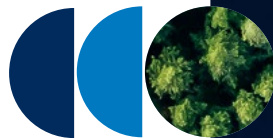
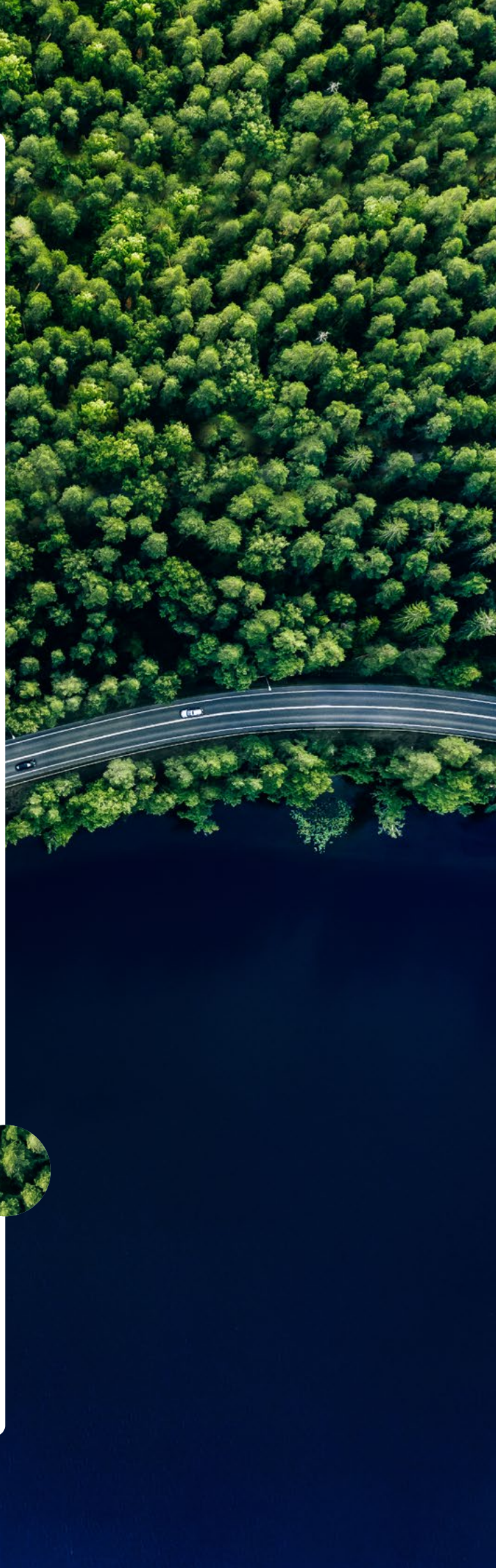


2023 Stewardship Report



OCTOBER 2024



2023

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Report

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From our Chief Investment Officer

At Candriam, our mission is anchored in Conviction and Responsibility, values so integral to our identity that they are reflected in our name: **C**onviction **and R**esponsibility **i**n **A**sset **M**anagement. Since joining New York Life ten years ago, sustainability has been at the heart of everything we do. We don't shift our focus when ESG trends fluctuate. Our commitment is unwavering, built on decades of experience and a long-term perspective.

Candriam's dedication to sustainable investing drives our mission to allocate capital toward companies that proactively address the challenges of tomorrow. Through rigorous analysis and engagement, we aim to deliver both financial returns and positive socio-environmental outcomes. With transparency and accountability at our core, we navigate the market landscape, advocating for fair practices and fostering meaningful change.

We remain committed to advancing sustainability, both within our company and among the investee companies and issuers we engage with. In 2023, we published our [first Human Rights Policy](#), both for our own employees and for those within our supply chain. Our policy is designed to help Candriam prevent, mitigate and remediate human rights risks, taking actions from influencing issuers practices during engagement to excluding some risky issuers from investments. Additionally, we updated our supplier code of conduct and introduced a new requirement that all vendor requests for proposal include an ESG questionnaire, ensuring that sustainability is embedded in every aspect of our operations.

