two groups was the support generated by the *recommendations of the major proxy voting firms* (recommending to vote For in the first case, Against in the second). While none of these resolutions passed, the observed level of support is important and confirms the level of interest of investors on this topic.

Such resolutions may also benefit from our pre-declaration of voting intentions system, such as the Constellation Brand shareholder resolution asking for a "Report on Support for a Circular Economy for Packaging" at July 2023 AGM.

Dialogues with issuers: Statements pave the way

Corporates are not our only engagement targets. As historical signers of biodiversity-linked statements (e.g., the Plastic Solutions Investors Alliance Declaration, and more recently the VBDO Plastic statements), in 2022 we joined with 150 other financial institutions in calling for governments to adopt a Global Biodiversity Framework.

Our joint statement, which financial industry leaders made ahead of the COP15[27], calls on governments to halt and reverse nature loss by 2030. We are convinced the statement contributed to the success of the COP15 and the adoption of the Kunming-Montreal Global Biodiversity Framework, which addresses biodiversity loss and aims to restore ecosystems and protect indigenous rights via concrete measures.

Statements are not enough - we continue to set up dialogues with issuers, as shown by the case studies below.

See the [Financial sector statement on biodiversity for COP15 | PRI Web Page | PRI] (unpri.org)

27 That is, UN Biodiversity Conference, COP 15, December 2022 (in Montreal).

Nature Action 100, Collaborative engagement

Joining Nature Action 100 during the second half of 2023, we are among the original signatories. Collectively, the group of 200 investors represents over $28 trillion in AUM.

NA100 is a global investor engagement initiative to drive greater corporate ambition and action in reversing nature and biodiversity loss.

The initiative engages with companies in sectors deemed to be systemically important in reversing nature and biodiversity loss by 2030. The group's Secretariat and Corporate Engagement Working Group is co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC), while the Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker.

The engagement, with 100 targets, institutional investors, began in the fall of 2023, with contacts ongoing. Candriam is part of six of these corporate engagement groups.

Palm-Oil dedicated engagement, Direct campaign

This was our first direct campaign dedicated to biodiversity. Palm oil is a primary commodity for our biodiversity-related engagement as it is the most widely used-vegetable oil for nearly all daily household products. At the same time, its sourcing is highly scrutinized, and traceability remains challenging in this value chain.

The EU is a significant importer of palm oil. The new EU Deforestation Regulation requires companies purchasing key commodities to conduct value chain due diligence to ensure that goods do not result from recent (post 2020) deforestation, forest degradation or breaches of local environmental and social laws. This responsibility cascades down into the investee companies in our sustainable investment strategies.

We used a value chain approach to identify a limited but relevant set of targets, prioritizing though our proprietary Biodiversity Impact model and our holdings.

We constructed a Palm Oil assessment framework based on TNFD and prepopulated it with the publicly available data, sending it to nine target companies. We are asking them to complete and/or correct the KPIs data.

Based on the feedback, we shared best practices which were identified among the group, and suggested routes to implement them. The next step is to analyse company responses from this phase, update our model according with our findings, and continue to engage. We expect 2024 to be a year of exponential growth in investors-investee discussions on biodiversity, potentially including companies whose business may offer solutions to preserving and restoring biodiversity (eg, regenerative agriculture, biodiversity measurement technologies, etc.).

You can find Nature Action 100's expectations for companies on their website

Sovereigns and deforestation, IPDD, Collaborative engagement

The Investor Policy Dialogue on Deforestation is a coalition of 79 investors from 20 countries, representing approximately $10 trillion in AUM, to promote stakeholder engagement for the preservation of vital biomes and the reduction of illegal deforestation. The initiatives is organised into three working groups, **Brazil**, **Indonesia** and **Consumer Countries**. Candriam is active in both the Brazil and Indonesia groups.

IPDD Brazil:

Since the 2023 election of the President Lulu in Brazil, the administration has made notable efforts including a pledge to reach zero deforestation by 2030. Deforestation declined by an encouraging 22% during the first year of the new government.

In April 2023, representatives of the IPDD Brazil Working Group met in person with the Brazilian Ministry of Environment, Ministry of Budgeting & Planning, Ministry of Indigenous Peoples, the central bank of Brazil, and others.

What's next for 2024 ? The near-term priorities are to implement the Forest Code, introduce traceability and access to data, and monitor the agencies tasked with enforcing environmental and human rights legislation.

IPDD Indonesia:

The latest analyses from Global Forest Watch indicate that Indonesia has reduced its primary forest loss more than any other country in recent years, with an impressive 64% reduction.

In 2023, the working group continued to engage with government agencies, particularly the Stock Exchange and the Chamber of Commerce (KADIN), signing a Memorandum of Understanding with KADIN.

What's next for 2024 ? Following the February 2024 presidential election, the working group will engage with government agencies in the second half, after new policies are defined. During the interim, the working group will concentrate on private sector actors.

IPDD Consumer Countries

IPDD Consumer Countries, launched in 2022, engages with government authorities and other stakeholders in key consumer regions (European Union, United States, United Kingdom, China) that are debating or implementing deforestation-free commodity regulations. The goal is to support regulations across the largest possible scope of commodities, and see them implemented in a reasonable timeframe.

In 2023, the group focused on stakeholder mapping and analysing new regulations such as the EU's Regulation on Deforestation-free products and the US Forest Act.

What's next for 2024 ? Presidential and congressional elections in the US, a general election in the UK, and European Parliamentary elections are all scheduled for 2024. These will potentially drive the working group's agenda, depending on election outcomes.

Want to know more ?

[Investor Policy Dialogue on Deforestation (IPDD) Initiative » Tropical Forest Alliance]

Human rights:
Permanently on our agenda

With societies, governments and corporates increasingly challenged by the rapidly-evolving environment, protection of human rights is here to stay as an engagement and voting topic.

Candriam took our human rights priorities a step further in our commitments as a responsible company, but also as a Responsible investor, by formalising our Human Right Policy in 2023.

Human rights remain at the forefront of our engagement efforts, and in 2023 it was a core concern for our Sustainability Risks Committee (to which we regularly report.) Three major developments are the strongest testimony of the rising need for concern we saw during 2023:

- Increasingly volatile geopolitics
- Growing concern over supply chain sustainability and stability
- Accelerating use of generative AI

We offer a look into how Candriam, as a Responsible investor, approaches each of these tectonic shifts, with both sovereigns and corporates. As always, we also consider the years to come.

How serious are we?

See our Human Rights Policy and judge for yourself.

Confronting geopolitical instability

So, how are companies adapting to this, and how are they managing these increasingly complex and unexpected risks?

The short answer is : *not well*.

Through our dialogues with companies which are exposed to these areas, we have learned to ask the right questions to assess their preparedness for increased risks and crises. We push companies to define categories of risk, such as **'High Risk and Conflict Affected Areas', 'Occupied Territories'**, and **'Oppressive Regimes**'. We expect companies to refer to these risks in their human rights policies, to have effective governance and expertise covering these areas, and to show evidence of regular human rights impact assessments and local stakeholder engagements to understand and map the risks.

We also expect companies to have *heightened human rights due diligence* and increased risk management procedures in place, and to provide concrete examples of past successful management of risks in such areas.

Our discussions with companies on these issues has been generally disappointing. Many have never heard of heightened human rights due diligence, let alone human rights impact assessment. It is clear that the relative stability of the previous three decades has led to complacency. Companies have not adapted their governance, management and processes to the changing geopolitical environment.

It is true that most large international companies were quick to announce their intentions to exit Russia, only a few days or weeks following the invasion of Ukraine. But for most, their exposure was not significant, given that Russia only represents around 1.5% of global GDP.

Should I stay, or should I go?

We never encourage a company to either stay or leave a high-risk area. As a responsible investor, we want to see the *evidence* of a strong structure in place to guarantee rational and timely decision-making, as well as risk mitigation.

To illustrate, companies which took too long to exit Russia found their assets seized by the government. In the Myanmar situation, some companies were highly criticized for selling to a local companies which are much more complaisant about the behaviour of the military junta.

Staying or leaving can be a very tough decision. We are nonetheless convinced that companies should systematically:

- Talk to local NGOs, and representatives of the affected populations (for example, in Myanmar, NGOs are clearly telling companies to exit.
- Ask themselves, "By staying are we improving or damaging the local population?" (For example, providing essential goods, such as pharmaceuticals or food essentials.)

What is Heightened Human Rights Due Diligence ?

Under the UN Guiding Principle on Business and Human Rights (GP No. 7), "the higher the risk, the more complex the processes". Companies operating in conflict-affected areas should consider that a conflict will always create adverse negative impacts on human rights, and that business activities in conflict-affected areas will never be 'neutral' and without impact. As such, heightened human rights due diligence means identifying potential and actual impacts on people (human rights) as well as on the context (conflict). The UNDP offers a guide for due diligence in these areas.

> **How do we define an 'oppressive regime'?**
>
> **Systematic violators of human rights and civil liberties, using external independent sources such the indices Freedom in the World, Democracy Index, and Voice and Accountability.**

Kroum Sourov, Sovereign ESG Analyst

Where do we start ?

Last year (2023) was one of the most unstable and volatile years in decades. The war in Europe continues with the Russian invasion of Ukraine nearing its second year, the Russian Wagner group revolted against the Russian administration in June.

The world was startled by the horrific terrorist attack of Israeli civilians by Hamas in October, leading to a severe retaliation on Gaza by the Jewish state, and an escalation of the instability in the Middle East in hot spots such as Lebanon, Yemen, and Syria. Most shipping companies are now avoiding the region and routing the long way around Africa.

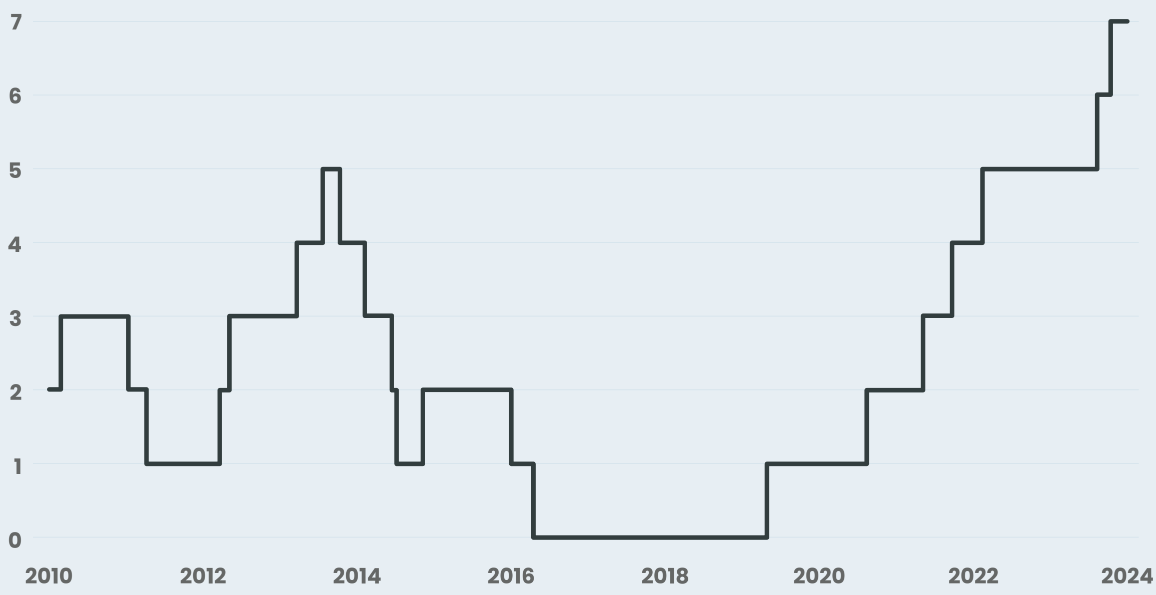
In Asia, Chinese expansionism in Taiwan and the China Sea shows no signs of abating. Almost three years after the military coup and despite an offensive from armed ethnic groups, the Myanmar junta Is still in control. North Korea remains a wild card.

In South America, Argentina elected an ultraliberal, climate-sceptic president.

In Africa, political instability is soaring, with military coups in Niger, Gabon, Sudan, Sierra Leone, Burkina Faso. We are also witnessing a shift away from historical alignment to western countries and greater alignment with BRICs countries. Unfortunately, the list goes on!

Coup contagion

Number of African countries led by transitional military administrations, 2010-present.



Source: Chart: Control Risks

How has Candriam reacted?

Every year, we run an engagement campaign targeting issuers held in our sustainable strategies with total exposure to oppressive regimes between 5 and 10% of revenues. We monitor those under 5%, and exclude those over 10% from our investment universe. In 2023, the list included 12 companies, (ten due to large exposure in Russia, one in the Democratic Republic of Congo, and one in Myanmar). After numerous contacts, we were reassured that companies had exited, substantially reduced exposure, or were in the process of exiting/reducing.

Two situations remain of concern. ESG specialists and Portfolio Managers have been alerted, the situations are being carefully monitored, and our ongoing analysis integrates the most recent outcomes of our engagements.

Even prior to the Hamas terrorist attack in October, we had analysed the exposure of our portfolio companies present or exposed to the Occupied Territories of Palestine (based on the June 2023 update of the United Nations' list of companies involved in Occupied Palestinian Territory). We engaged with three companies – two European industrials and a US tech hardware company - with significant implications. Our dialogue found that two of these companies had no specific policies or governance for high risk areas, no human rights impact assessment, and inadequate risk management and mitigation procedures. This led us to **downgrade the ESG score of these two companies.**

Looking ahead.

An overlapping electoral calendar will see at least 65 national and supranational elections take place during 2024. Voters representing half of the world's population will 'take to the urn' in influential countries such as the USA, UK, India, Russia, Indonesia, Pakistan, Iran, Mexico, South Korea, Taiwan, South Africa, and beyond.[28] Recently, votes across the globe have swung towards protectionist and anti-immigration agendas. This is coupled with a rise of the use of generative AI, deep fakes and fake news in electoral practices. We will also touch on this in our section on Digital Rights.

In 2024 we will obviously carry out a new oppressive regime campaign as we have done the past years, but we will also keep engaging companies on their risk management performance and push for stronger practices such as adopting Human Right Impact Assessments and Heightened Human Right Due Diligence.

Dialogues with issuers: Statements pave the way

Due diligence and sustainability have never been so high on the global legislative agenda. Beginning with the UK Modern Slavery Act (2015), the French 'Loi de Vigilance' (2017), the US Uyghur Forced Labour Prevention Act (2021), the German Supply Chain Act (2021) and the forthcoming European Union Corporate Sustainability Due Diligence Directive (due to come into effect in 2025), we clearly see an increasing focus from developed market regulators on the responsibility of corporations beyond their own operations.

Companies are establishing compliance processes, training, audits and whistleblowing programs to prevent abuses on their sites – with some exceptions, of course. There has been a commendable effort to push these improving standards onto companies' Tier 1 suppliers, through audits and enforcement of strict supplier of code of conducts. We know very well that risks lay further down the supply chains of large companies. As an asset manager, we receive questions from clients conducting their own human rights due diligence. This interesting exercise also feeds our approach and helps us evolve in this field.

28 Time Magazine, 28 December, 2023. The Ultimate Election Year: All the Elections Around the World in 2024.

Large global auto manufacturers we talk to have supply chains with thousands of Tier 1 suppliers — and should go down the chain as deep as Tier 11 in some cases. Ensuring a correct mapping of such a supply chain, let alone accountability and compliance, requires tremendous resources and technology.

We have also come to realise that audits are not the silver bullet of a sustainable supply chain. The suppliers typically are aware of the audit weeks in advance, the audits are rarely truly independent, and they only reflect the situation on a single given day.

From our work with NGOs and investor coalitions focusing on forced labour, we understand the industries most at risk are auto manufacturing *(including electric batteries),solar panels, apparels and farming.*

Do audits promote a false sense of security?

Though NGO testimony, we learned that a glove manufacturing factory in Malaysia suspected of harbouring forced labour was audited *26 times* without producing any evidence of wrongdoing. Only when authorities raided the factory, did they eventually discover evidence. Audits are planned ahead, and are often paid for by the entity being audited, a conflict of interest. It is very hard to carry out a proper independent audit in regions where abuses are prevalent such as in Xinjiang.

In 2019, the Washington Post reported similar issues when NGOs attempted to audit cocoa producers for use of child labour. No children were to be seen – on the day of the audit. For more, read our white paper on Cultivating Human Rights in the Food Supply Chain.

Have you heard of 'bifurcated supply chains' ?

Greater scrutiny of supply chains means a growing number of exporting companies have resorted to splitting their supply chain into two streams:

- 'Clean factories' source from a 'clean supply chain', exporting to markets with high sustainability standards such as the US and the EU.
- The rest of the operations operate with lower standards, sourcing a 'normal' supply chain and shipping to local or less-demanding jurisdictions.

We encountered this 'bifurcation' 'in the Chinese solar panel industry, as described in Sheffield Hallam University's second report 'Over Exposed'.

Can Technology help ?

Technology could play a significant role in making supply chains more sustainable. For instance, **blockchain technology** has been employed in some cased to create an immutable record of a product's journey through the supply chain, allowing for the verification of ethical and sustainable sourcing. Additionally, **stable isotope testing** can be used to verify the origin of products, such as food or raw materials, providing assurance of their provenance. These technologies help enable companies to make more responsible decisions, improve their supply chain transparency, and reduce their environmental impact.

What have we done in 2023 ?

We engage with companies though our ongoing participation in the Investor Alliance on *Human Rights* engagement on *Uyghur Forced Labou*r.

In 2023, we participated in the *United Nations Forum on Business and Human Rights* in Geneva, which allowed us to connect with several NGOs and civil society organisations as well as other Responsible investors with which we cooperate.

We lead an ongoing collaborative engagement on forced labour with **a large Chinese solar manufacturer**, which is showing some progress. After meeting with the company three times over three years, we are seeing improvements in supplier audits, and a strengthening of their supplier code of conduct. Engagement on this highly political subject with a Chinese company is a difficult exercise requiring diplomatic skills. We try to keep the dialogue open by providing expertise : we organized an education call in 2023 for this company to show them some of the best practices observed. This led to a constructive discussion on adoption of such processes.

The **global auto and electric battery supply chain** is so vast and so present in China that it is likely that every major traditional automotive manufacturer has some kind of exposure to suppliers in Xinjiang Uyghur Autonomous Region (XUAR).

Following serious allegations of forced labour in the Chinese auto supply chain (Sheffield Hallam University Report Driving Force), we decided to initiate a campaign focusing on this industry. The objective is to dialogue with nine global auto manufacturers to gain better insight into their policies, governance, and practices to identify, manage, mitigate risk of forced labour inside their own operations - but mostly within their Chinese supply chain. Our aim is to more accurately assess the level of risk across the industry, and at each auto manufacturer. With the help of our ESG Auto analyst and our auto credit analyst (most of our exposure to the companies is in fixed income strategies), we have designed a framework to analyse the risk management processes of these companies. We will include this assessment in our ESG analysis of the auto industry going forward.

So far, we have had discussions with six companies. These conversations have already enabled us to gain insights on some of the best practices in the industry, but also to determine that so far every company faces challenges.

The engagement is planned to last throughout 2024 and to conclude with a public report.

Looking ahead.

The wave of due diligence and sustainable supply chain regulation will accelerate adoption of best practices for companies and their first tier of suppliers. Transparency and supply chain mapping will equally improve over the coming years. But to have real impact, change needs to happen at the n^{th} tier of the supply chain — where most of the harm to humans and to nature occur. But some industries such as the auto industry, with its tremendously long supply chain, or the mining industry, which takes on average of 13 years to develop a mining project, will take many years to shift away from certain areas, products or practices. Hence our priority remains to continue to engage with investee companies on responsible supply chains, defining best practices and pushing for their adoption.

Digital rights

The rapid deployment of technology, particularly **facial recognition, artificial intelligence (AI)** and generative AI, poses significant risks to human rights. AI systems have the potential to perpetuate and amplify existing biases and discrimination, leading to violations of the right to non-discrimination and equal treatment. Generative AI, such as deepfakes, can be used to create highly realistic but false content, undermining the right to privacy and potentially causing reputational harm. The use of AI and facial recognition in surveillance and predictive policing raises concerns about the rights to privacy and to freedom of expression. Furthermore, the deployment of AI in decision-making processes, such as hiring, lending, and insurance, can impact the right to due process and effective remedy, especially if these systems are not transparent or accountable. As a testimony to these growing risks, last March (2023) a group of several hundred scientists and experts signed an open letter calling on all AI labs to immediately pause for at least six months the training of AI systems more powerful than GPT-4.

As these technologies continue to evolve, it is crucial to address these risks through robust governance frameworks and human rights-centred approaches to their development and deployment.

While AI related issues have taken centre stage in the media in recent months, we are also engaging companies on other digital rights topics such as **data privacy, freedom of expression, content moderation and targeted advertising**.

Nascent AI regulations

Artificial intelligence regulations are emerging across the world. The EU has been at the forefront of these guardrails, with key legislative proposals seeking to establish a comprehensive legal framework for the safe deployment of AI. The US has also been actively engaged in shaping AI regulations, as evidenced by the efforts of the Biden White House to lead on AI and its involvement in discussions with the EU on this issue.

Several other countries are introducing AI regulations, mostly in the form of soft laws. These include China, the United Kingdom, and Japan.

What are we expecting from tech companies ?

On average a new technology sees regulation appearing four years after the start of its rollout. Responsible investors expect companies to fully grasp the ethical implications of the algorithms they are researching, developing and deploying, *especially in the early years of adoption*. Practically, we ask to see :

- Public disclosure of AI principles
- Strong governance incorporate external expertise, reporting to top management or the board
- Regular risk mapping and impact assessment
- Ethics by design, to ensure high level of ethical compliance throughout the product life cycle (design, development, marketing, Know-Your-Client, and risk management)
- Measurement and tracking of risks
- High level of transparency

Our expectations are based on certain principles, such as 'Explainable AI', 'Transparent AI', 'Human in the loop', 'Accountability', 'Contestability', and 'Opt-out' rights.

And so far?

We are very active in engaging companies on digital rights, predominantly through several collective initiatives:

- Candriam-led collaborative *Facial Recognition Engagement* (since 2021) – plus *Ranking Digital Rights*, through the *Investor Alliance on Human Rights*
- The *Swedish Council of Ethics* engagement on Big Tech and Human Rights
- The *World Benchmarking Alliance* Collective Impact Coalition on Ethical AI.
- The *Corporate Human Right Benchmark*.

We contribute actively to these initiatives as l**ead or co-lead for major 14 tech companies.**

These dialogues enable us to participate in shaping best practices in the industry, and to push for higher standards and greater transparency. They also enable our investment teams to remain on top of new identified risks and controversies that may bring investment uncertainly.

> **"These dialogues enable us to participate in shaping best practices in the industry, and to push for higher standards and greater transparency. They also enable our investment teams to remain on top of new identified risks.**

Integrating our Facial Recognition Initiative into the WBA's Collective Impact Coalition for Ethical AI.

Since 2021, we have been leading a group of investors advocating for a safe use of facial recognition technology (FRT). An investor statement signed by 55 investors representing over $5 trillion called on companies to be transparent and to adopt ethical practices, as well as calling for legislators to regulate the technology. A group of 20 active investors followed up on this statement by engaging with companies involved in FRT, to understand how risk was being managed and mitigated. This enabled us to define the best practices observed in the field, including publishing a report in September 2022. We have since been contacting companies to push these to be adopted.

But the growing number of engagements addressing technology and digital rights have generated investor fatigue and dispersion of efforts. Equally, corporates are being overwhelmed by an increasing number of investor engagements on similar subjects. This is why we have decided to integrate the FRT initiative within the WBA's Collective Impact Coalition for Ethical AI. This coalition, of which we are already a member, has begun by calling on companies to publish ethical AI principles and show strong ethical governance of AI. The coalition is now moving, in a second phase, into implementing strong practices within company operations.

FRT is a specific high-risk deployment of AI. The knowledge and experience already gained by the FRT engagement investor group will be a welcome addition to the Ethical AI CIC. In addition, the group will create new prospects for dedicated research projects focusing on facial recognition as a high-risk use of this technology.

Candriam will join the leadership of the WBA's Collective Impact Coalition in Q1 2024.

PART 2

In Figures: Engagement and Voting Data.

2023 Engagement Statistics.

Direct initiatives

We offer a variety of perspectives on 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 the end of 2023, and their results.

'Dialogue', for the purpose of our statistics, means attempt to exchange, or an effective exchange, with issuers on Environmental, Social and/or Governance (ESG) factors.

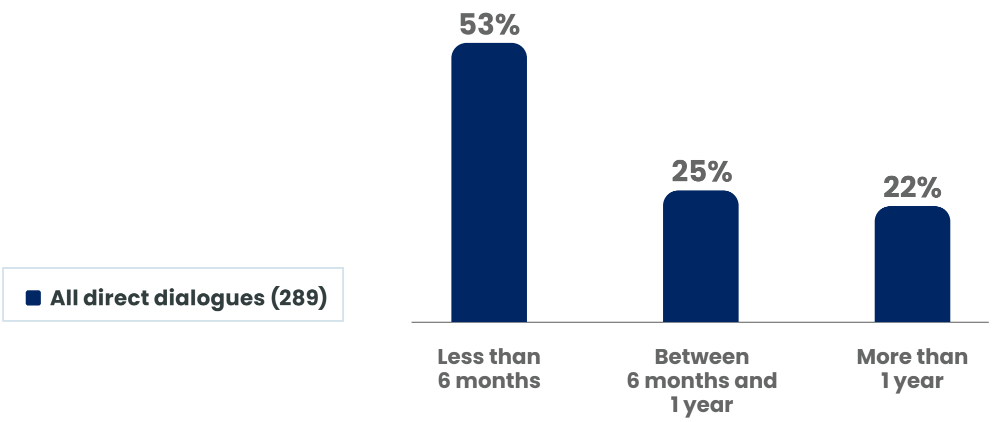
During 2023, we targeted 314 corporate issuers through our direct dialogue efforts, resulting in a total of 382 dialogues[1] on a range of topics. These issuers account for 36% of Candriam AUM, based on corporate instruments (stock and bond instruments, direct lines).

The apparent decline from last year, in the number of issuers directly engaged reflects our commitment to streamline and more narrowly focus on our engagement activities, illustrated by our improved response rate, as well as our choice to favor collaborative engagement when possible for a greater impact.

1 That is, we may engage in more than one topic with each issuer.

Duration of direct dialogues

Direct dialogues closed in 2023

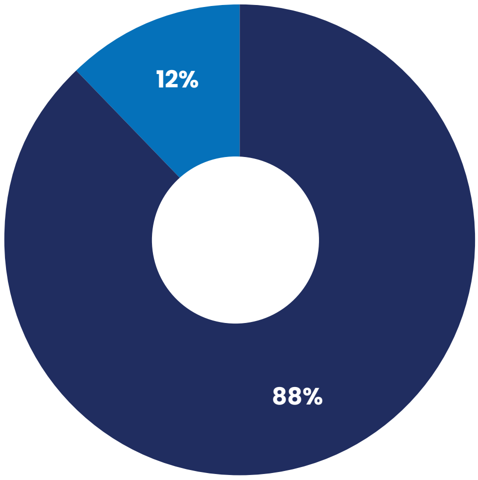


Issuer breakdown by region

Region	2023	2022	2021
Europe	68%	62%	55%
North America	20%	24%	29%
Asia Pacific	3%	6%	10%
Emerging Markets	10%	8%	6%

Issuer breakdown by response rate

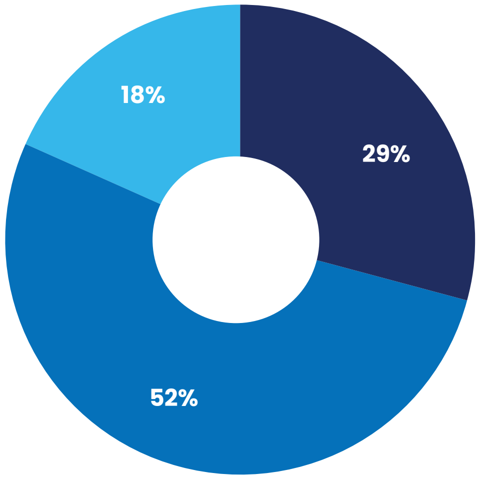
Response rate	2023	2022	2021
Responded	88%	70%	60%
Did not respond	12%	30%	40%



Main contact channel

A total of 277 issuers responded in 2023 (versus 237 in 2022 and 167 in 2021).

Main contact channel	2022	2022	2021
Conference call	29%	33%	13%
(e-)Mail	52%	57%	85%
Meeting	18%	10%	2%

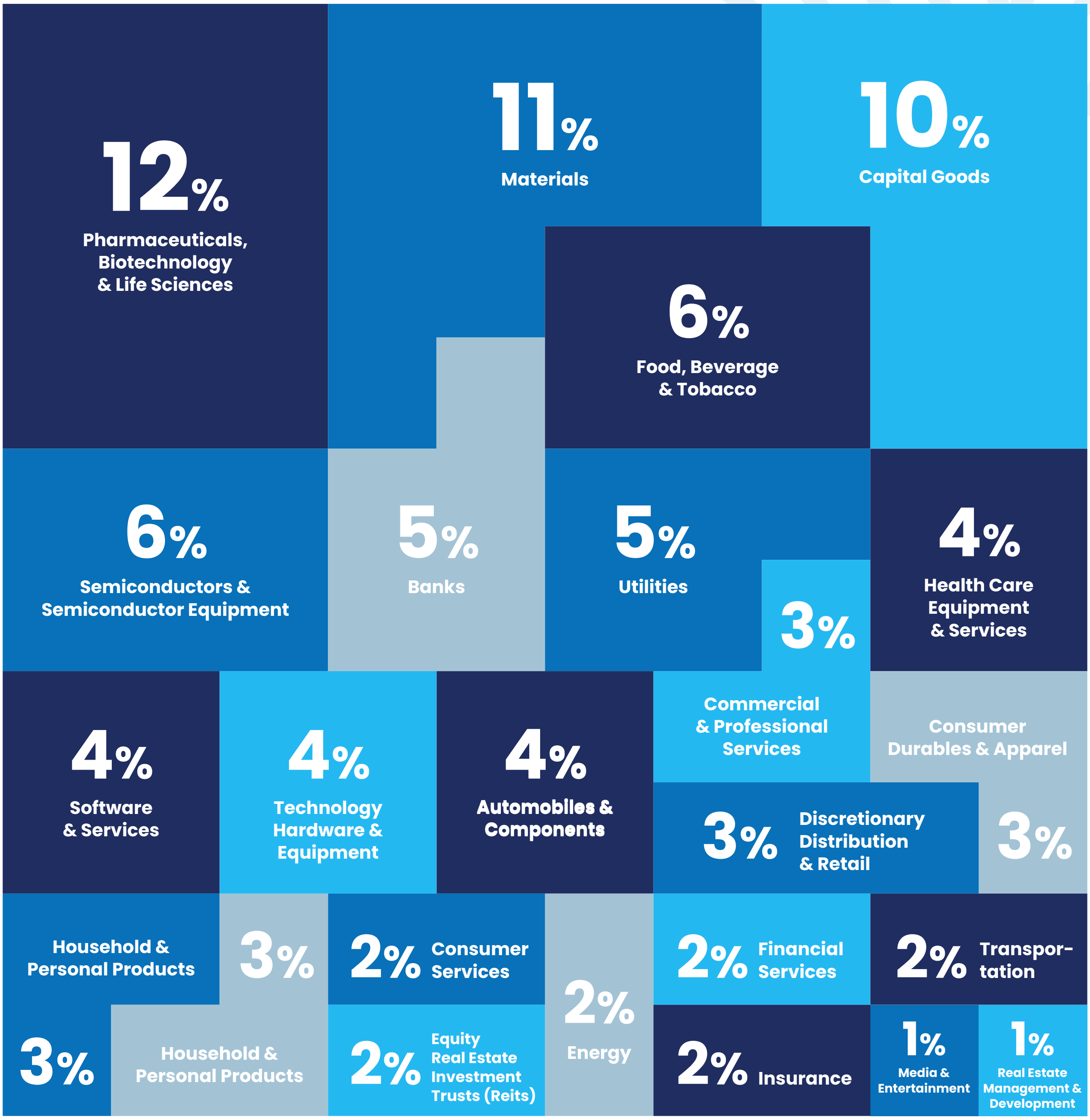


Regional breakdown of issuers who responded

A total of 277 issuers which responded in 2023 (versus 237 in 2022 and 167 in 2021).

Region	2023	2022	2021
Europe	69%	72%	79%
North America	19%	16%	10%
Asia Pacific	3%	6%	4%
Emerging Markets	10%	7%	7%

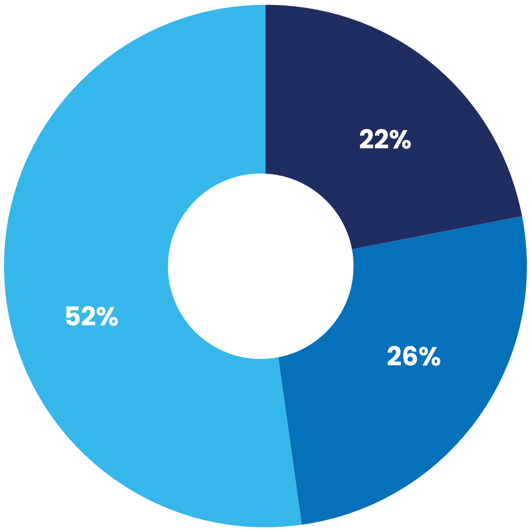
Issuer breakdown by sector



Direct dialogue breakdown by primary objective

A total of 382 dialogues were held in 2023 (versus 427 in 2022 and 320 in 2021).

- **Encourage improved ESG 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, practice) over specific ESG topic(s).



Direct dialogue breakdown by trigger

A total of 382 dialogues were held in 2023 (versus 427 in 2022 and 320 in 2021).

Trigger	2023	2022	2021*
ESG issue(r) planned review / follow-up	32%	23%	25%
Exceptional event / controversy	5%	2%	-
Pre / post AGM Engagement	15%	12%	10%
Thematic	25%	46%	-
Investment team's demand	22%	17%	65%
Client's demand	0%	0%	-

*Note: the change in reporting format since 2022 has been made to increase granularity.

Direct dialogues breakdown by status

As of December 2023, of a total of 382 dialogues (versus 427 in 2022 and 320 in 2021).

Status	2023	2022	2021*
Closed during the year and tagged for escalation	3%	<1%	38%
Closed during the year	72%	53%	-
Continued through the year	21%	39%	32%
Initiated during the year	4%	7%	30%

*Note: for better information and monitoring, since 2022 we are distinguishing between two different types of dialogue closure (simple closure of dialogue and closure with escalation). Escalation becomes a possibility when the company targeted is not sufficiently responsive to our requests in spite of materiality of the topic. As detailed in both our engagement and voting policies (Publications | Candriam), for escalation 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 Candriam systems with potential divestment.

Direct dialogues breakdown by thematic

Of a total of 382 dialogues in 2023 (versus 427 in 2022 and 320 in 2021).

Thematic	2023	2022	2021
Environment	29%	14%	12%
Social	29%	27%	52%
Governance	15%	17%	18%
Overlapping ESG issues	27%	42%	18%

Share of Direct Dialogues related to our Conviction topics

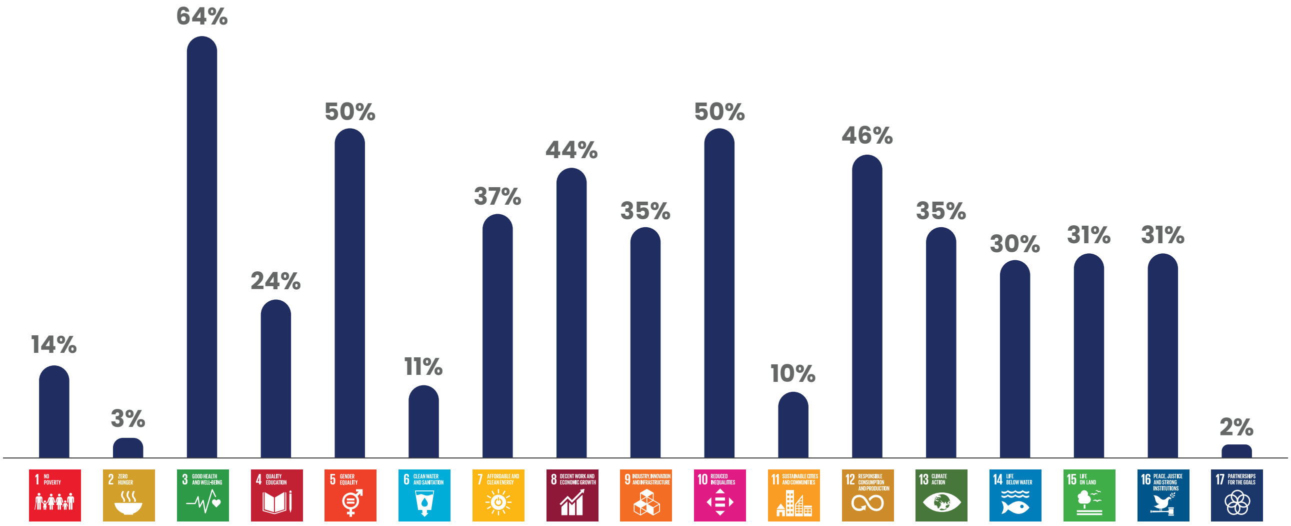
Definitions and furthers details on our Conviction topics can be found in our Engagement Policy.