With over 25 years of commitment to sustainable investing, Candriam manages the largest range of ESG funds in Continental Europe. Independent ESG research remains a

cornerstone of our innovative and forward-thinking investment approach. In 2023, we refined our proprietary ESG framework to define more precisely what constitutes a sustainable investment. This definition now applies at the company level for corporates and the country level for sovereigns, ensuring clarity and rigor in our sustainable investment practices.

We also took the opportunity to review our internal sustainability practices. For example, in 2023, Candriam's dedicated Engagement and Voting Team surveyed over 60 small- and mid-sized companies on their human capital management practices. The majority of these companies demonstrated a genuine belief that sound workforce practices are critical for growth and were eager to share best practices. Our own human resources team engaged with our public report as keenly as our investee companies did. To further track our progress, we report on our targets and provide five years of history across eight employee KPIs.

In 2023, Candriam updated our [Climate Policy](#) outlining our approach to assessing, managing, and mitigating climate risks while pursuing positive climate outcomes. This initiative builds up a 15-year journey of integrating climate considerations into our investment processes.

Additionally, we launched a new cross-departmental training initiative in 2023, the ESG Ambassadors program, designed to ensure that every team stays up-to-date with ESG-related training and communications. Our Candriam Academy expanded its educational offerings with three new webinars, accessible to both employees and the public. By the end of 2023, 94% of our employees – across all functions, not just fund managers – had earned the Candriam Academy accreditation.

*Source: Candriam, as of June 2024.

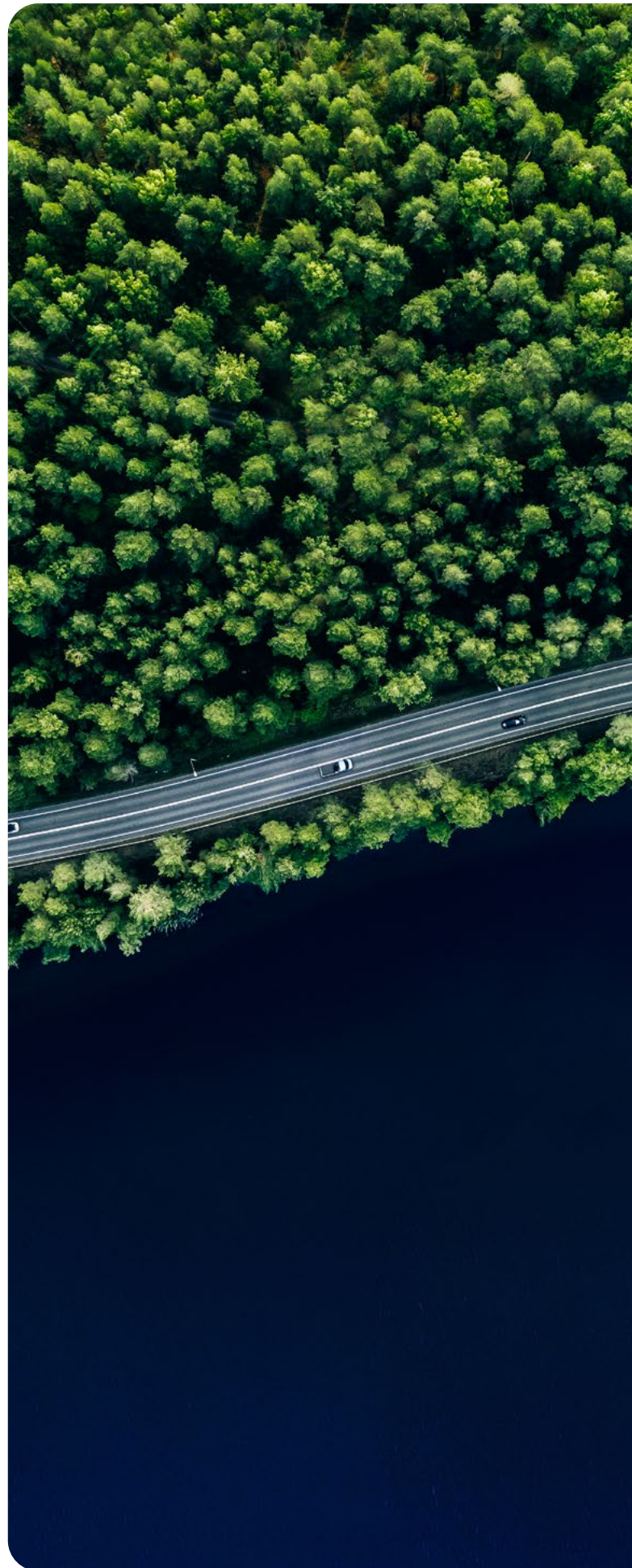
We remain committed to accompanying our clients on their sustainable journey. Stewardship and ESG issues are central to our business operations, including our client communications. During regular review meetings, we aim to keep clients informed on all components of our business processes, including our work on ESG-related issues. As companies and issuers continue to enhance their ESG transparency, we will adapt our extra-financial reporting to meet the evolving needs of our clients.