Sustainable Development Goals and Principal Adverse Impacts

At Candriam, our priority is to continually improve our client service, by paying close attention to their needs and staying up-to-date with regulatory changes, particularly in Europe. To offer greater transparency and clarity, we've worked to enhance our understanding of how our dialogues align with both United Nations Sustainable Development Goals[1] and Principal Adverse Impacts[2] on sustainability factors caused by issuers of securities held in our portfolios.

Share of direct dialogues linked to each of the UN SDGs

A total of 382 direct dialogues underway during 2023.

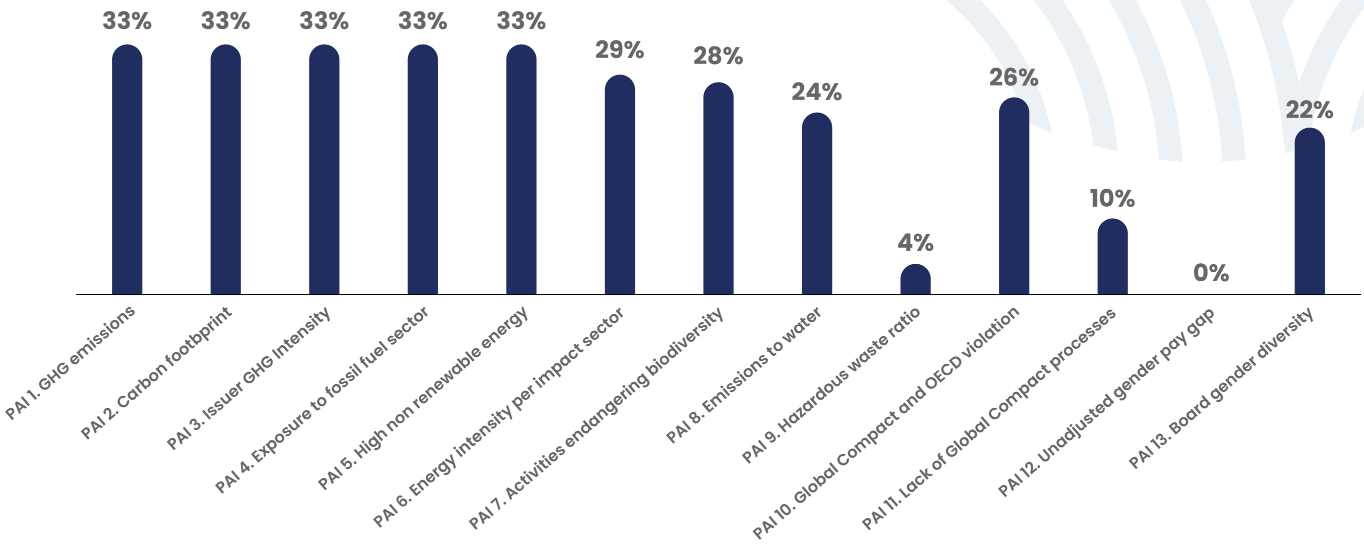


1 United Nations Sustainable Development Goals (UN SDGs): for additional background information about them, please refer to the UN official website under https://sdgs.un.org/goals.

2 Principal Adverse Impacts (PAIs): for additional information on how Candriam answers to the European Sustainable Financial Disclosure Regulation, please refer to our dedicated webpage https://www.candriam.com/en-be/professional/sfdr/.

Share of direct dialogues linked to the 13 first PAIs

A total of 382 direct dialogues in 2023.



Impact on Candriam ESG opinion

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 change was the primary objective).

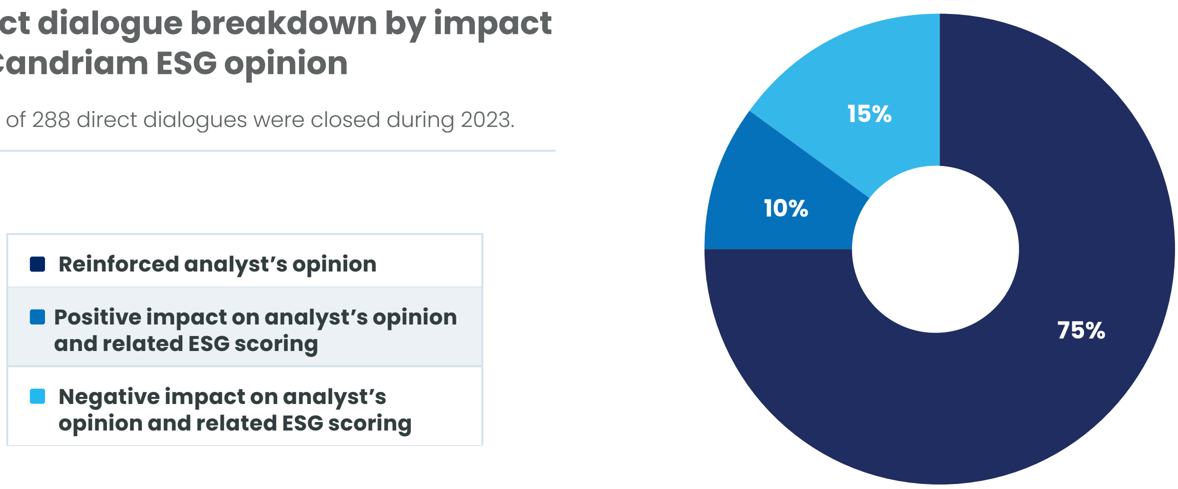
We integrate our engagement activities into our investment processes. We gather data, understand best practices, and sometimes ask for change. And our investment processes are part of the determination of our engagement topics. At Candriam, the most direct link can be seen via the ESG opinion expressed about the issuer.

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

- First, we highlight and record the respective influence of dialogues on the opinion of the ESG analyst in charge for every dialogue closed during the year under review.
- Second, we measure the achievement of primary objectives for every dialogue closed during the year.

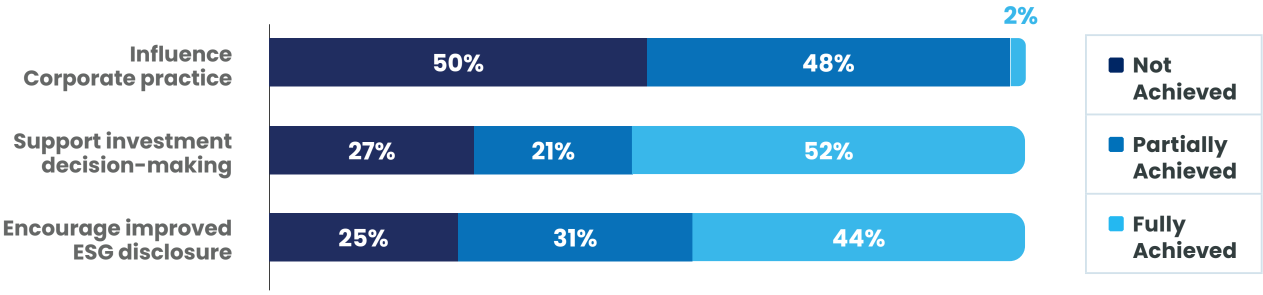
Direct dialogue breakdown by impact on Candriam ESG opinion

A total of 288 direct dialogues were closed during 2023.



Direct dialogue breakdown by primary objective achievement level

A total of 288 direct dialogues were closed during 2023.



Note : further details on our direct dialogues initiatives (including names of contacted corporate issuers) can be found under [2023 Details of direct dialogues]

Collaborative initiatives

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 gains 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 2023, ***we targeted 9,385 corporate issuers through our collaborative dialogues and statements***, representing a total of 17,399 dialogues on various ESG topics across 42 initiatives.

The size of two of the initiatives supported, namely CDP and the Workforce Disclosure Initiative, overwhelms and possibly skews the presentation of our statistics. Together these two initiatives target 9,365 issuers and account for 16,329 dialogues in total. For clarity, our report systematically presents data both with and without these two initiatives. This presentation is offered in consideration of stakeholders such as UNPRI, who do not view extensive surveys as comprehensive engagement initiatives. Candriam, however, recognizes the value of these surveys despite their size and standardization, acknowledging their role in enhancing ESG transparency and contributing to the global ESG ecosystem, which currently suffers from a shortage of pertinent and precise data.

Collaborative dialogues represent 89% of Candriam AUM measured as corporate instruments (equity and bond instruments, direct lines), in funds or in mandates for which Candriam is the investment manager. Within this, corporate issuers engaged through large initiatives such as WDI and CDP represent 32%, 39% for issuers engaged through other initiatives, and 18% for non-corporate issuers.

Candriam's sustainable commitments

Since 2006, when we became a founding signatory to the United Nations Principles for Responsible Investment, we have committed ourselves to follow these additional principles by signing the following statements:

Commitments and statements signed	Thematic	Signed in	Conviction topics
Principles for Responsible Investment (PRI)	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	
Task Force on Climate-Related Financial Disclosures (TCFD) supporter	E	2021	
Net Zero Asset Managers Initiative (NZAMI)	E	2021	
UK Stewardship Code 2020	ESG	2022 application, approved in 2023	
Task Force on Nature-related Financial Disclosures (TNFD)	E	2023, public information 2024	

Focus:

Task Force on Nature-related Financial Disclosures (TNFD)

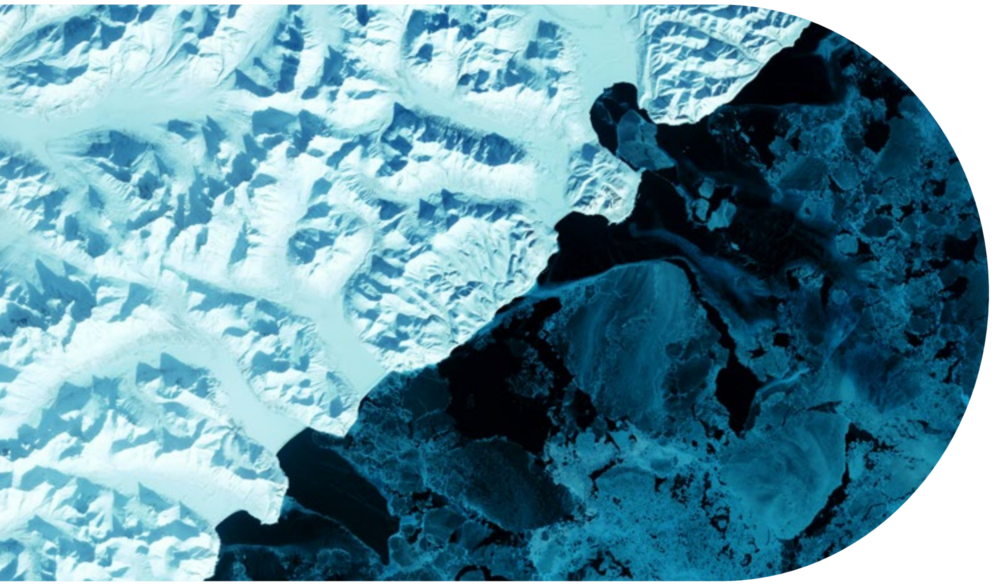
One of our new commitments added in 2023

Type:
Collaborative statement

Candriam role:
Lead

Initiative trigger:
Candriam strategic decision

Description:
We publicly offer our early support to TNFD. It is a global initiative uniting a wide array of businesses of all sizes and across various sectors, including numerous financial institutions. This initiative draws its inspiration from the success of the Task Force on Climate-related Financial Disclosures (TCFD) and extends the focus to encompass the broader spectrum of natural resources and ecosystems.



Collaborative initiatives

Initiative name *Type*	Thematic	Joined/ Renewed in	Candriam role *Initiative trigger*	Conviction topics
Access to Medicine *Collaborative Dialogue*	S	2010	Mix of support *Thematic*	
Sustainable Stock Exchanges *Collaborative Dialogue*		2010	Passive support *Thematic*	
Fiduciary Duty In the 21st Century Statement *Collaborative Statement*		2017	Passive support *Thematic*	
Climate Action 100+ *Collaborative Dialogue*	E	2017	Mix of support *Thematic*	
Plastic Solutions Investor Alliance *Collaborative Statement*	ES	2018	Mix of support *Thematic*	
Investor Expectations Statement on Sustainable Palm Oil *Collaborative Statement*		2018	Passive support *Thematic*	
Open Letter to Index Providers on Controversial Weapons Exclusions *Collaborative Statement*		2018	Passive support *Thematic*	
Making Finance Work for People and Planet *Collaborative Statement*		2019	Passive support *Thematic*	
Investor Mining and Tailings Safety Initiative *Collaborative Dialogue*	ES	2019	Passive support *Thematic*	
Investor Statement on Turkmen Cotton (Responsible Sourcing Network) *Collaborative Statement*		2019	Passive support *Thematic*	
Investor Statement on Deforestation and Forest Fires in the Amazon *Collaborative Statement*		2019	*Thematic*	
CA100 related: Paris Aligned Accounting *Collaborative Dialogue*	E	2019	Mix of support *Thematic*	
CHRB - Investor statement calling on companies to improve Human Rights performance 2020-22 *Collaborative Dialogue*	S	2020	Mix of support *Thematic*	
Teleperformance: Duty of Vigilance Law & related concerns *Collaborative Dialogue*	S	2020	Lead *Exceptional event/ Controversy*	
Investors Policy Dialogue on Deforestation *Collaborative Dialogue*	E	2020	Active Support *Thematic*	

Initiative name *Type*	Thematic	Joined/ Renewed in	Candriam role *Initiative trigger*	Conviction topics
Marine Microplastic Pollution *Collaborative Dialogue*	E	2020	Mix of support *Thematic*	
Collaborative Engagement on Uyghurs Slave Labour in the Supply Chain *Collaborative Dialogue*	S	2020	Mix of support *Exceptional event/ Controversy*	
Access to Nutrition Index 2021 - 2023 *Collaborative Dialogue*	S	2021 **Renewal**	Mix of support *Thematic*	
BBFAW Investor Collaboration on Farm Animal Welfare 2021-24 *Collaborative Dialogue*	E	2021 **Renewal**	Passive support *Thematic*	
2021-22 Kingspan Governance Structure Engagement *Collaborative Dialogue*	SG	2021	Lead *Pre/post AGM Engagement*	
Global Banks Climate Change & Biodiversity *Collaborative Dialogue*	E	2021	Mix of support *Thematic*	
Corporate Accountability for Digital Rights 2021-22 *Collaborative Dialogue*	S	2021 **Renewal**	Mix of support *Thematic*	
Investor Engagement on Facial Recognition 2021 *Collaborative Dialogue*	S	2021	Active Support *Thematic*	
FAIRR: Where's the Beef Statement *Collaborative Statement*	E	2021	Passive Support *Thematic*	
IIGCC Investor Position Statement: Voting on Transition Planning *Collaborative Statement*		2021	*Thematic*	
Net Zero Proxy Advice: IIGCC Investors Letter to Proxy Advisors *Collaborative Statement*	E	2021	Passive Support *Thematic*	
Healthy Market Initiative *Collaborative Dialogue*	SG	2021	Active Support *Thematic*	
Investor Letter: Linking Access to Vaccine with Pharmaceuticals' Executives' Remuneration *Collaborative Dialogue*	SG	2021	Mix of support *Thematic*	
2022 IIGCC/CERES Banks Engagement *Collaborative Dialogue*	E	2022	Mix of support *Thematic*	
2022 Letter to Starbucks on Worker Representation *Collaborative Dialogue*	S	2022	Passive Support *Exceptional event/ Controversy*	

Initiative name *Type*	**Thematic**	**Joined/ Renewed in**	**Candriam role** *Initiative trigger*	**Conviction topics**
Investor Initiative on Responsible Care - UNI Global led *Collaborative Dialogue*	S	2022	Mix of Support *Exceptional event/ Controversy*	
2022 PRI-Coordinated Collaborative Sovereign Engagement on Climate Change: Australian Pilot *Collaborative Dialogue*	E	2022	Active Support *Thematic*	
2022 UNPRI Tax Reference Group *Collaborative Dialogue*	S	2022	Mix of support *Thematic*	
2022 Global Investor Statement to Governments on the Climate Crisis *Collaborative Statement*	ES	2021 **Renewal**	Passive Support *Thematic*	
30% Club France *Collaborative Dialogue*	SG	2022	Mix of support *Thematic*	
WBA Investor Engagement on Ethical AI *Collaborative Dialogue*	ESG	2022	Mix of support *Thematic*	
FAIRR Biodiversity : Waste & Pollution *Collaborative Dialogue*	E	2022	Mix of support *Thematic*	
2022 PRI Advance: Human Rights *Collaborative Dialogue*	S	2022	Mix of support *Thematic*	
2023 BFF Bank SpA: Collaborative Engagement on Remuneration *Collaborative Dialogue*	SG	2022	Lead	
2023 Big Tech and Human Rights *Collaborative Dialogue*	S	2023 **New**	Mix of support *Thematic*	
30% Club Germany *Collaborative Dialogue*		2023 **New**	Mix of support *Investment team request*	
Animal Welfare: Investors' Letter to the EU *Collaborative Statement*	E	2023 **New**	Passive Support *Thematic*	
Breast Milk Substitute Marketing: Abbott Lab *Collaborative Statement*	SG	2023 **New**	Passive support *Exceptional event/ Controversy*	
CDP Climate, Forest & Water 2023 *Collaborative Dialogue*	E	2023 **Renewal**	Mix of support *Thematic*	

Initiative name *Type*	**Thematic**	**Joined/ Renewed in**	**Candriam role** *Initiative trigger*	**Conviction topics**
Enhancing Legal Framework Say-on-Climate and Shareholder Resolutions *Collaborative Dialogue*	ESG	2023 **New**	Passive support *Exceptional event/ Controversy*	
Eurosif, PRI, IIGCC, EFAMA, UNEP FI: Joint Statement on ESRS *Collaborative Statement*		2023 **New**	Passive Support *Strategic decision*	
FIR: Forced Labour and Child Labour Engagement *Collaborative Dialogue*	S	2023 **New**	Active Support *Investment team request*	
Intesa Sanpaolo's Thermal Coal policy *Collaborative Dialogue*	E	2023 **New**	Active Support *Thematic*	
Investor Letter to Nike on Wages Owed to Workers *Collaborative Statement*	S	2023 **New**	Passive Support *Exceptional event/ Controversy*	
Investor Letter to NXP Semi on links to Russia weapons systems *Collaborative Statement*	S	2023 **New**	Active Support *Exceptional event/ Controversy*	
Investor statement on Tobacco Control *Collaborative Statement*	S	2023 **New**	Passive Support *Thematic*	
Nature Action 100 *Collaborative Dialogue*	E	2023 **New**	Mix of support *Thematic*	
Plastic Solutions Investor Alliance : Petrochemicals *Collaborative Dialogue*	E	2023 **New**	Active Support *Thematic*	
PRI Nature Reference Group *Collaborative Dialogue*		2023 **New**	Active Support *Thematic*	
Telecom Italia: Delayering Plan *Collaborative Dialogue*	G	2023 **New**	Mix of support *Exceptional event/ Controversy*	
VBDO: Investor call to Reduce Plastic *Collaborative Statement*	E	2023 **New**	Active Support *Thematic*	
VBDO: Plastic Engagement *Collaborative Dialogue*	E	2023 **New**	Mix of support *Thematic*	
Workforce Disclosure Initiative 2023 *Collaborative Dialogue*	S	2023 **Renewal**	Mix of support *Thematic*	

New initiatives – summaries

Throughout 2023, we engaged in 17 new collaborative dialogues and statements. Our resource allocation remains guided by our enduring priorities established in 2015: **Energy Transition, Fair Work Conditions,** and **Business Ethics.** We assess the potential for value addition to our investment process or meaningful impact on the subject matter when prioritizing our engagements. Here, we provide an overview of the initiatives joined during the year.

Energy Transition

Fair Work Conditions

Business Ethics

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
2023 Big Tech and Human Rights	Collaborative dialogue	Mix of support	Thematic	

PAIs: 10. Global Compact and OECD violation

This investor collaboration engages selected big tech companies on their Human Rights and societal risks and impacts. This three-year initiative is led by the Council on Ethics of the Swedish national pension funds.

The primary goal is to encourage tech companies to take concrete measures to strengthen their approach to operational and systemic human rights risks and impacts pertaining to their products and services as well as reporting on the related challenges and activities more transparently. The Initiative focuses on influencing corporate practices regarding:

- Content (misinformation, hate speech and electoral interference and its impact on the society);
- Corporate culture and structures (how human rights considerations are integrated in company culture and operations);
- Access to remedy for rights holders;
- Corporate interactions with authorities and regulators (including lobbying).

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
30% Club Germany	Collaborative dialogue	Mix of support	Investment Team demand	N/A

The 30% Club is a global campaign to take action to increase gender diversity at board and senior management levels. The campaign launched in the UK in 2010 when there were just 12% of women on the FTSE 100 boards. The Club believes that gender balance on boards and senior management not only encourages better leadership and governance, but diversity and inclusion further contribute to overall board performance and ultimately increased corporate performance for companies and their shareholders.

The German government has committed to increasing the proportion of women on supervisory boards to 30% by 2030 and introduced a law requiring companies to appoint at least one woman to the management board. Yet this regulation does not apply to all DAX-listed companies and we would expect it to take time to drive significant and sustainable change.

As of September 2022, women accounted for an average of 34% on the supervisory boards of the 160 largest German companies. However, only 14% of management board members on average were women and 5% had a female CEO.

In light of these considerations, 30% Club Germany Investor Group starts a business campaign aiming to boost the number of women in board seats and executive leadership of DAX40 and MDAX companies in Germany across various sectors.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Animal Welfare: Investors' Letter to the European Union	Collaborative statement	Passive support	Thematic	N/A

Intensive animal agriculture creates risks for society as well as long-term investment risks. Some farms depend on subsidies for up to 90% of their profits, while factory farming creates negative externalities for the local communities, the environment and for the animals raised for food. Poor animal welfare is inherent in intensive livestock systems that rely on antimicrobials to perpetuate high stocking densities, as well as routine mutilations, fast breeding and high-stress environments. Aside from poor animal welfare, these production systems pose risks to public health through promoting antimicrobial resistance and zoonotic diseases. A comprehensive assessment of these risks is necessary for future-proofing the EU food system and guiding sustainable investments.

It is essential to ensure that the EU regulatory framework accommodates growing concern by consumers, as well as stakeholders for animal welfare and sustainable production models, without creating unfair competition for companies that choose to act in accordance with consumer expectations. The current revision of the animal welfare legislation presents a unique opportunity to raise standards for animals and respond to citizens' continuing demands to significantly improve animal welfare in the EU.

The letter calls for an overarching and ambitious review of animal welfare standards, to include:

- Higher on-farm animal welfare standards
- The prohibition of caged systems
- A full ban on the routine mutilation of animals
- The lowering of stocking densities and outdoor access, when possible
- The provision of adequate enrichment requirements.

Crucially, these measures would also lead to a decrease in the use of antibiotics and a lower likelihood that EU food production systems will contribute to a new public health crisis.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Breast Milk Substitute Marketing: Abbott Lab	Collaborative statement	Passive support	Exceptional event/ Controversy	

PAI 11. Lack of Global Compact processes

Initiated by CCLA Investment Management due to concerns regarding the company's response to the controversy related to its infant formula products that began early this year. Some have found it difficult to engage Abbott on this topic in the past two years. The letter includes two asks related to BMS/ CF Marketing, i.e.:

- That Abbott commits to increase its score in the Access to Nutrition BMS/CF Marketing Index, with a target of 35% in 2025 (thereby reverting to its 2018 score) and >50% by 2027.
- A commitment to score >50% in both 'Corporate Profile' and 'In-country assessment', ensuring that progress is made on implementation as well as policy.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Enhancing Legal Framework Say-on-Climate and Shareholder Resolutions	Collaborative dialogue	Passive support	Exceptional event/ Controversy	

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

A continuation of our efforts on Say-on-Climate in France, which took a new dimension in 2022 with the work done on the TotalEnergies campaign. Under the initiative of PhiTrust, a formal letter was addressed to the French authorities responsible, calling for an enhancement of the French legislation surrounding both the filing of shareholder proposals and of Say-on-Climate.

It was followed by another letter, coordinated by the French SIF, and supporting similar changes.

Submitting a proposal in France is a shareholder right that is hard to effect, as the legal framework is very restrictive. The share ownership threshold is 0.5%, which considerably limits the number of shareholders that can file proposals in a large-capitalization company, or substantially complicate the coordination of the co-filing process (as a large number of investors will need to coordinate). Further, the timeframe is very restrictive. An unsupportive management can deny shareholder rights with no consequence.

Shareholder dialogue on climate issues suffers from an efficiency problem in France. The transition plans published by the companies are still incomplete: companies, even those addressing the topic, do not yet provide enough information and/or are not specific enough to allow shareholders to form an opinion on their climate ambitions. The CSRD directive should gradually fill this gap, but until then, corporate climate transparency remains insufficient and improvement is slow.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
EuroSIF, PRI, IIGCC, EFAMA, UNEP FI: Joint Statement on ESRS	Collaborative statement	Passive support	Candriam Strategic Decision	N/A

This statement aims to contribute to the ongoing consultation initiated by the European Commission regarding its inaugural delegated Act. This Act serves to refine the initial set of EU Sustainability Reporting Standards (ESRS) proposed by the European Financial Reporting Advisory Group (EFRAG) in November 2022. The EFRAG's recommendations were the culmination of an extensive three-year process of stakeholder engagement and consultation.

The recent proposal put forth by the Commission diverges from EFRAG's November 2022 proposal on several fronts. The primary variance lies in the shift from mandatory disclosure of certain items to making them contingent upon the results of materiality assessments conducted by the entities involved.

Candriam and other asset managers and actors within the financial community need get access to investee and other data to be able to report on our own impact / exposure (SFDR). We have thus decided voice our concerns on what we consider as a rollback of ambition.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
FIR: Forced Labour and Child Labour Engagement	Collaborative dialogue	Active support	Investment Team demand	

PAI 10. Global Compact and OECD violation

The *'Forum pour l'Investissement Responsable'* (FIR) has formed a coalition with ten of its investor members, representing more than € 3.1 trillion in assets under management, to support the fight against forced labour and child labour around the world.

The commitment is based on a methodology for evaluating companies developed by the NGO *'Ressources Humaines Sans Frontières'* (RHSF).

The objective is to establish vigilance over the entire value chain of products or services up to the countries of origin, and to map and identify risks in the different activities in order to evaluate and address the segments of the market that are most at risk.

Ten French companies from sectors considered to be high-stakes on this issue (Food, Automotive, Consumer Discretionary, Construction, Hospitality, Industries and Utilities) have been selected by the investors to engage in a constructive dialogue.

This dialogue will aim to better understand the risks of forced labour and child labour in the value chain of these companies and to support them in managing these risks.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Intesa Sanpaolo's Thermal Coal Policy	Collaborative dialogue	Active support	Thematic	

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 10. Global Compact and OECD violation

Intesa Sanpaolo updated its thermal coal policy in July 2021, with mixed outcomes. Although the group now commits to immediately cease financing coal power plant developers and to phase out financing of coal mining by 2025, some essential exclusions are missing.

First, there is no exclusion regarding general purpose financing to thermal coal mine developers.

Second, this updated policy allows Intesa Sanpaolo to service more coal power generation companies in Europe and the OECD for a longer period of time. Indeed, immediate exclusion thresholds (30% in OECD countries and 50% worldwide) for coal-fired power plants have been replaced by a unique threshold (35%) that will apply only from 2030 onwards. As a result, Intesa Sanpaolo lags significantly behind 71 financial institutions that have already adopted a corporate exclusion threshold of 20% or less (coal share of revenues or power generation) for coal power companies[1].

Third, the 2025 phase-out deadline does not apply to coal power, only to coal mining. Intesa Sanpaolo lags behind 78 financial institutions that have now committed to fully phase out all financial services to the coal industry by 2030 in Europe/OECD and 2040 everywhere else. Finally, Intesa Sanpaolo's coal policy suffers from a restricted scope. The bank policy applies to lending and advisory services, but does not cover investment activities and securities underwriting.

As one of the largest banks both in Europe and globally, Intesa Sanpaolo has an important responsibility and role to play in financing the transition towards a low-carbon and resilient economy. We also believe it is in the best interests of both Intesa Sanpaolo and its shareholders interest to raise the group's climate ambition to the level of its peers.

As investors who are committed to contribute effectively to a low-carbon and just transition, we urge Intesa Sanpaolo to tighten its coal policy and to publicly share it policies in their entirety, in order to:

- Exclude general purpose financing to coal mine developers
- Adopt an immediate and more stringent threshold definition for the exclusion of coal power generation companies
- Detail a comprehensive strategy to fully exit coal at the latest by 2030 in Europe/OECD countries, and 2040 worldwide
- Cover all financial services, including investments and securities underwriting

1 Intesa Sanpaolo press release, 27 July 2021, accessed 25 March, 2024.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Investor letter to Nike on Wages Owed to Workers	Collaborative statement	Passive support	Exceptional event/ Controversy	

PAI 10. Global Compact and OECD violation

The investor letter, led by ABN Amro and CCLA Investment Management, describes two cases of labour violations, where garment workers employed by Nike's largest international supplier, the Ramatex Group and the Hong Seng Knitting Group (that has a joint venture with the Ramatex Group) were not paid legally owed wages and benefits in full in 2020, amounting to a collective $2.2 million owed to more than 4,500 garment workers in Cambodia and Thailand[1].

The issue highlights clear due diligence and monitoring failure from Nike and urges the need for the company to put pressure on its suppliers to remedy the issue. It was drafted by a coalition of investors after consultation with NGOs and unions.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Investor Letter to NXP Semi on Links to Russia Weapons Systems	Collaborative statement	Active support	Exceptional event/ Controversy	

PAI 10. Global Compact and OECD violation
PAI 14. Controversial Weapons Exposure

Given the significant human rights concerns and material risks – ranging from legal and regulatory to operational – linked to the utilization of NXP's products in Russian weaponry, this investor letter urges the company to explore the establishment and implementation of a comprehensive know-your-customer due diligence procedure that surpasses mere adherence to sanctions and export control regulations.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Investor Statement on Tobacco Control	Collaborative statement	Passive support	Thematic	N/A

Ambition of this investor statement (coordinated by Achmea and the Tobacco Free Finance Pledge) is to call on UN member states to sign, ratify and implement the WHO Framework Convention on Tobacco Control and to signal that tobacco control makes sense from a health, as well as a financial point of view.

The investor statement will be launched alongside the UN General Assembly on the 19th /20th of September and will also be the foundation for subsequent sovereign engagement to which Candriam won't take part.

Main target counties are the ones which signed but did not ratify the convention.

1 Worker Rights Consortium, June 2023. Failure to Pay Terminal Benefits at Violet Apparel (Cambodia) Co, Ltd. accessed 25 March 2024.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Nature Action 100	Collaborative dialogue	Mix of support	Thematic	

PAI 7. Activities endangering biodiversity
PAI 10. Global Compact and OECD violation

Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. It was conceived by a group of institutional investors known as the Launching Investor Group. The initiative's Secretariat and Corporate Engagement Working Group is co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC), and the initiative's Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker.

Investors are calling on companies to take action related to six areas:

- *Ambition*: *Publicly commit* to minimize contributions to key drivers of nature loss and to conserve and restore ecosystems at the operational level and throughout value chains by 2030.
- *Assessment*: *Assess and publicly disclose* nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout value chains.
- *Targets*: *Set time-bound, context-specific, science-based targets* informed by risk assessments on nature-related dependencies, impacts, risks and opportunities. Disclose annual progress against targets.
- *Implementation*: Develop a company-wide plan on how to achieve targets. The design and implementation of the plan should prioritize rights-based approaches and be developed in collaboration with Indigenous Peoples and local communities when they are affected. Disclose annual progress against the plan.
- *Governance*: Establish Board oversight and disclose management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities.
- *Engagement*: Engage with external parties including actors throughout value chains, trade associations, policy makers, and other stakeholders to create an enabling environment for implementing the plan and achieving targets.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Plastic Solutions Investor Alliance: Petrochemicals	Collaborative dialogue	Active support	Thematic	

PAI 7. Activities endangering biodiversity
PAI 10. Global Compact and OECD violation

'As You Sow' is coordinating shareholder engagements with a first set of targets, namely four U.S. petrochemicals companies -- Chevron, Dow, ExxonMobil and Phillips66 -- asking them to study the impact on their business of the expected drop in plastic demand that will be necessary to cut plastic pollution 80% by 2040, and to disclose essential safety and process efficiency data associated with risky chemical recycling technologies. These four companies are the leading producers of plastic resins bound for single-use applications, according to Minderoo Foundation research.

This is also the continuity of resolutions they filed in 2022 and 2023 at these same companies and that gathered great support from investors (Candriam supported these).

The core goal is to analyze the impact on the company of a one-third cut in demand for single-use plastic by 2040, along with disclosure of information about the recycling technologies.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
PRI Nature Reference Group	Collaborative dialogue	Active support	Thematic	N/A

PAI 7. Activities endangering biodiversity

The Nature Reference Group is a voluntary body, consisting of PRI signatories. The Nature Reference Group will:

- Advance signatory awareness of nature-related impacts, dependencies, risks and opportunities surrounding their investment activities, as well as their importance in pursuing credible net zero targets.
- Build investor capacity to address biodiversity loss and other nature-related risks, in line with global sustainability goals, including the Kunming-Montréal Global Biodiversity Framework (e.g., sharing investor practices and their experiences with tools, disclosure frameworks, and initiatives; inputting into the development of PRI guidance that further supports investors).
- Support investors to integrate nature-related risks and opportunities in their investment practices and policies, and support investors to use relevant tools and frameworks.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
Telecom Italia: Delayering Plan	Collaborative dialogue	Mix of support	Exceptional event/ Controversy	N/A

Assogestioni's Investors Committee arranged an investor call with the company where investors shared their remarks on the delayering (divestiture) plan of the company and the bidding process.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
VBDO: Investor Call to Reduce Plastic	Collaborative statement	Active support	Thematic	N/A

PAI 7. Activities endangering biodiversity

Each part of the plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights and public health. Research underscoring the gravity of these impacts continues to accumulate, but the picture is already clear: intensive production and use of plastics is causing great damage to the health of people and planet, with scientists concluding that "clean-up is futile" if production continues at current rates.

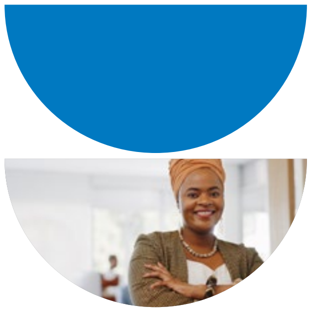
As investors and their representatives, we believe that companies must set their sights higher and act more swiftly to address the plastics crisis through reducing dependence on single-use plastic packaging, working to bring production and consumption of plastics within the limits of the planetary boundaries and alignment with the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. This statement is directed in particular at companies in the fast-moving consumer goods and grocery retail sectors.

Initiative name	Type	Candriam role	Initiative trigger	Conviction topics
VBDO: Plastic Engagement	Collaborative dialogue	Mix of support	Thematic	N/A

PAI 7. Activities endangering biodiversity

After the statement we signed in May 2023, the initiative is a targeted shortlist of companies to invited to follow up discussions with the signatory investors.

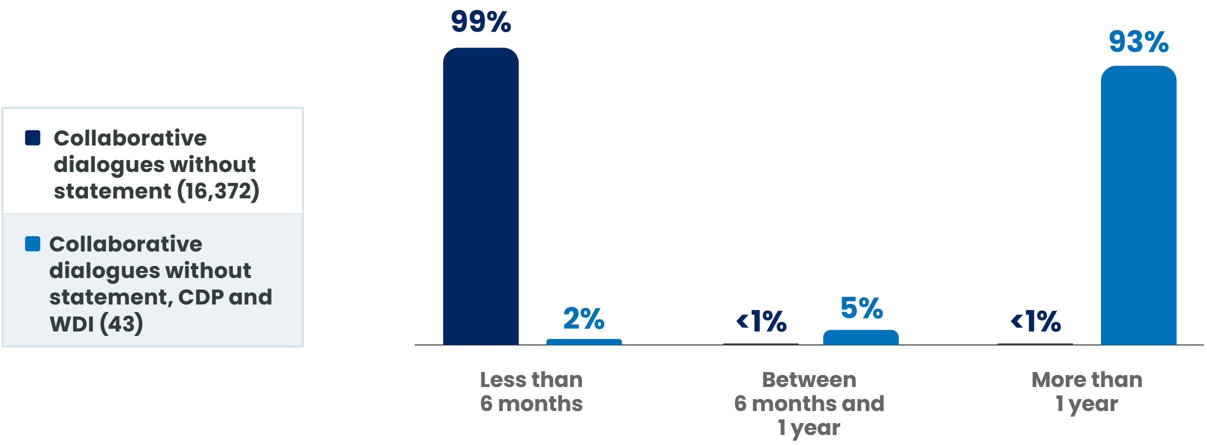
Collaborative statistics.



Top-down view of our collaborative dialogues with corporate issuers. For these statistics, 'dialogue' means attempt to exchange with, or effective exchanges with, issuers on Environmental, Social and Governance (ESG) factors.