Furthermore, many of our thematic strategies allocate up to 10% of net management fees to fund the Candriam Institute for Sustainable Development, which supports not-for-profit research or projects aligned with [these](#) themes. Beginning in 2023, we also channelled discretionary funding to the Institute from the fees of other sustainable strategies to further support the Institute's mission.

While we take pride in our 2023 accomplishments, we are even more proud of leading by example – acting in the same way as we encourage our investee companies to act, bridging the past with the future.

Candriam. Investing for Tomorrow.

Nicolas Forest
CIO, Candriam



Principle 1:

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

CANDRIAM: Conviction and Responsibility in Asset Management

Candriam is deeply convinced that the international investment community must adopt a broad, holistic perspective to the relationship between economic development and the opportunities and risks associated with sustainability. We believe it is essential to fully recognise the socio-economic benefits of integrating sustainability into investments for our clients.

We are fully committed to this mission and to contributing to the sustainability objectives of the Paris Agreement and the United Nations Sustainable Development Goals. Our name, Candriam – an acronym for Conviction AND Responsibility In Asset Management – clearly conveys our dedication to being stewards of capital to the investment community and broader society.

Candriam's mission is to offer asset management services driven by Conviction and Responsibility. As an active and responsible asset manager, we therefore believe that it is fundamental to integrate environmental, social and governance (ESG) considerations into our investment products, across a broad range of asset classes, generating sustainable long-term value for our clients.

We are dedicated to providing our clients with a sustainable value proposition that meets their financial goals, actively managing both financial and non-financial risks and opportunities, and also helping the global society to achieve its sustainability objectives. By considering all material stakeholders, including customers, employees, and suppliers, we can minimise any negative impacts on the environment, societal well-being including human-rights, and the planet at large, that may potentially arise.

This philosophy is also central to our approach to Corporate Social Responsibility (CSR), which goes beyond a mere commitment—it defines who we are as an organisation. Through our sustainable investment platform and philanthropic initiatives, we strive to contribute to a more equitable and environmentally-conscious world. We believe that sustainability and social responsibility are essential for building a resilient global community.

As investors, we are unwavering in our belief that sustainable investing helps safeguard our clients from ESG-related risks, helping to generate long-term, risk-adjusted positive returns. To implement this belief, we have integrated active ownership into our investment strategy, focusing on reducing the carbon intensity of our portfolios by 50% by 2030 and achieving net zero by 2050. Engagement with issuers—both directly and collectively, as well as through voting-related activities—is central to our approach. These actions reflect our commitment to creating real-world outcomes and reinforcing risk mitigation while protecting and enhancing long-term value for our clients.

Our corporate culture is designed to support these objectives. We strive for a diverse and inclusive workplace, promoting well-being and sustainability in our environmentally-conscious operations. This inclusive and equitable corporate environment enhances our ability to attract and retain talent, ensuring our team is aligned with our sustainability goals and investment beliefs.