Duration of collaborative dialogues

Collaborative dialogues closed in 2023

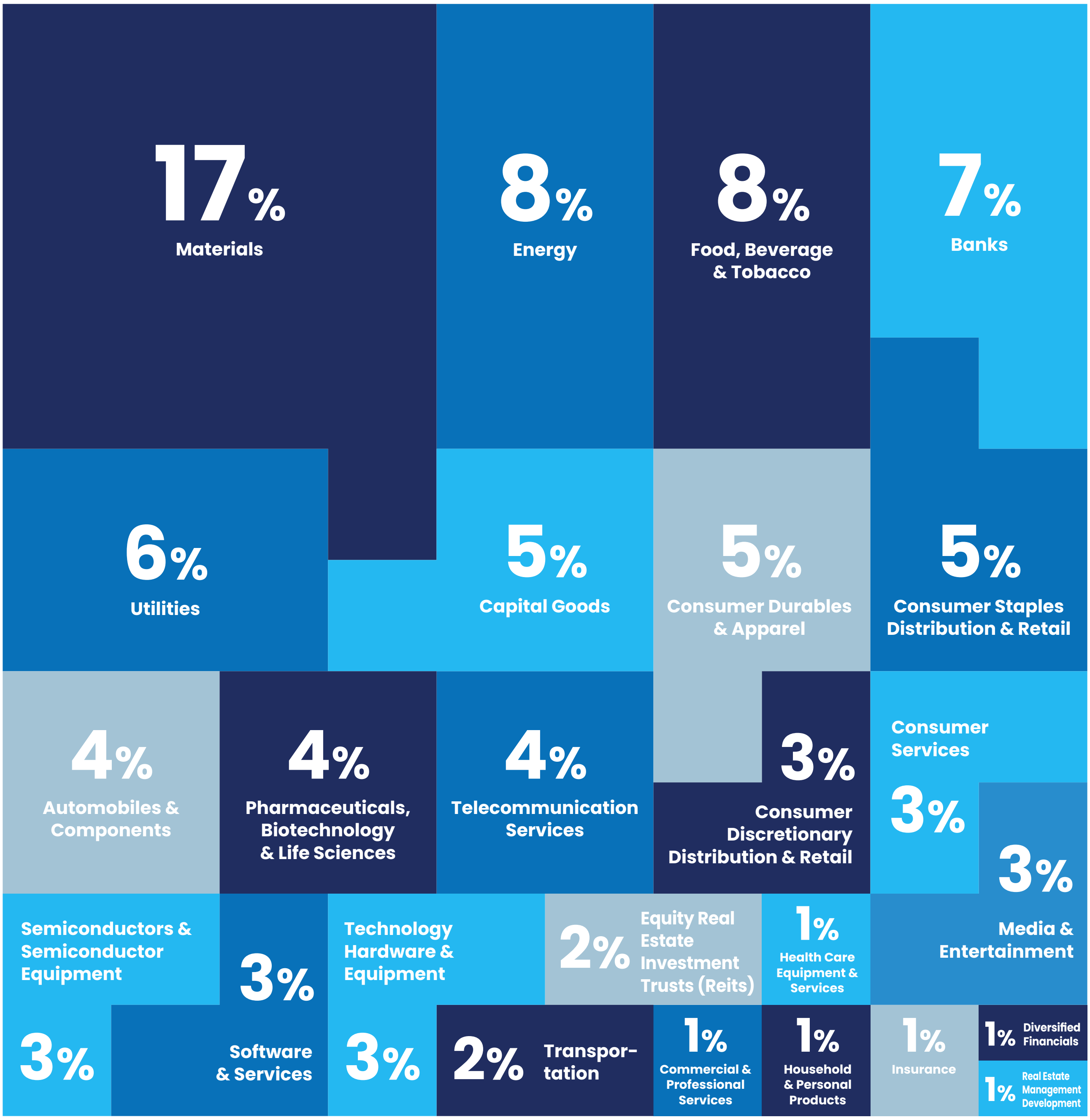


Issuer breakdown by region

Region	Ex. CDP and WDI	All
Europe	39%	24%
North America	29%	28%
Asia Pacific	10%	18%
Emerging Markets	22%	30%

Issuer breakdown by sector

These figures apply to a total of 697 corporate issuers targeted by a collaborative dialogue in 2023 other than those of CDP or WDI.



Sector	Ex. CDP and WDI	All
Automobiles & Components	4%	2%
Banks	7%	9%
Capital Goods	5%	11%
Commercial & Professional Services	1%	3%
Consumer Discretionary Distribution & Retail	3%	4%
Consumer Durables & Apparel	5%	3%
Consumer Services	3%	3%
Consumer Staples Distribution & Retail	5%	2%
Diversified Financials	1%	1%
Energy	8%	4%
Equity Real Estate Investment Trusts (Reits)	2%	4%
Financials	0%	0%
Food, Beverage & Tobacco	8%	5%
Health Care Equipment & Services	1%	4%
Household & Personal Products	1%	1%
Insurance	1%	2%
Materials	17%	10%
Media & Entertainment	3%	3%
Pharmaceuticals, Biotechnology & Life Sciences	4%	6%
Real Estate	0%	0%
Real Estate Management & Development	1%	3%
Semiconductors & Semiconductor Equipment	3%	2%
Software & Services	3%	5%
Technology Hardware & Equipment	3%	4%
Telecommunication Services	4%	2%
Transportation	2%	3%
Utilities	6%	4%

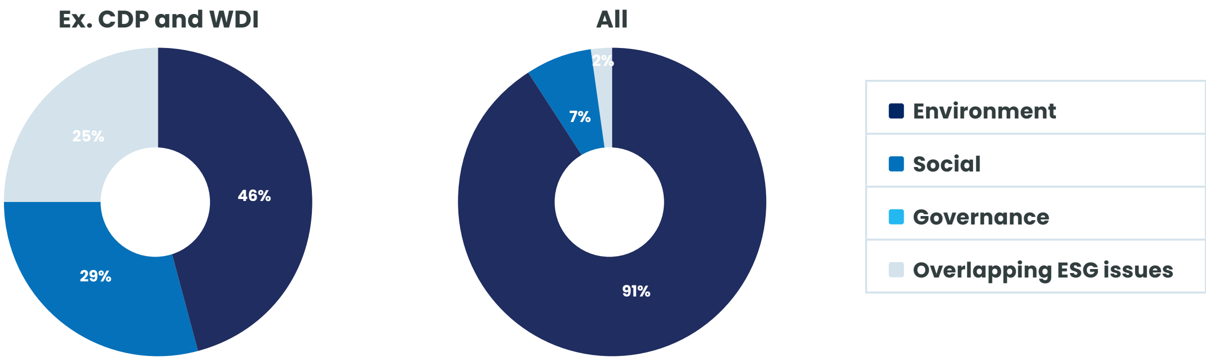
For any collaborative initiative, investors can opt for different roles:

- Leading exchanges with issuers
- Being an active participant, offering true support to the coordinators or lead investors
- Offering passive support by bringing 'leverage', in the form of additional AUM, and benefiting from the economy of scale of the initiative

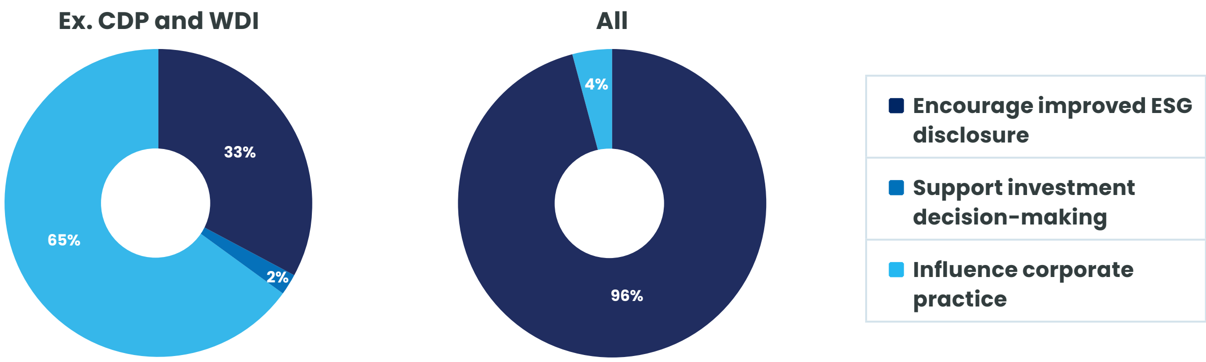
In practice, coordinators and supporting investors typically share the workload, choosing lead or active investors essentially on the basis of their competence, history of relationships with the company, geographical proximity, or their respective 'leverage'.

During 2023, Candriam co-led or was an active participant in 297 of these dialogues, 256 excluding CDP and WDI-associated dialogues.

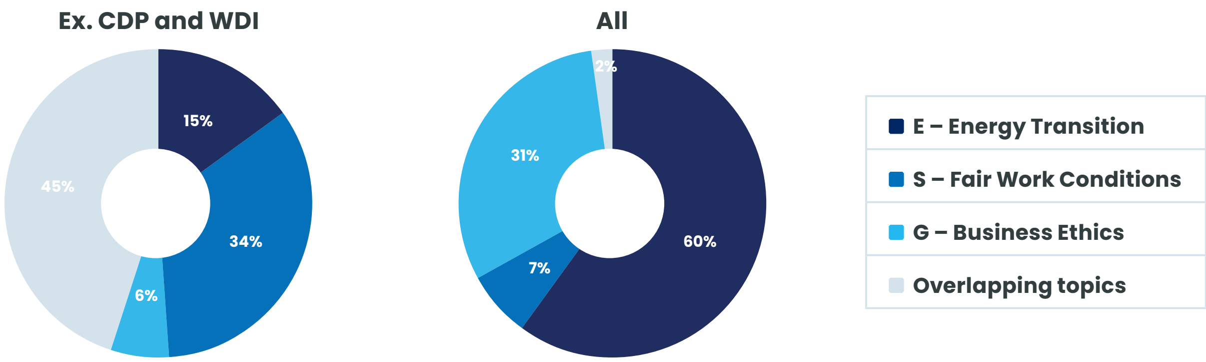
Collaborative dialogues breakdown by thematic



Collaborative dialogues breakdown by primary objective



Collaborative dialogues breakdown by relation to our conviction topics



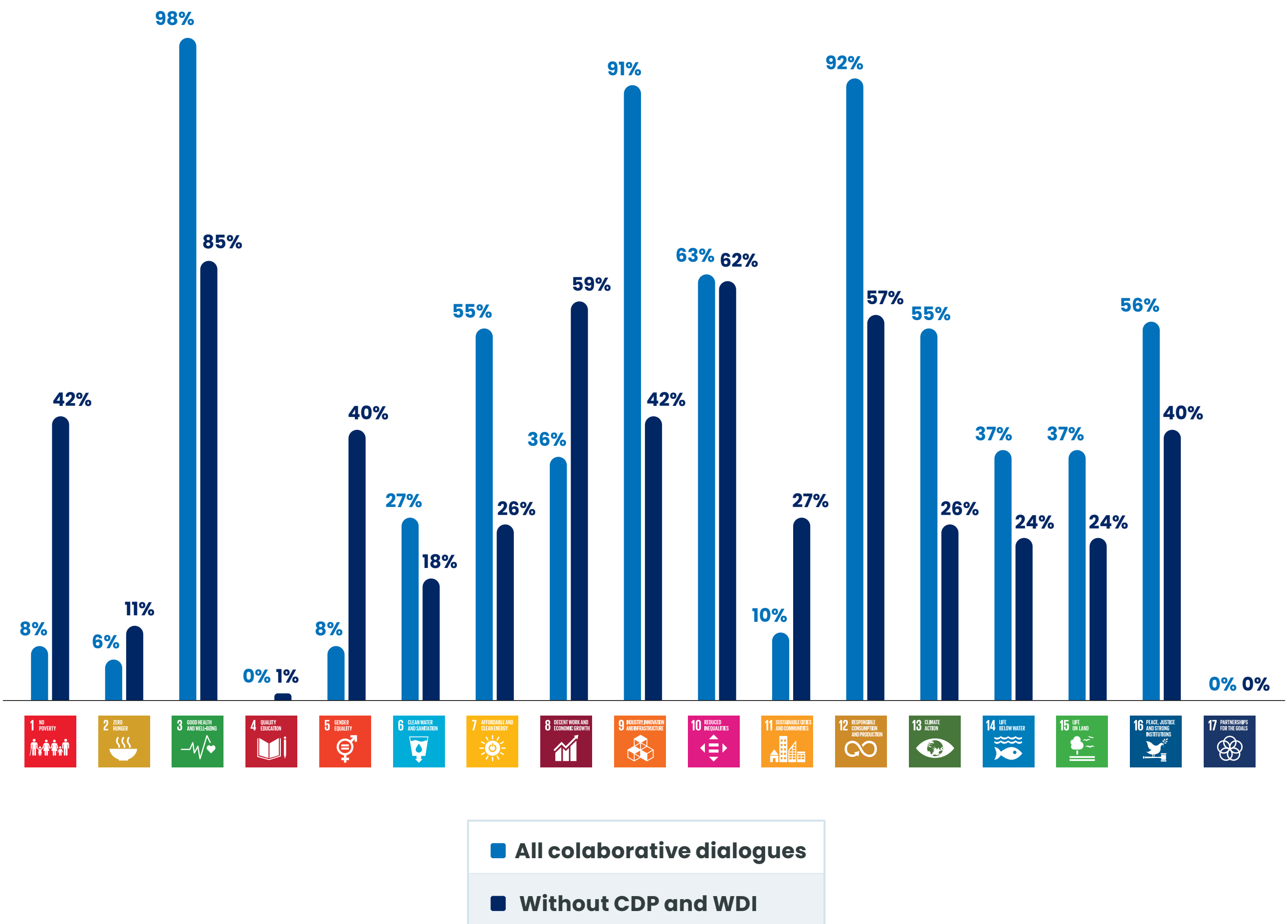
Sustainable Development Goals and Principal Adverse Impacts

In line with the data we collect and provide for our direct dialogues, we are clarifying the links between our dialogues and the specific United Nations Sustainable Development Goals (UN SDGs), as well as with Principle Adverse Impacts (PAIs) on sustainability factors caused by security issuers held in our portfolios.

As we do for our direct dialogues, we listen to our clients and pay close attention to regulatory change when choosing or participating in our collaborative campaigns, notably in Europe.

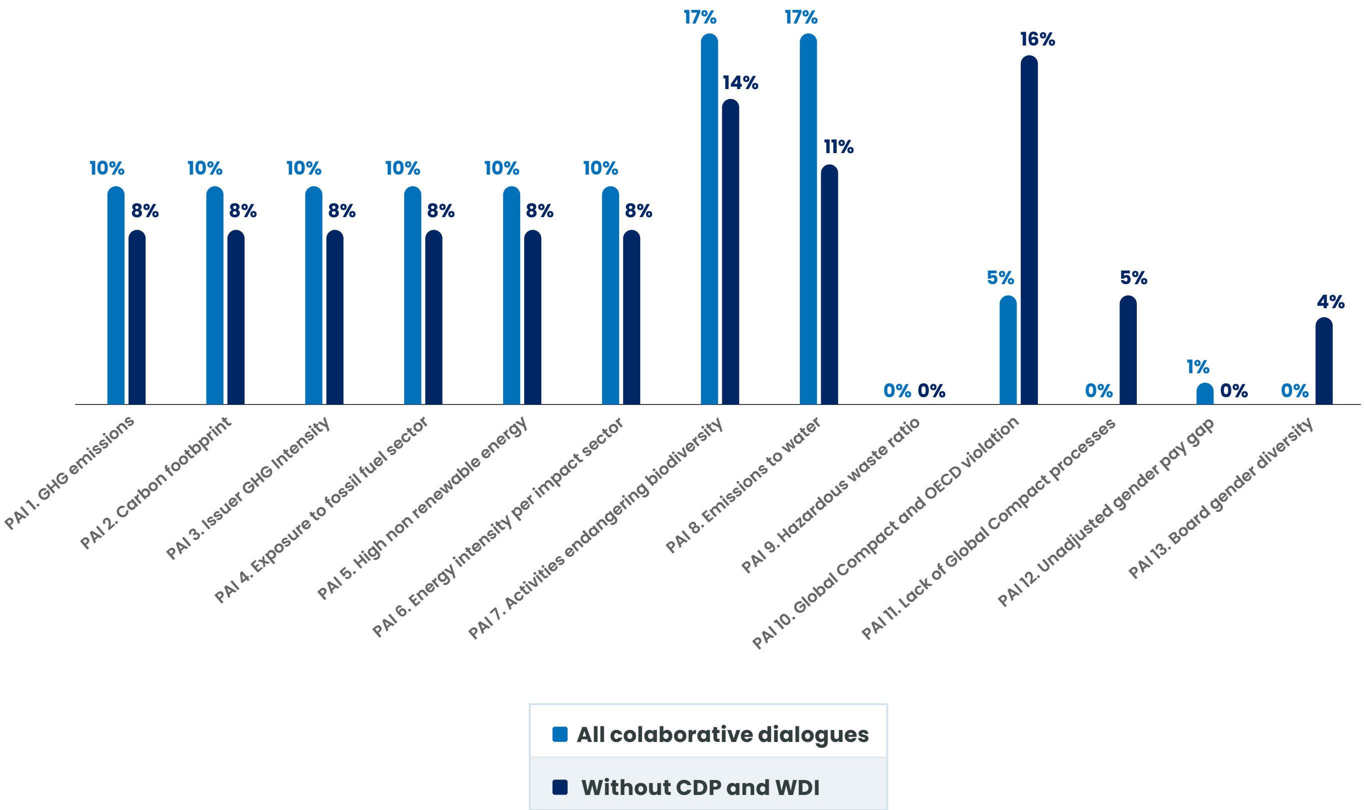
Share of collaborative dialogues linked to each of the UN SDGs

Of a total of 17,362 collaborative dialogues with corporate issuers, 1,033 were held in 2023 through initiatives other than CDP and WDI.



Share of collaborative dialogues linked to the first 13 PAIs

Of a total of 17,362 collaborative dialogues with corporate issuers, 1,033 were held in 2023 through initiatives other than CDP and WDI.



Impact of collaborative dialogues

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 change was the 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 and supports it. At Candriam, the most direct link can be seen via the ESG opinion expressed about the issuer.

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

- First, we highlight and record the respective influence of dialogues on the opinion of the ESG analyst in charge for every dialogue closed during the year under review.
- Second, we measure the achievement of primary objectives for every dialogue closed during the year.

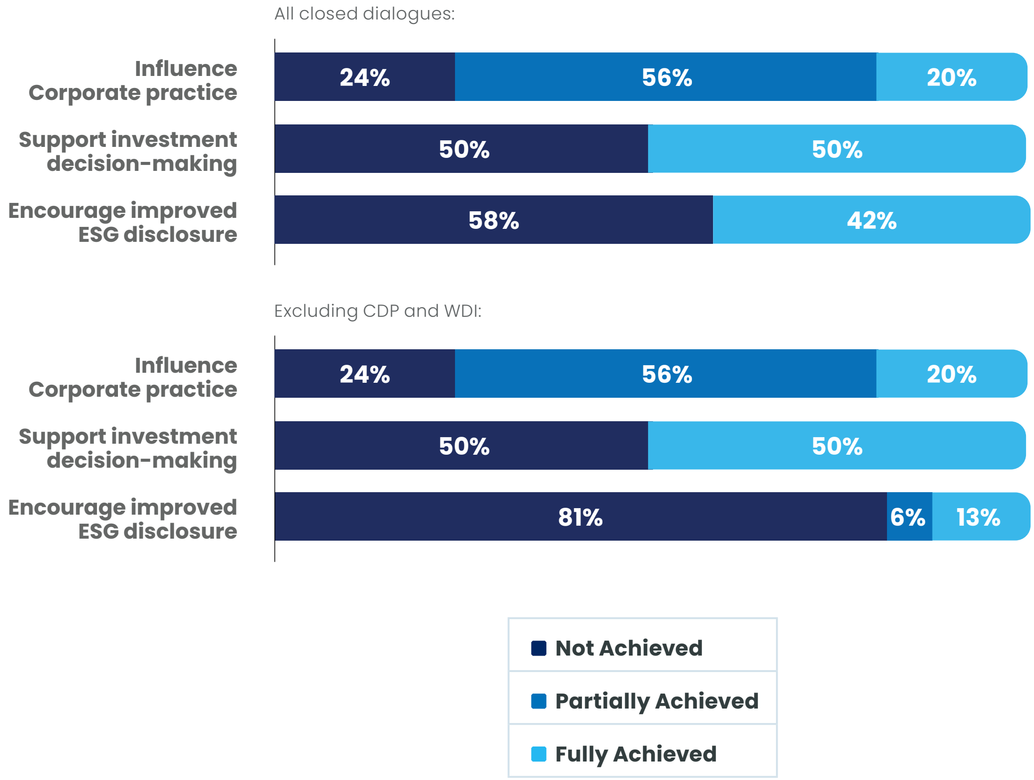
Collaborative dialogues breakdown by impact on Candriam ESG opinion

Impact on opinion	Ex. CDP and WDI	All
Reinforced analyst opinion	95%	99%
Positive impact on analyst and related ESG scoring	5%	<1%
Negative impact on analyst and related ESG scoring	0%	0%

Influence on opinion does not systematically mean a change in ESG eligibility.

Breakdown of collaborative dialogues by primary objective achievement level

During 2023, a total of 16,372 collaborative dialogues with corporate issuers were closed. Excluding those held with CDP and WDI, a total of 43 were closed.



Voting statistics.

Decoding the figures: a look at 2023

An effective voting process requires a well-structured and efficient organization. At Candriam, the coordination between the ESG Voting Team and the Middle Office is pivotal to executing these shareholder and other rights.

Candriam ensures the accuracy of listed equity/bond positions, cash balances, and transactions for the funds within our voting scope through daily reconciliation with the custodians. The relevant custodian transmits the listed equity/bond positions to our Proxy Voting provider, ISS, who forwards the vote (chain of voting instructions with associated voting rights) to the sub-custodian based on the listed equity positions provided by the custodian, potential specific voting rules[1], and reconciled by Candriam..

The funds element of our voting scope primarily includes predominantly equity funds, along with some balanced funds and pure fixed-income funds. During 2023, we did not receive any invitations to participate in bondholder meetings.

All funds which fall under the Candriam Proxy Voting Policy are voted in the same way. The voting policy employed for our 2023 ballots, along with the updated policy for 2024, can be found on our website.

Controls and operations: How does our Middle Office contribute to effective and active voting?

Candriam's proxy voting policy applies to open-ended equity funds[2] managed by entities within the Candriam group.

For dedicated funds and mandates (segregated accounts), the decision to delegate voting authority to Candriam is at the discretion of Candriam's clients, and the terms of delegation (or non-delegation) are outlined through contractual agreements determined in advance.

In cases where a client opts not to delegate voting decisions to Candriam, the client may choose to either vote directly or to abstain from voting altogether. Delegated voting for segregated client accounts can take one of two forms:

- The client specifies that Candriam applies its Proxy Voting Policy to its segregated account, or
- The client specifies that Candriam applies 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). In such a case, clients may override Candriam policy in specific situations, or
- The client instructs Candriam to apply the client's own specific voting policy.

Under these circumstances, the client has the option to request advance notification of our voting intentions and has the authority to make amendments if desired.

At the time of this publication (March 2024), Candriam does not allow clients to direct the voting for securities in pooled accounts. Names of asset owners with voting mandates or dedicated funds managed by Candriam are confidential.

1 E.g., participating to some AGMs may require to block the voting shares during a long period. If the involved investment team considers such a blockage puts at risk the fund's investment strategy, Candriam will inform ISS of a specific voting rule ensuring not 100% of the shares will be blocked.

2 The list of Candriam Equity open-ended funds can be accessed via our Voting dashboard.

Voting scope

	Candriam Policy		Client Custom Policy
Voting funds	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 2023	45	35	18
No. Voted Meetings at end 2023	1,662	1,058	192
% Voting funds (in number) vs total eligible to vote, with the category at end 2023	97.8%	Not relevant*	Not relevant*
% Voting funds (in AUM) vs total eligible to vote, with the category at end 2023	99.7%	Not relevant*	Not relevant*

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

More to read under

Candriam Proxy Voting Policy
Candriam Proxy Voting Dashboard

For the equity open-ended funds segment of our voting scope, we voted in 97.5% of the meetings where we were eligible to vote in 2023. Non-voted meetings resulted from nine categories 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;
- Incorrect deadline set by the settlement location;
- Prohibition of split votes in specific markets;
- Discrepancy on the agenda to be voted by the proxy advisor;
- Holding position without voting rights.

On average in 2023, for every position we voted under the Candriam Proxy Voting Policy, we exercised our vote on 94.7% of the associated voting rights.

Details 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 reports or dedicated reports we deliver directly to those clients.

For funds and mandates applying the Candriam Proxy Voting Policy, Candriam uses a serviced provider, ISS, to exercise voting rights, as detailed in the voting policy.For custom policies, Candriam may use additional proxy advisers.

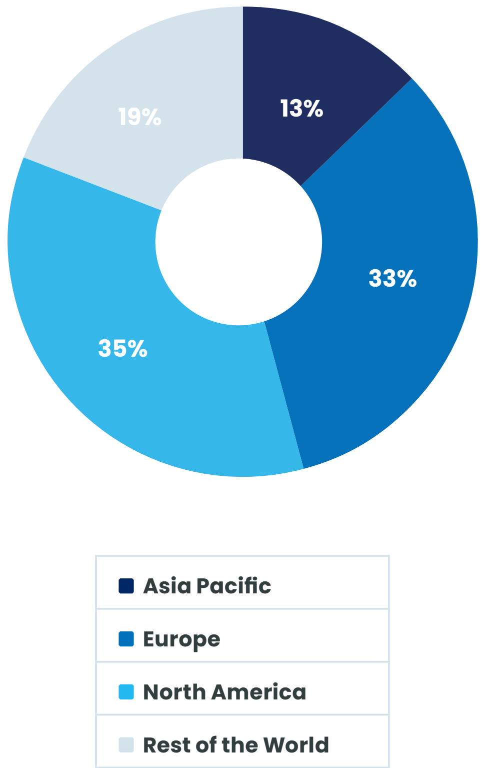
Any confirmed breach of voting principles identified for any voting fund is communicated in the annual report(s) of the respective fund(s) when relevant. Similarly, any exceptions made to the chosen voting policy is also communicated in these reports. In 2023, there were two breaches due to an operational incident and two exceptions to our voting policy. All are being reported in the respective annual reports.

No conflict-of-interest situations arose during 2023.

Geographical distribution of meetings voted in 2023

In 2023, we participated in 1,876 equity meetings and voted on 24,917 resolutions for our open funds, dedicated funds and mandates under our Candriam Proxy Voting Policy.

The geographical split of meetings voted follows (for open-ended equity funds, mandates and dedicated funds included in our voting scope):



Our votes by topic.

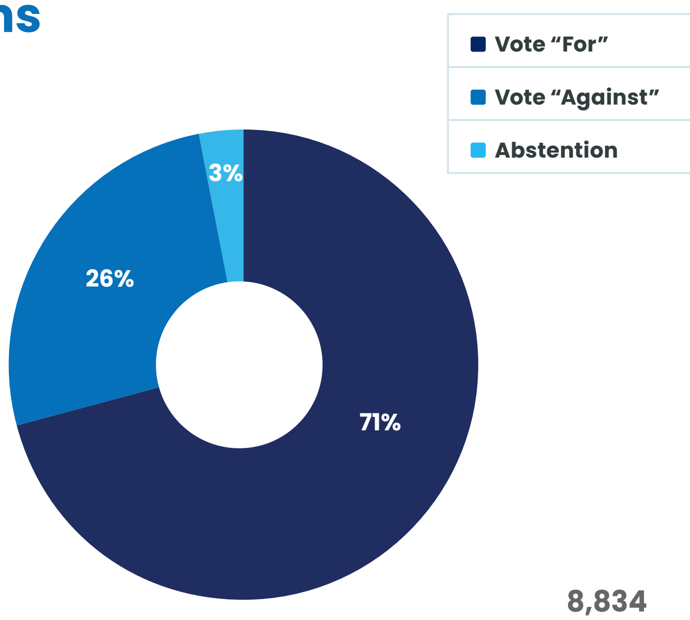
For company-specific and resolution-specific details, please refer to our [Candriam Proxy Voting Dashboard]

Management resolutions

Overall approval rate

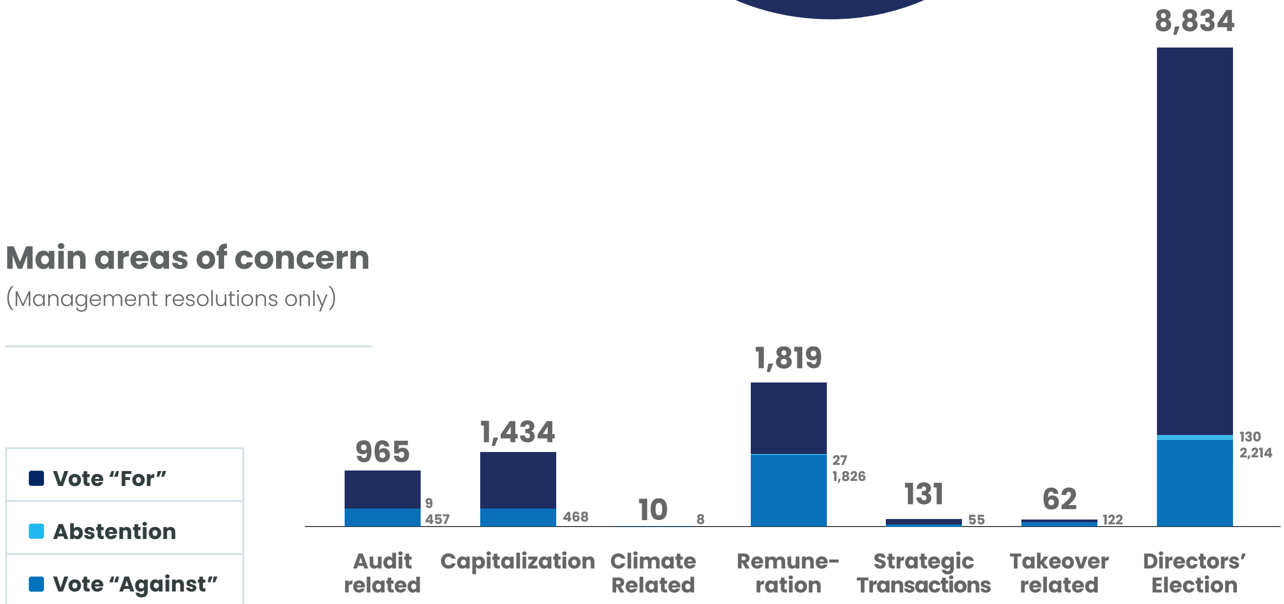
(Management resolutions only)

Candriam supported 71% of the resolutions put forth by managements in 2023 (the same approval level, 71%, as in 2022). The bedrock principles of our Candriam Proxy Voting Policy include upholding the rights of and equal treatment of shareholders, ensuring the accuracy of financial information, and emphasizing the accountability and independence of the board.



Main areas of concern

(Management resolutions only)



We consistently tie our support for directors to governance issue. Specifically, concerns regarding board composition and efficiency, which may include director independence, overcommitment, and executive compensation, may trigger a vote Against specific directors. Candriam holds boards responsible by specifically focusing on individual directors for the (mis)handling of matters under their purview, particularly environmental and social oversight. In 2023, we voted Against 49 directors for inadequate oversight of ESG risk exposure at companies.

The comparison to our 2022 votes is affected by a change in our voting policy for US companies. Candriam now expects the tenures of US directors to be limited, although this is not considered a condition for independence in the US as it has been in Europe. As part of voting policy, a vote Against the election of the most-tenured director (excluding the CEO) is triggered if the board's average tenure exceeds nine years. We implemented this for the 2023 voting season.

Our votes also reflect a slight increase in our support for remuneration-related proposals due to our policy change. In 2023 we changed our guideline, increasing our maximum for variable remuneration and annual bonus in executive remuneration plans. Our main reasons for voting Against a remuneration-related proposal remain unchanged – that is, lack of information on the performance assessment under variable remuneration, weak risk mitigators and/or non-challenging and less-than-robust performance criteria. One of the most common approaches to reward subpar achievement in existing performance plans is to issue discretionary payments to executives without evident and transparent performance benchmarks. This includes any extraordinary payments and retention bonuses without robust safeguards (objective performance criteria, sufficient vesting periods), and/or sign-on awards which exceed the amount of awards forfeited when leaving previous employers).

Election of directors

	2023 No..	2023 %	2022 %
Votes For	8,834	79.0%	78.5%
Vote Against	2,214	19.8%	20.8%
Abstention	130	1.2%	0.7%

Auditor related

	2023 No..	2023 %	2022 %
Vote For	965	67.4%	72.6%
Vote Against	457	31.9%*	26.5%
Abstention	9	0.63%	0.91%

* Please note that this increase is due to a decline in the number of proposals in 2023. Therefore, while the percentage of Against votes increased, the absolute number of proposals we voted Against decreased slightly compared to 2022. The abstention votes were cast in markets where an Against vote is not a possible option.

For more information on the Say-on-Climate votes, please refer to the Climate section in our Thematics overview..

Remuneration proposals

	2023 No..	2023 %	2022 %
Vote For	1,819	49.5%	43.6%
Vote Against	1,826	49.7%	55.6%
Abstention	27	0.7%	0.8%

Capitalization changes

	2023 No..	2023 %	2022 %
Vote For	1,434	75.4%	78.9%
Vote Against	468	24.6%	21.1%
Abstention	0	0%	0%

Takeover-related

	2023 No..	2023 %	2022 %
Vote For	62	33.7%	40.7%
Vote Against	122	66.3%	59.3%
Abstention	0	0%	0%

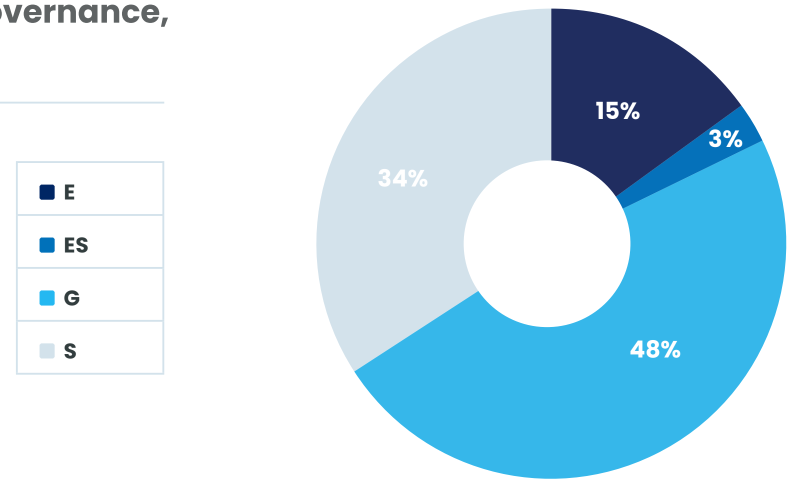
Shareholder resolutions

Candriam internally and systematically analyses all shareholder resolutions. In 2023, Candriam backed the majority of shareholder proposals advocating for increased disclosure regarding company ESG strategies. This is reflected in the ranking in the ShareAction's 'Voting matters 2023', where Candriam has secured the sixth position.

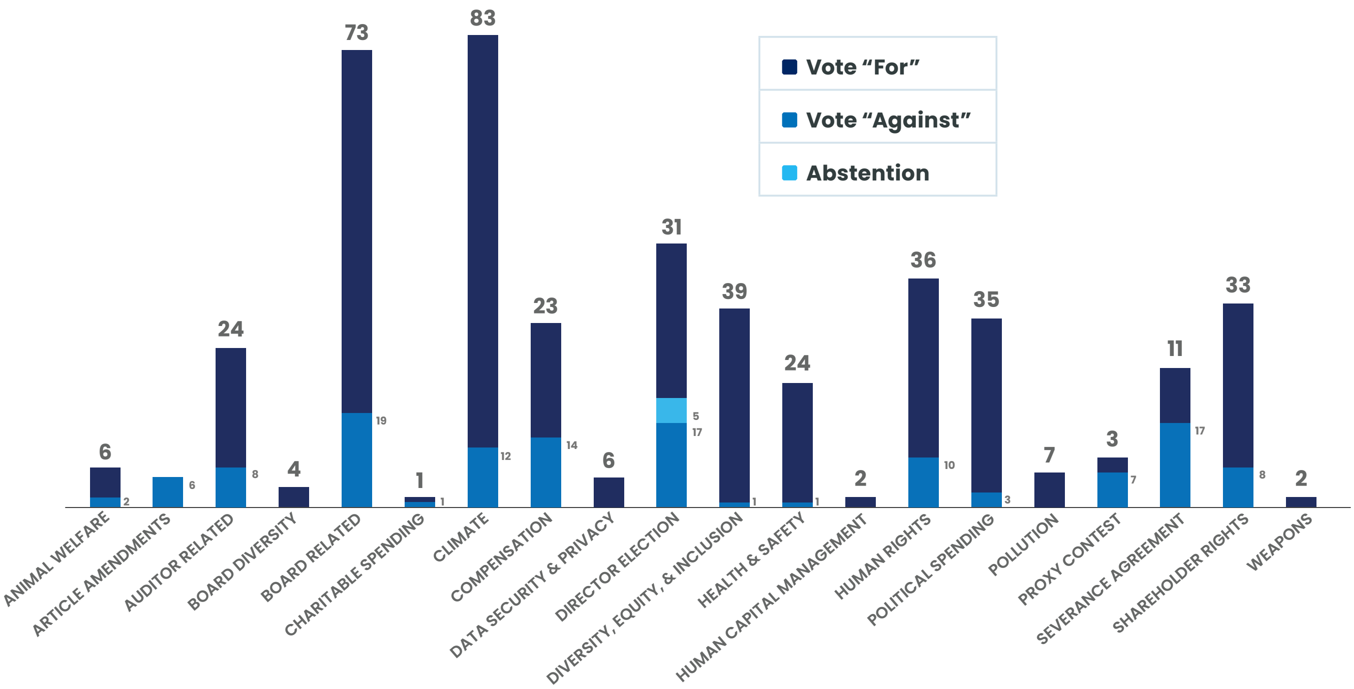
Do you want to know how Candriam compares to peers ?