To implement our belief in sustainable investing, we also use the power of partnership and collective action. We actively collaborate with industry associations and educational institutions and participate in policy debates at the EU level to promote sustainable and responsible investment practices. We consider partnerships and collaboration as key in embedding sustainability across the broader financial sector. On the investor level, we offer clients and non-clients ESG education through our free, online Candriam Academy.



Moreover, through the Candriam Institute for Sustainable Development, we extend our commitment to ESG principles by supporting philanthropic activities aimed at restoring fragile ecosystems, fostering social inclusion, and advancing cancer research. We also partner with leading academic institutions to support research in sustainable finance, underscoring the critical role of education in empowering individuals and promoting sustainability.

Our efforts to drive positive and sustainable change extend beyond our organisation to the wider communities and societies we touch. By promoting ESG principles internally, externally, and in our investments, we aim to ensure they are deeply entrenched in our collective conscience, and hope to build a resilient and inclusive future where no one is left behind in the pursuit of a sustainable world.

Candriam demonstrates our commitment to serving the best interests of clients and beneficiaries by actively seeking and utilising their feedback. We gather insights through client conversations, annual client surveys, numerous client conferences, and by evaluating the performance and growth of our Assets under Management (AuM) across various investment strategies. With 25 years of experience in sustainable investment management, and products that boast over 15 years of performance history, we are able to assess the contribution of our internal ESG recommendations to their success.

As a recognised leader in sustainable and responsible investment solutions, Candriam places client needs at the forefront of its operations. We offer a diverse range of investment solutions that span multiple asset classes and are aligned with our strong convictions in sustainable and responsible investing. Our sustainable product range has expanded significantly over recent years, driven by direct feedback from both retail and institutional clients. This feedback has led us to diversify our fund offerings and venture into ESG Thematic strategies, heavily reliant on Candriam's ESG analysis, engagement, and voting activities.

Our commitment to providing sustainable investment solutions is reflected in our substantial growth in AuM. As of end 2023, we manage over £20 billion in pure sustainable and responsible investment strategies (Article 9 products under the EU SFDR regulation) and an additional £70 billion in traditional strategies that incorporate ESG principles. By the end of 2023, sustainable and responsible investing assets accounted for nearly three quarters of our total AuM of £136 billion.

In 2023, Candriam's ability to translate our commitment to responsible and sustainable investment into investment solutions and product offering to clients has been recognised by leading industry awards. Candriam was ranked among the top ESG brands by 600 asset managers globally, according to the Hirschel and Kramer (H&K) Responsible Investment Brand Index (RIBI)*. In addition, Broadridge's Fund Brands 50 report ranked us 21st in the 2023 Broadridge Fund Brands 50 report**. Candriam continues to be recognised as an ESG leader, with Morningstar¹ naming us as an Advanced Sustainable Firm. Our ESG expertise has also resulted in winning several segregated account mandates in equity and fixed income from European asset owners committed to a more sustainable future. With our tailor-made investment solutions, we allow clients to specifically target their ESG-related objectives, for instance regarding "Climate Transition" or "Climate Alignment". Our approach ensures that each client's unique environmental, social, and governance criteria are fully integrated into their portfolio managed by Candriam

Through these efforts, Candriam continually demonstrates its effectiveness in serving the best interests of its clients and beneficiaries, underpinned by our dedication to sustainable and responsible investing.

¹ The Morningstar ESG Commitment Level is a qualitative assessment that aims to help investors identify the asset managers dedicated to delivering sustainability outcomes based on three pillars: Philosophy and Process, Resources and Active Ownership.

*[RIBI 2024 – Hirschel & Kramer](#)

The quality of the ranking, award or label obtained by or attributed to the management company depends on the quality of the issuing institution and the ranking, award or label does not guarantee the future results of the management company.

** [Distribution Insight](#)

Principle 2:

Signatories' governance, resources and incentives support stewardship.