[ShareAction Voting Maters]

Environmental, Social, Governance, or a combination?



Shareholder resolutions by subject



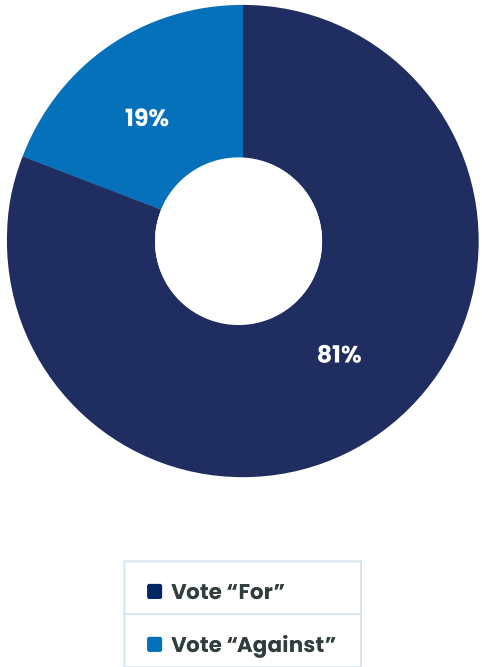
Note : 114 company-specific shareholders resolutions were also voted in 2023. These are not mentioned in the above chart.

Votes on E and S resolutions

Overall, Candriam supported 81% of all **E** and **S** resolutions in 2023 (vs 85% in 2022). The four-point decrease reflects the rising number of anti-ESG proposals, together with the deeper analysis of the proposals by the Voting Team. Increasingly, greater attention is directed towards analyzing the nature of the request and assessing the risks and costs associated with ESG factors when considering E&S resolutions, rather than automatically voting in favor of every E&S resolution.

With that said, our support for a measure does not indicate complete agreement with every aspect of the resolution, nor does it signify alignment that we are fully aligned with the rationale of the resolution. In cases where we support the motivation behind the proposal, but have concerns over the actual wording or the request, we articulate this in our rationale for the vote.

In all cases, Candriam considers the distinct circumstances under which each company operates and the efforts made to enhance alignment between their practices and the delivery of long-term shareholder value. This is why our Voting Team analyzes all shareholder proposals internally, in coordination with our sector specialists.



Environmental shareholder proposals

While we acknowledge that stewardship is not measured by the number of proposals supported, our votes on shareholder proposals are a true reflection of the in-house ESG opinion and the engagement we have with our investee companies. Our support of 84.6% of these environmental proposals underscores our long-standing priority of enhancing transparency and oversight to address environmental risks faced by investee companies.

We do not hesitate to vote Against resolutions with which we disagree. For example, a resolution at Toronto-Dominion Bank 2023 AGM asked the bank to "Invest in and Finance the Canadian Oil and Gas Sector". This proposal was submitted by InvestNow, a Canadian not-for-profit lobbying for continuing the expansion of the Canadian Oil & Gas sector. This is a clear example of an anti-ESG shareholder proposal that we did not support.

To further our efforts, we also co-filed a climate-related resolution at Engie's 2023 AGM to amend the company's articles of association to allow management to hold a consultative vote on its climate strategy every three years, or following a modification of the strategy, and to vote annually on its implementation. While the vote fell short of the required 66% for resolution adoption, it gained approval from 24.4% of shareholders, or 44.5% when excluding the French State. ENGIE's chairman recognized the significant shareholder support for this resolution, and he stated that the vote indicates that the company needs to enhance the shareholder dialogue.

On Nature specifically, we supported all US AGM resolutions this year requesting reports on efforts to reduce plastic use.[1]

[1] Dow Inc, The Kroger Co, Amazon.com, Yum! Brands, Sysco Corp, McDonald's Corp, Exxon Mobil, Phillips 66.

Social shareholder proposals

In response to movements advocating for diversity and inclusion in recent years, there has been a notable rise in the submission of social-related proposals at general meetings. Resolutions requesting civil rights and non-discrimination audits have been among the most frequently submitted since 2021, particularly in the US. Candriam has backed similar types of resolutions at US meetings where the company has not already been providing sufficient disclosures concerning diversity, equity, and inclusion initiatives and commitments.

Reproductive rights are also part of annual meeting discussions since the reversal of the Roe v Wade reproductive decision by the US Supreme Court. This year, the request was for companies to report on risks related to fulfilling information requests for enforcing laws that are criminalizing abortion access. At six companies, we voted For such proposals, asking the company to disclose potential risks and mitigation strategies regarding the fulfilment of information requests for the enforcement of state laws related to reproductive rights, as such data may be used for detecting individuals exercising their fundamental rights.

We believe that personal data protection is a proxy for plenty of other individual human rights and freedoms. As such, we recommend that companies consider the implementation of a data privacy policy where all consumers have deletion rights and would be notified about law enforcement information requests, and the report should include the input of reproductive rights and civil liberties organizations as the filers also suggest.

Aligned with the growing and sustained interest in tax transparency, we consistently vote in favor of proposals requesting country-by-country tax reports. These reports assist us in evaluating whether our investee companies contribute their fair share of taxes and help us assess overly-aggressive tax planning. This year, we saw similar proposals at six companies.[1]

Governance shareholder proposals

In 2023, we voted on 331 Governance-related proposals, supporting 209 (63%). The themes were mainly the independence of board chairs, amendment of remuneration policies including severance structure and clawbacks, and rights to call special meetings and nominate dissident nominees to boards.

We systematically vote For resolutions requiring an independent board chair, as this provides a safeguard at the board level to protect minority shareholders.

1 ConocoPhillips, Amazon.com, Inc., Exxon Mobil Corporation, Brookfield Corporation, Cisco Systems, Inc., Microsoft Corporation

Active ownership.

Candriam is an active shareholder, consistently initiating discussions with a defined set of companies leading up to each Annual General Meeting (AGM) season. Our proactive engagement aims to explain our perspectives and enable managements to better meet investor expectations regarding corporate governance.

In our role as stewards of the voting policy, the Proxy Voting Committee is kept abreast of interactions with companies, allowing the Committee to assess potential courses of action. These actions may include, but are not limited to, jointly filing a shareholder resolution, initiating collaborative engagement efforts, pre-declaring votes, or presenting queries during general meetings.

For more details regarding the tasks and responsibilities of the Proxy Voting Committees, please consult Section 4.1 of the Candriam Proxy Voting Policy under the Proxy Voting Committee section.

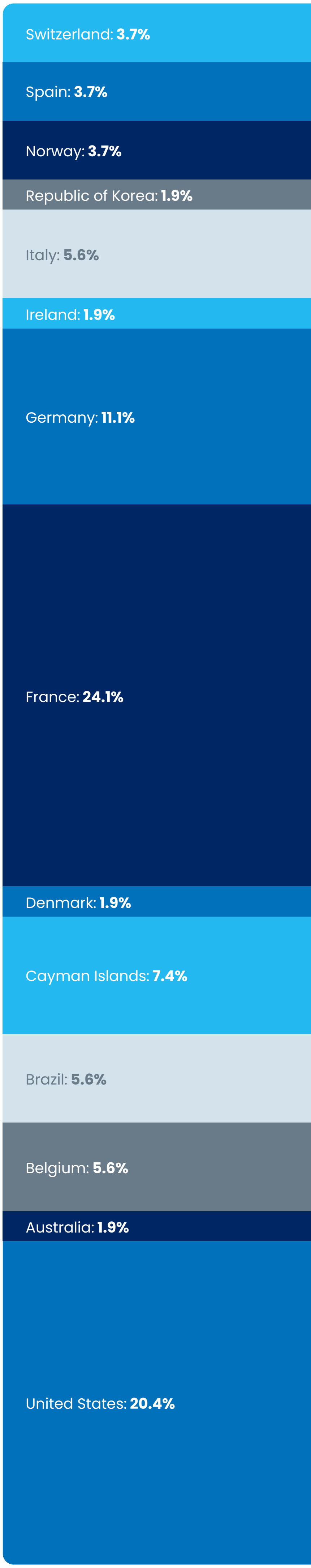
Pre-AGM campaign

Candriam highly values pre-AGM engagement, as it provides constructive discussions with investee companies. We articulate our voting approach and expectations regarding corporate governance practices, while gaining insights from investee companies about the challenges they may be facing. Understanding how companies are addressing these challenges can help alleviate our concerns.

Over the years, we have observed significant benefits from these conversations in enhancing our analysis of votes and refining our voting approach, particularly in the context of European companies. This year, we expanded our pre-AGM engagement initiatives to include North American and Emerging companies. In 2023, our pre-AGM voting analysis involved dialogues with companies from various regions, including Europe, Asia (including South Korea), Brazil, and the United States.

In 2023, we contacted 41 companies with a response rate of 69%. In addition to those engagements we initiated, 12 investee companies reached out to us to organize a discussion on their ESG practices ahead of their meetings.

Governance engagement attempts by country

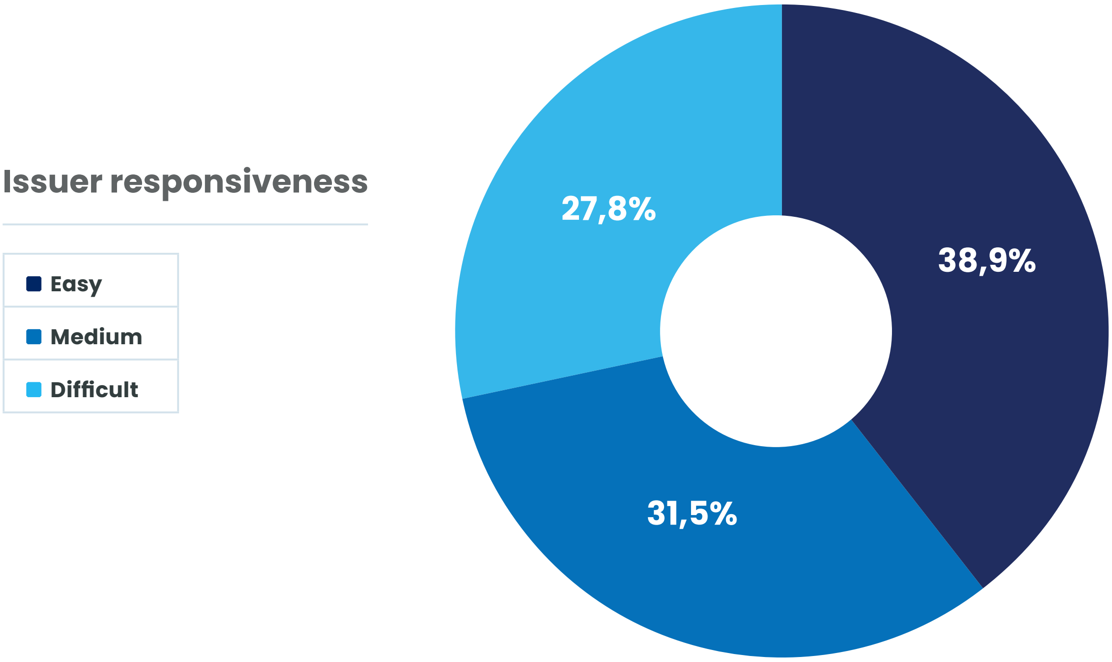


The primary emphasis of all pre-AGM engagements lies in the examination of board composition and remuneration, with additional attention given to capital structure and the safeguarding of shareholder rights. We view pre-AGM dialogues with companies as valuable opportunities to exchange diverse perspectives, enabling us to elucidate our governance approach.

Simultaneously, these discussions offer a platform to gather insights from companies, potentially addressing or alleviating our concerns. The knowledge is systematically reflected in our votes and rationales during the proxy voting season.

Following the voting season, and in conjunction with our investment teams, we identified 15 companies grappling with ongoing challenges in their governance structures. This led to the initiation of a secondary engagement process in the latter part of 2023, strategically timed to prepare for the upcoming 2024 AGM. Our overarching goal is to actively shape and influence positive changes in the practices of these companies.

Issuer responsiveness



Pre-declaration of votes in 2023

For 2023, we introduced a systematic method of pre-declaring our intentions, utilizing both a Candriam pre-declaration webpage and the dedicated UN PRI Voting webpage. This allows us to signal concerns publicly before the official voting date, and to share any observed improvements resulting from our engagement efforts.

Our pre-declaration of voting intentions can serve as either an escalation measure or a response to stakeholder demands for increased transparency, aligning with our engagement objectives. In 2023, Candriam pre-declared our voting intentions at 14 meetings for 26 resolutions. To predeclare our voting intention, our intention must relate to a sensitive resolution (next chapter), and must be linked to case of specific interest recognized by the Candriam Proxy Voting Committee. For example, climate-related resolutions may fall under this category, as well as any new topic for which Candriam's current voting policy does not yet defінge explicit guidelines, or controversy-related voting items.

More to read under

[Predeclaration of Voting Intentions]

Other escalation tools

Utilizing resolutions and/or raising queries at AGMs are standard practices among responsible investors. These methods are commonly employed to escalate engagements that have been unproductive, or to align with our investment strategies and the principles for which we advocate. Below, we summarize our escalation cases during 2023.

Escalations

Measure	Companies	Topic	Outcome
Resolution co-filing, in cooperation with Assogestioni	Moncler SpA	Nomination Slate	Passed.
Resolution co-filing, in cooperation with Phitrust	Stellantis NV	Shareholding Structure	The quota of shares required for the effective resolution co-filing was not reached.
Resolution co-filing, in cooperation with other European investors	Engie SA	Climate	Received 24.4% support from all shares voted.
AGM question , Financials & Climate, collaborative initiative, coordinated by ShareAction	BNP Paribas SA	Climate	Difficult to ask the question during the AGM, hostility from the other individual shareholder in the room. But ultimately an answer has been received.
AGM question , Climate Change & Biodiversity, collaborative initiative, coordinated by ShareAction	Crédit Agricole SA	Climate	Detailed answer received.
AGM statement , Climate Change & Biodiversity, collaborative initiative coordinated by ShareAction	Barclays Plc	Climate	Detailed answer received.

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. This list is based mainly on flags raised by our ESG or Investment Teams, on controversy monitoring, and on engagement and voting history.

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 2023 we reserved a minimum position of 50% in order to preserve our voting rights, but our average voting percentage is higher (97.5% in 2023 and 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 following tables enumerate by topic the resolutions we targeted at these 378 highly sensitive meetings, and the alignment of our vote with that of other voting shareholders.[1] 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.

Do you want to know more about our approach to securities lending, recall and mitigation measures in place to avoid empty voting ?

Candriam Proxy Voting Policy

Mergers and Acquisitions

Ten resolutions flagged as 'most sensitive' due to a significant M&A transaction on the agenda **where we did not support the item.**

Aligned*	0
Partially aligned (resolution passed with at least 20% dissent)	3
Not aligned (resolution passed with less than 20% dissent)	7

*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

Of 204 **E** and **S** Resolutions (excluding climate resolutions) flagged as 'highly sensitive,' for which we wanted to exercise our full leverage and **were supported.**

Aligned (resolution passed)	5
Partially aligned (resolution failed with at least 20% support)	82
Not aligned (resolution failed with less than 20% support)	117

1 When we indicate 20% dissent, we mean 20% of those shares which were voted.

Shareholder Climate resolutions

Of 45 shareholder climate proposals **supported** at companies flagged as 'most sensitive' for climate-related reasons, of which two were withdrawn.

Aligned*	9
Partially aligned (Candriam voted For and resolution failed with at least 20% support)	12
Not aligned (Candriam voted For and resolution failed with less than 20% support)	24

*Aligned data field includes cases where Candriam voted For the resolution and the resolution passed and where Candriam voted Against and the resolution failed.

Management Climate resolutions

Of 11 management climate proposals voted at companies flagged as 'most sensitive' for climate-related reasons.

Aligned*	3
Partially aligned (Candriam voted Against and the resolution passed with at least 20% dissent)	1
Not aligned (Candriam voted Against and the resolution passed with less than 20% dissent)	7

*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

Of 62 management resolutions on discharge and director elections 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)	2
Not aligned (resolution passed with less than 20% dissent)	60

Governance concerns and Engagement

A total of 493 management resolutions on director elections, compensation and auditor-related topics at companies were flagged as 'most sensitive' for weak governance reasons combined with significant Candriam holdings in these companies. Of these, Candriam did not support 221 resolutions:

Aligned (resolution failed)	0
Partially aligned (resolution passed with more than 20% dissent)	89
Not aligned (resolution passed with less than 20% dissent)	132

Historical dissent from shareholders

Last year, only one resolution was subject to a 'high dissent' trigger. This year, for that company, Candriam again voted Against the same resolution. Our Against vote this year reflected our significant holding of the name, our Governance-related concerns, another high dissent level in 2022, and the lack of response from the company to address the broad shareholder dissent.

Apart from this one resolution, 16 other resolutions were voted Against due to our significant holding, governance related concerns and the presence of high dissent levels in 2022 at companies that were not flagged at the beginning of the year for high dissent trigger. The resolutions passed, but two received more than 20% dissent, a significant portion of the investors aligned with our vote. Therefore, the alignment is considered 'Partially aligned' for these two resolutions.

Aligned (resolution failed)	0
Partially aligned (resolution passed with more than 20% dissent)	2
Not aligned (resolution passed with less than 20% dissent)	15

Meetings of **specific interest**

Highly sensitive resolutions, like those mentioned earlier, represent just one segment of our targeted items.

Our Voting team consistently examines resolutions across different categories, utilizing various criteria throughout the year to identify meetings categorized as 'of specific interest.' If a meeting warrants interest for the triggers detailed below, or for any other specific reason, our Voting Team analyses the general meeting agenda to determine whether an item should be targeted.

The ultimate goal of these internal analyses is to fulfil our role as Active Owners and exert the highest possible influence as stakeholders in the company.