A Responsible Governance Structure supports Candriam's commitment to stewardship

At Candriam, an integral part of our ESG strategy is a commitment to transparency and oversight, maintained through a robust governance structure.

In line with our corporate governance standards, we pursue diversity across our decision-making bodies, ensuring a mix of experiences and nationalities.

We have established local management committees in Belgium, France, Germany, Italy, Luxembourg, Spain, the Netherlands, the United Arab Emirates, the UK and the US.

We take pride in our strict adherence to responsible business principles and constantly work to meet and exceed the expectations set for us.

Candriam's governance framework

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

The General Meeting of Shareholders holds the broadest powers, overseeing significant corporate actions. These include the approval of annual accounts, appointment of directors and managers and amendments to the company's objectives or form.

The Board of Directors ("BoD") is the governing body responsible for guiding our strategy and general policy, management control, risk monitoring and shareholder relations. It ensures that Candriam develops and executes a comprehensive ESG and corporate sustainability strategy. In this context the BoD is responsible for validating the relevant critical policies.

The **BoD** is supported by the following committees:

The Board of Management ("BoM") – responsible for the day-to-day management of Candriam. The BoM meets monthly and is our key decision-making body on strategic issues including ESG and corporate sustainability. It examines and approves relevant policies governing the execution of Candriam's strategy and activities, including those covering sustainability risks, climate change and social and human rights.



The Group Strategic Committee (“GSC”) – convenes twice a month to make strategic decisions and manage Candriam’s financial situation. The committee sets our strategy for sustainable investing, covering investment approach, product and commercial positioning and corporate sustainability.

The GSC also hosts sustainability focus sessions, supported by Candriam’s ESG and CSR experts. It oversees the due diligence approach for climate and human rights risks across the value chain, including the development and review of appropriate practices.

The Executive Committee – meets quarterly. It hosts cross-functional discussions around the implementation of Candriam’s strategic roadmap (as defined by the GSC/BoM) and is responsible for the follow-up across business units of operational decisions. From 2024 onwards dedicated ESG and CSR sessions are conducted to follow up on the cross-company implementation of the strategic ESG and CSR roadmaps.

The Remuneration Committee – convenes annually. The committee ensures that Candriam’s remuneration policy supports its business strategy and, where appropriate, the strategy of the managed portfolios (funds and mandates).

The Local Management Committees – meet quarterly in each branch and in Luxembourg. In the Belgian branch, they meet monthly, and in the French branch, they meet every two months.

Sustainability Governance

Candriam has around 40 people focused on sustainable governance and investment. Our consistent and aligned approach towards ESG issues is achieved through several strategic committees:

Firstly, the **Sustainability Risk Committee (SRC)**, **presided by Olivier Corby, Chief Risk Officer, Wim Van Hyfte, Ph.D., Global Head of ESG Investments and Research**, oversees and steers the management of short-, medium- and long term extra-financial, that is ESG and sustainability risks in Candriam’s investment activities across asset classes.

The SRC is also responsible for evaluating and approving ESG processes and frameworks for funds and mandates, conducting ESG due diligences on a regular basis as well as verifying compliance with regulatory requirements. It assesses and monitors sustainability risks and negative sustainability impacts, including climate change, social and human rights risks.

These findings are then used to define company-wide ESG investment restrictions for all Candriam investment activities. The SRC also oversees monitoring of compliance and breaches as well as engagement actions plans.

Secondly, the **Proxy Voting Committee**, presided by Isabelle Cabie, Global Head of Corporate Sustainability, and incorporating independent members, provides strategic guidance on proxy voting best practices and monitors Candriam’s voting policy.

The **Client Solutions Committee (CSC)** and **Product Range Committee (PRC)** are the main bodies of Candriam’s regular **product governance**. They steer and manage the product approval and review process, including the ESG/Sustainability characteristics of products and services.

The **Candriam ExCo (ESG Business Review & Steering session)** follows-up on the **implementation of the strategic ESG roadmap**, reviewing ESG aspects of business development, investments, operations, IT, stewardship and collaborative initiatives, communication and regulatory. It reviews public reporting on ESG process via UN PRI and CSR Report.

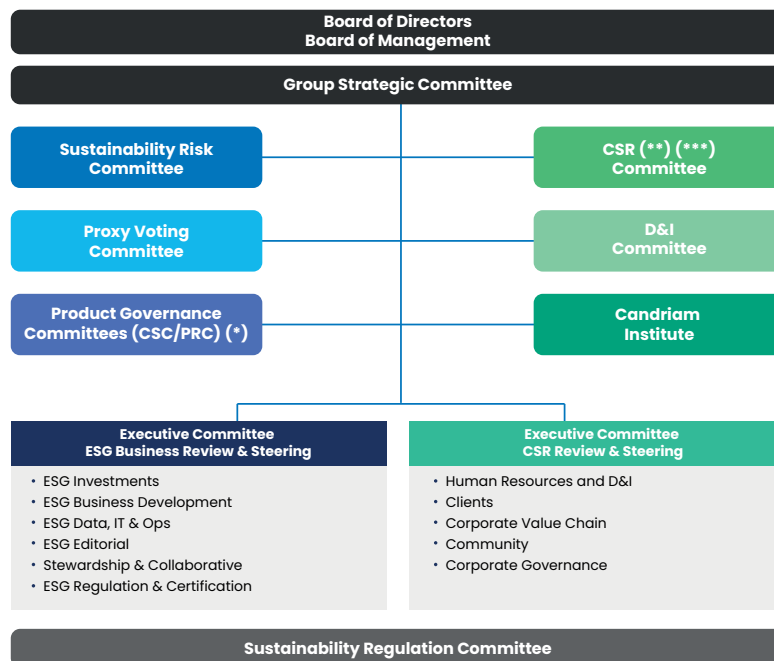
The **CSR Committee** assesses E/S/G risks, opportunities and impacts for Candriam’s operations. It develops a **CSR roadmap** across stakeholder domains and **coordinates the CSR reporting**. It monitors action plans from Candriam’s Business Units. Its **Ethics subcommittee on human and social rights** monitors Candriam’s **human rights due diligence** process and follows up on **alerts** by operational, procurement or

risk teams or via the Compliance whistleblowing procedure.

D&I topics are delegated to the **D&I committee** which works with Human Resources and Candriam’s Staff Communities to foster Diversity and Inclusion at Candriam.

Additionally, the **Candriam Institute for Sustainable Development** oversees Candriam’s philanthropy and community impact programmes through the support of initiatives in ESG research, education and entrepreneurship, social inclusion and solidarity, environment and cancer research and patient care. For more information about the Candriam Institute for Sustainable Development, please see the Responsible Citizen chapter of this report.

Finally, the **Candriam ExCo (CSR Review & Steering session)** follows-up on the **implementation of the CSR roadmap (E/S/G aspects)** with **Business Units reporting** on their progress, across operations, staff, clients, operational value chain, suppliers, governance and the community.



(*) ESG characteristics of products/services (incl. label-decisions) are considered via Candriam’s regular Product Governance process in the Client Solutions and Product Range committees
 (**) Monitoring CSR Roadmap across stakeholder-domains with D&I delegated to **D&I Committee** + Staff communities (TogetHER, Well-being, NextGen), CSRD SteerCo from 2025
 (***) Including **CSR Ethics-sub-committee on Human Rights DD** with invited experts on social and human rights, this sub-committee reports into the CSR committee

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

As the steward of our clients' assets, Candriam is committed to conducting thorough and comprehensive ESG analysis based on materiality before selecting corporate and sovereign issuers for investment. Once invested, we take responsibility for exercising voting rights and engaging in dialogue with issuers to support their progress with regard to sustainability issues we have identified, encouraging greater disclosure of non-financial information, and deepening our understanding of their activities.