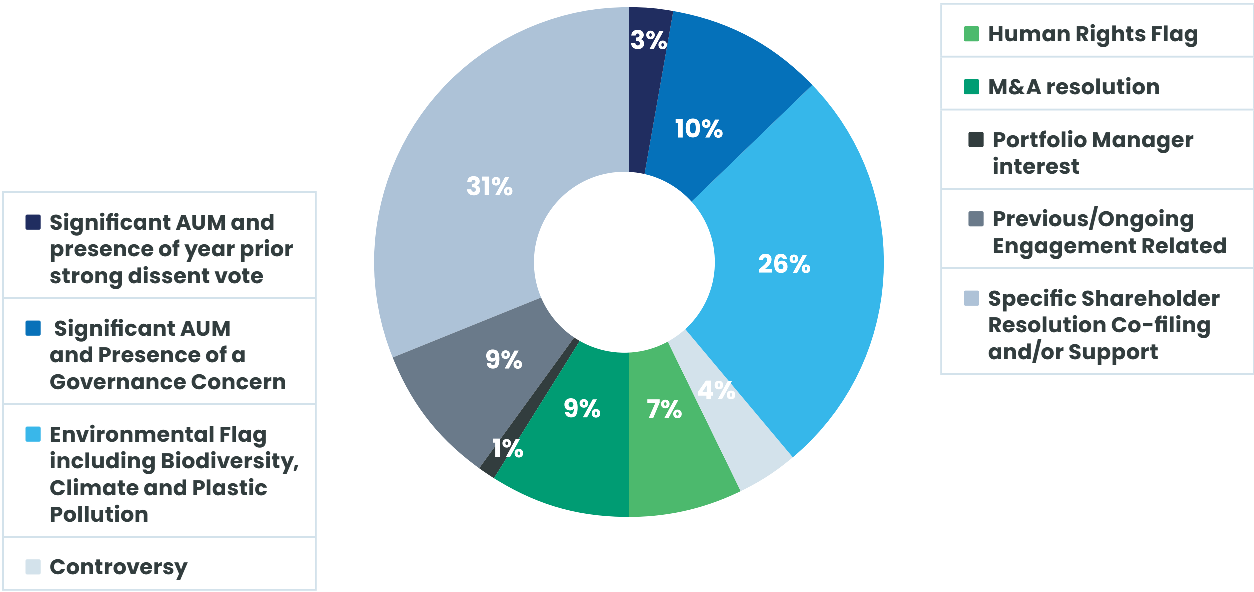
Want to know how we work with proxy advisors ?

The topics of those meetings can generally be group under nine categories:

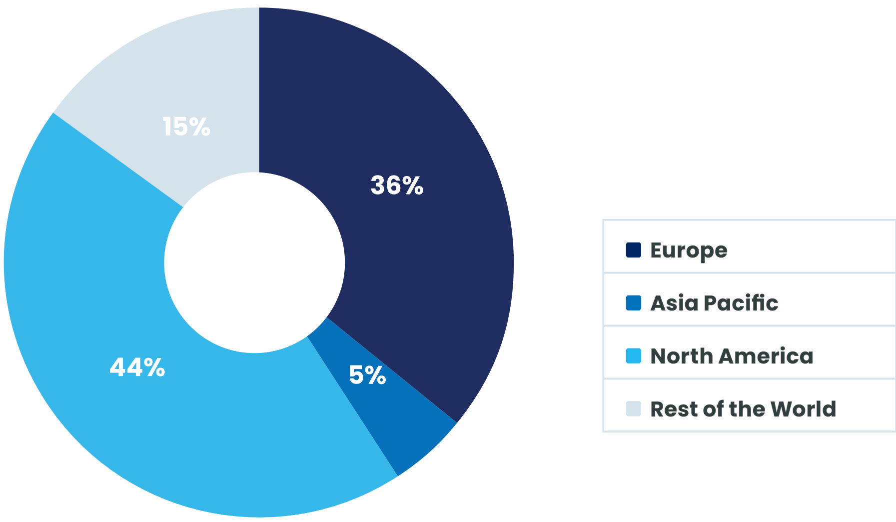
- Significant holdings and Governance concern
- Environmental flag eg, Biodiversity, Climate, Plastic Pollution
- Controversy
- Significant holdings and presence of year prior strong dissent vote
- Human Rights flag
- M&A
- Investment manager interest
- Previous/ongoing Engagement
- Specific Shareholder Resolution Co-filing and/or Support

In 2023, we internally re-analyzed 636 meetings, of 582 different companies, for a variety of those reasons. Of these 636 meetings, 378 were deemed highly sensitive (with at least one highly sensitive resolution) as detailed under Votes on Sensitive Resolutions Section.

Main Trigger Reason	Number of Meetings (Reanalyzed)
Significant AUM and presence of a Governance concern	62
Environmental Flag including Biodiversity, Climate and Plastic Pollution	163
Controversy	26
Significant AUM and presence of year prior strong dissent vote	18
Human Rights Flag	43
M&A resolution	58
Portfolio Manager interest	7
Previous/Ongoing Engagement Related	60
Specific Shareholder Resolution Co-filing and/or Support	199
Total	**636 (vs 626 in 2022)**



The geographical distribution of all sensitive meetings analyzed in 2023 is shown in the chart below:



To illustrate our approach-- and in addition to the examples provided under the Governance and Climate Sections of this report -- we offer eleven case studies originating from the Environmental, Social, or Governance realms during our 2023 voting season. Each case defines the priority trigger, background details, rationale, and the overall outcome.

Comprehensive information on all our votes, including the rationale for 'Against' votes, is accessible through our voting dashboard.

Case studies.

Environmental

Icade SA

AGM, April 4, 2023
Priority Trigger: Say-on-Climate

Item 16: Approve Company's Climate and Biodiversity Transition Plan

Vote: FOR

Rationale:

We support this resolution because Icade did validate SBTi targets (Science Based Targets initiative) for its promotion division, and has set medium-term targets for both the promotion division and the healthcare division. We welcome the new commitment of the company to put this resolution up for a vote every year and commend the company for its Biodiversity reporting and commitments.

Going forward, with the anticipated deconsolidation of Icade Santé (announced divesture of Icade's stake to Primonial REIM), we expect transparent disclosure on medium-term and long-term sustainability targets. We do note the poor disclosure around the compensation policy of incoming CEO Nicolas Joly, and would welcome increased disclosure of the company's STIP[1] and LTIP performance criteria, including short-term and medium-term objectives of the Climate and Biodiversity transition plan. Outcome: 98.3% of support, Passed.

Canadian National Railway Company

AGM, April 25, 2023
Priority Trigger: Say-on-Climate

Item 4: Management Advisory Vote on Climate Change

Vote: AGAINST

Rationale:

Although Canadian Pacific Railway has committed to a 1.5° ambition, the decarbonization strategy is not yet aligned with 1.5°C pathway requirements.

The company targets are partial (CN discuss only short- and medium-term targets) and do not cover all Scope 3 emissions. The disclosure on capital spending is limited without enough granularity, and the company's end-market commodities (petroleum, chemicals, coal, fertilizers, etc) are highly linked to Canada's resource-based economy and therefore unlikely to change drastically.

We voted For in 2022, even though we identified some gaps in their climate strategy and reporting in order to encourage the company to improve. However, we felt the improvements this year were insufficient, and this year we voted Against. Outcome: 96.5% of support, Passed.

1 Short-term incentive program, long-term incentive program.

JPMorgan Chase & Co

AGM, May 16, 2023
Priority Trigger: Climate sensitive issuer, plus Environmental shareholder resolution.

Item 6: Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development

Vote: FOR

Rationale:

While JPM has committed to align its financing with the goals of the Paris Agreement by achieving net-zero by 2050, the bank continues to finance new fossil fuel projects, in contrast with what the latest scientific findings. JPM is reportedly the world's largest funder of fossil fuels for the period from 2016 to 2022, lending 34% more than the second highest bank.[1]

Without specific policy and plan to phase out its oil and gas financing, JPM will be exposed to increasing reputational, regulatory, transition and competitive risks going forward. Therefore, we strongly support this resolution and urge JPM to take the necessary steps to align its climate strategy with the best practices within the sector. Outcome: 8.1% of support, Failed.

Social

Chocoladefabriken Lindt & Spruengli AG

AGM, April 20, 2023
Priority Trigger: Controversy

Item 6.1.1: Reelect Ernst Tanner as Director and Board Chair

Vote: AGAINST

Rationale:

A vote Against is warranted because the nominee is a non-independent director and the board is less than 50% independent. Moreover, we would like to highlight the continued risks of child labor in the company's supply chain and the fact that the company and the long-tenured directors have been expected to address the issue in an adequate and sufficient manner. We note the adoption of the Child Labor Monitoring Remediation Systems (CLMRS), preventive measures (e.g. summer schools for workers' children) and other investments and incentives for farmers (including a living income program).

However, the system lacks further details regarding their cocoa supply chains. How many farmers in total are part of their value chains (this is key to see if the covered farmers in the value chains are significant or minor in comparison to the total share of farmers actually there)? How exactly does the company track positive evolution so far (the data from CLMRS concerning Lindt's risk of child labor in farming households of cocoa-sourcing countries is from prior years). The cocoa from child labor risk covered by CLMRS stood at 57% for the year 2021.[2]

- The share is rather unsatisfying considering the long-ongoing nature of the issue.
- It is not clear why the remaining part is not covered.
- No information can be found for 2019 and 2020.

Considering that the nominee serves on the sustainability committee while also holding the position of chairman of the board, it raises questions on the ability to fully address these sustainability issues. As such, we do *not* support his re-election. Outcome: 78.8% of support, Passed.

1 As You Sow, December 2023. Resolution details. Accessed 25 March, 2024.
2 International Cocoa Initiative. September 2021. Risk models for predicting child labour. Accessed 25 March, 2024.

Eaton Corporation Plc

AGM, April 26, 2023

Priority Trigger: Human Rights

Item 1a: Elect Director Craig Arnold

Vote: AGAINST

Rationale:

We do not support the election of the nominee as he serves as both the company's CEO and Chair, which we consider to be a breach of recognized good governance practices. Our opposition is intended to flag the company's corporate governance practices and to push the management to deliver this change. This vote should not be viewed as an expression of judgment or discontent with overall management team or with company performance.

Further, our opposition is due in part to the company's exposure and limited structural changes to address identified human right risks in terms of Uyghur forced labor in its supply chain. Indeed, Eaton's supply chain has been linked to Uyghur forced labor through a contract with Daqo New Energy Corp, a polysilicon provider. We acknowledge that this is a structural issue for nearly all Chinese companies that sell solar panels as they are often in Dago's downstream value chain. Our concern was heightened following our collaborative engagement via the Investor Alliance[1] with the United Church Funds, which proved to be disappointing and unsuccessful. The company considers their Code of Conduct sufficient to address the identified human rights risks, thus leaving little hope of structural changes to address the issue in the future. Outcome: 93.8% of support, Passed.

ConocoPhillips

AGM, May 16, 2023

Priority Trigger: Specific Shareholder Resolution Co-filing and/or Support

Item 9: Report on Tax Payments

Vote: FOR

Rationale:

This resolution is fully aligned with our Candriam Proxy Voting Policy, as it pushes for more transparency by asking for a country-by-country tax report. This type of data enables us to ensure our investee companies pay their fair amount of tax, and to assess whether they are involved in overly-aggressive tax planning. Although ConocoPhillips argues that much of the requested information is already published, we believe that such a report is a negligible increased burden for the company.

We expect that additional data and would support the company's argument that it is both collaborating with various tax authorities and a significant tax contributor in the jurisdictions it operates. Especially, providing figures on its contributions on a country basis would add credibility to the company's statement as well as enable shareholders to assess the risks and opportunities arising from the company's tax practices.

Candriam considers that the country-by-country reporting of information does not lead to the disclosure of sufficiently sensitive or confidential information as to confer a competitive disadvantage, as also specified by the 2018 Review of the EU Commission. We believe that reporting on tax practices and providing stakeholders with more granularity on the taxes paid should not be seen as a competitive disadvantage. Indeed, some among the company's peers benefitted from the additional disclosure of reporting in line with GRI Tax Standards. Finally, since coming legislation will require ConocoPhillips to align with such reporting practices, taking the lead on this would help the company to gain more understanding from investors on its tax practices and on the challenges it faces. As such, we vote FOR this shareholder proposal. Outcome: 17.2% of support, Failed.

1 initiative 1 Investor Alliance for Human Rights

Governance

Stabilus SE

AGM, February 15, 2023
Priority Trigger: Governance Related Concerns and Close Monitor

Item 6: Approve Remuneration Policy

Vote: FOR

Rationale:

A vote FOR this item is warranted due to the improvements made in the remuneration policy, namely, the introduction of malus and clawback clauses, introduction of caps on total remuneration; introduction of an ESG-LTI plan for all executives, as well as the removal of the payments upon CoC within the company. However, our support is not without concern as the company has not made clear which KPIs will be used for the LTI ESG plan, and the attached weightings are not disclosed. Such lack of disclosure prevents us from fully supporting the remuneration policy.

While we acknowledge the company's efforts to link the executive remuneration with their ESG strategy, it is important for investors to understand which KPIs will be used for the assessment of the strategy and to assess whether the metrics chosen and weightings applied are material and relevant to the business. We have engaged for two years with the company over Human Capital Management and have appreciated their constant efforts to strengthen associated reporting systems as well as strong progress observed in their public disclosure on related qualitative and quantitative KPIs. We believe that the same efforts should be equally put into the communication of specific ESG KPIs chosen that are measurable, transparent and relevant and will thus concentrate this year our engagement with them on the improved robustness of their ESG-LTI plan. Outcome: 94.7% of support, Passed.

Samsung Electronics Co., Ltd.

AGM, March 15, 2023
Priority Trigger: Governance Related Concerns and Close Monitor

Item 2: Elect Han Jong-hui as Inside Director

Vote: FOR

Rationale:

A vote FOR this resolution is warranted given the absence of any known issues concerning the nominee and the company's board dynamics. However, we highlight that at the 2022 AGM, we voted Against the re-election of outside directors Kim Han-jo and Kim Jong-hun as they appeared to have not acted in the best interests of external shareholders while serving on the Board.

Specifically, our rationale behind our opposition was to underline that the outside directors have not fulfilled their oversight roles before and since the bribery and accounting manipulation investigation into Vice-chairman Lee Jae-yong. With this rationale, and fully consistent with the dialogue initiated with the company, we would like to reiterate that measures adopted by the company to strengthen ethical oversight and Board accountability after this incident would be appreciated by investors. Outcome: 97.5% of support, Passed.

LVMH Moët Hennessy Louis Vuitton SE

AGM, April 20, 2023

Priority Trigger: Governance-Related Concerns and Close Monitor

Item 4: Approve Auditors' Special Report on Related-Party Transactions

Vote: AGAINST

Rationale:

Each year, LVMH submits a shareholder vote on its related party transactions involving mainly executive directors who also hold shares at LVMH. In line with best market practices, related parties should not participate in the vote submitted to shareholders, as transactions with related parties may represent a material conflict of interests and it is the board's responsibility that all shareholders are treated fairly.

Therefore, such transactions should be up for a vote by *non-conflicted* shareholders only. The controlling shareholding group has been voting at AGMs on related party transaction items for which it can be considered conflicted. Moreover, due to the legal process in place in France, auditors are not required to give their opinion on the transaction itself nor to assess whether it is in the interest of shareholders. It is the legal responsibility of the concerned individuals to inform the chair when they are an interested party in a transaction. As the chairperson and CEO positions are combined at LVMH and the related party transactions are mainly concerning him, we raise legitimate concerns on the review and approval process of such related party transactions and vote Against this item. Outcome: 84.6% of support, Passed.

Solvay SA

EGM, December 8, 2023

Priority Trigger: Governance Related Concerns and Close Monitor

Item 3: Approve Demerger Proposal

Vote: FOR

Rationale:

While we recognize the company's rationale for the operation, namely, the needs for simplicity and for Syensqo's innovation and investment for its growth strategy, we raised doubts on the necessity to create a separate vehicle for accomplishing such targets. From a financial perspective, we have questions about the value creation behind the separation process as there are also negative synergies (EUR70m out of EUR2.3bn of EBITDA). The dividend is important to an investment case, and we raise concerns that dividend coverage will be reduced in the future, especially on the Solvay (ex-Essential-Co) side.

If the Solvay Management believes their shares are improperly valued, other possibilities exist. For example, a partial listing of the Material divisions could offer interesting prospects for investors.

Our pre-EGM engagement with the Management of Solvay (ex-Essential-Co) provided some level of assurance:

- About the resilience of the dividend policy, as their 2022-28 Pre-Capex Free Cash Flow Target includes a safety cushion of EUR 250 million per annum ahead of the dividend commitment
- About the potential savings allowed by the demerger (lower cybersecurity needs, less sophisticated ERP and CRM, better capital allocation).

As such, we are voting FOR this proposal. Outcome: 99.1% of support, Passed.

Item 18: Approve Exceptional Bonus for the CEO

Vote: AGAINST

Rationale:

While this vote should not be viewed as an expression of judgment or discontent with the current management or with the company performance, we vote Against the resolution based on our guidelines and due to:

- The proposed EUR 12 million cash bonus is in connection with the proposed demerger proposal without being subject to the successful completion of the demerger, other performance conditions or longer-term value creation following the demerger.
- The proposed one-off award is in cash, and not necessarily aligned with longer-term interests of shareholders.
- The proposed bonus is substantially above market practices and we consider it excessive.
- The company already granted an options award in connection with the demerger proposal in October 2022, further raising questions on the appropriateness of an additional EUR 12 million cash award for the CEO alone.

We acknowledge the track record of Ilham Kadri since 2019, as well as the quality of her management in complex economic and geopolitical times. She definitely appears as the most suitable candidate to manage the newly established vehicle, Syensqo. We thus understand the background of this bonus and its exceptional character as the board wants to retain Ms Kadri. However, based on Candriam voting guidelines, support of an exceptional bonus of this amount would require some safeguards (mainly existence of performance-related granting conditions, and requirement of continued employment) to protect the interests of shareholders. Our pre-EGM engagement with the Management of Solvay (ex-Essential-Co) confirmed no conditions had been defined.

As such, and in accordance with our voting guidelines, we are voting Against this proposal. Outcome: 65.6% of support, Passed.

Promoting Sustainable Development.

Industry associations and responsible investment working groups that we are part of.

	Name of Association	Joined in
SRI Working Groups within:	AFG - Association Française de la Gestion financière	2003
	BEAMA - Belgian Asset Managers Association	2004
	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 l'Investissement Responsable (French SIF FIR)	2014
	Forum per la Finanza Sostenibile (Italy SIF)	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

As an asset manager, Candriam also actively promotes sustainable finance by educating the next generation of responsible investors. With the Candriam Academy anyone can access courses designed to increase understanding of sustainable investing and ESG factors in the investing industry. As of 2023, the academy provided online free training to more than 14,500 individuals across 79 countries.

Regarding how Candriam engages with policymakers, including:

- Related governance processes in place ,
- How we ensure alignement 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 forthcoming 2023 CSR report, as well as additional details[1] on our guiding principles on ESG, promotion and influence, are available on our Publications webpage.

1 These, including our Guiding Principles and other documents on our website, are updated as changes occur.

€145 B

AUM at end Dec. 2023*

+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 31/12/2023.

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