To achieve this, in 2005, we set up an experienced in-house ESG Investments & Research team, supported by proprietary ESG models and systems. We believe that this dedicated in-house expertise is crucial for developing a fundamental, comprehensive understanding of issuers' sustainability, serving as the basis for effective voting decisions by our Engagement and Voting Team. However, we also recognise the value of leveraging external providers when appropriate to ensure our clients receive well-resourced stewardship.

The ESG Investments & Research team has built and maintains an extensive database with corporate top-down business activities research and bottom-up stakeholder analysis, sovereign research and engagement and voting activities. This database is put at the disposal of all fund managers and financial analysts. It allows the management of all stages of our ESG investment process internally, from ESG analysis to portfolio construction and analysis.

In September 2022, Candriam brought our newest proprietary stewardship system into production. This system logs the history of or engagement and voting activities, and the action plan, for each company within the scope. Holdings of each security are

monitored, including the amount of holdings in SFDR Article 8 and/or Article 9 funds. Emails, meeting notes, analysis, and history are captured, including the history of Candriam conversations and actions. Candriam concerns for each company are noted as they progress through stages – issuer acknowledging the concern, issuer committing to address the concern, and issuer putting an effective solution in place. Effectiveness is rated by not achieved, partially achieved, or fully achieved – with commentary and specifics. Our teams also note the impact any concerns, or subsequent actions, have on our ESG scores. This database has been populated with historical information through the efforts of our investment teams and their commitment to preserving the corporate memory and lessons of which types of engagement and contact have been most successful.

In 2023, we expanded access to our stewardship system/database to various Candriam stakeholders. Portfolio Managers, for example, can now view engagement outcomes in real-time, allowing them to integrate these insights into their daily front office activities.

Our stewardship system is fed and maintained by Candriam's dedicated Stewardship team, which consists of:

- **Sophie Deleuze:** Lead Stewardship Analyst – Engagement & Voting,
- **Benjamin Chekroun:** Senior Stewardship Analyst – Engagement & Voting,
- **Luc Riols:** Stewardship Analyst – Engagement & Voting,
- **Cemre Aksu:** Stewardship Analyst – Engagement & Voting,
- **Jules Bardy:** ESG Analyst – Voting,
- **Rodolphe Hermann:** ESG Analyst – Engagement.

Areas in which we draw on such service providers include ESG Analysis as well as Proxy Voting.

• ESG Analysis

Types and use of service providers in ESG analysis

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

• ESG data proviers

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

• International organisations

Data sourced from international organisations serves various purposes within our models: Some of this data is essential to our sovereign analytical framework, whereas other pieces of data provide supplementary insights in our analysis.

• Other data sources

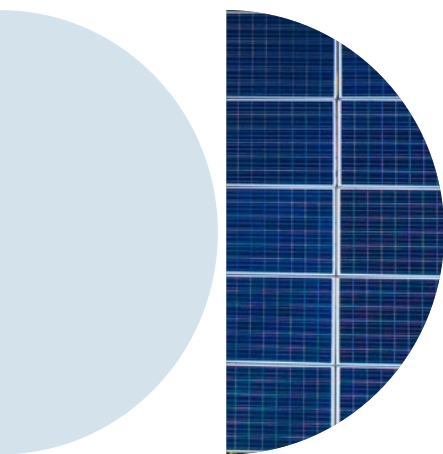
Our ESG analysis and our internal databases and models also use data and information from sources such as NGOs, academic experts, and sector federations to feed our proprietary models and complement their analysis.

• Current main data providers and sources

Please find below in Figure 3 and Figure 4 an overview of the external ESG data providers and sources used at the end of March 2024. NB: This list is non-exhaustive and may change over time.

Rating Agencies	Certification	Scope	Types of Screening	Link
Carbon4 Finance	-	International Companies	Environmental Data based on energy transition & adaptation to climate change	https://www.carbon4.com/
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/
ISS-Oekom	-	International Companies	Sustainable Development Goals measurements	https://www.issgovernance.com/esg/
Wood Mackenzie	-	International Companies	Energy and mining sectors screening used to exclude unconventional extractions and thermal coal	https://www.woodmac.com/%
Sustainalytics	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.sustainalytics.com/
S&P Trucost	-	International Companies	Environmental Data Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	https://www.trucost.com/
Bloomberg	Gender-Equality Index	International Companies	International standardized reporting and disclosure method for workplace gender data.	www.bloomberg.com/GEI%
MSCI ESG Research	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.msci.com/esg-integration
ISS-Ethix	-	Emerging Markets Companies	Norms-based Criteria	https://www.issgovernance.com/
		International Companies	Screening criteria used to exclude the weapon industry	
Beyond Ratings	-	Sovereign Issuers	ESG performance of economies – Sovereign Credit risk – Climate Objectives Alignment	https://www.beyond-ratings.com/
RepRisk	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/

International organisations, NGOs and other sources	Scope	Types of Screening	Link
Freedom House	Sovereign Issuers	Measure of freedom and democracy, understood via electoral process, political pluralism, functioning government, rule of law etc.	https://freedomhouse.org/
Fraser Institute	Sovereign Issuers	Measure of human freedom, understood as the absence of coercive constraint	https://www.fraserinstitute.org/
Transparency International (CPI)	Sovereign Issuers	Measure of public sector corruption	https://www.transparency.org/
Reporters Without Borders	Sovereign Issuers	Advocate for press freedom worldwide.	https://www.rsf.org/
Environmental Performance Index (EPI)	Sovereign Issuers	Ranking of countries which are best addressing the environmental challenges that every nation faces	epi.yale.edu
Paris Equity Check	Sovereign Issuers	Assess fairness of countries' climate pledges under the Paris agreement	paris-equity-check.org
Ease of Doing Business Index (World Bank)	Sovereign Issuers	Ranks countries on their ease of doing business	https://databank.worldbank.org/metadataglossary/jobs/series/IC.BUS.EASE.XQ
ND-Gain Index	Sovereign Issuers	Assess countries' vulnerability to climate change and other global challenges in combination with its readiness to improve resilience	gain.nd.edu



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

ESG data provider selection

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

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

ESG data provider monitoring

At Candriam, we are committed to maintaining the highest standards in the quality of our ESG data, essential for supporting our stewardship activities. We continuously monitor the performance of our ESG data providers, tracking their ability to enhance research coverage by geographic region or asset class, and their responsiveness to our specific requests and technical requirements.

Our ESG Investments & Research Team conducts rigorous and ongoing screening of ESG data providers. Our ESG Analysts are responsible for checking data quality, comparing indicators, and assessing their materiality. Through diligent monitoring, they evaluate the relevance of existing ESG data sources and identify additional needs and sources. To date, we have not terminated any contracts with our data providers due to unsatisfactory research or services.

We implement robust controls to ensure the correct and consistent integration of ESG data into our information systems.

- **Data Integration:** We install data quality controls based on the data catalogue from external providers to verify data format validity and completeness, such as file import exhaustivity and issuer coverage variation;
- **Data Coherence:** We closely monitor key sustainable indicators (e.g., carbon footprint, temperature) to detect any outliers quickly. Variations at both issuer and portfolio levels are scrutinised against predefined thresholds;

- **Anomaly Investigation:** Any anomalies spotted, such as missing data or inconsistencies, are investigated internally and escalated to the source vendor if necessary. We also have an internal process to overwrite data points if we disagree with the external provider's values.

We enhance our data quality framework through periodic committees and plan to use Bloomberg Data Management Services to streamline the acquisition, management, and distribution of ESG data. Additionally, a data quality policy is under development to further improve consistency across Candriam.

Proxy Voting.

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

Type and use of service providers in Voting

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

To exercise voting rights efficiently, Candriam has used proxy voting service provider Institutional Shareholder Services (ISS) since 2005. ISS also provides custom voting recommendations based upon Candriam's voting policy.

Candriam selected ISS due to its extensive coverage and high-quality services coupled with its experience spanning many years. We believe that the firm's global presence and diverse teams enables it to have a unique insight into regulatory and business structures in numerous markets, thus enhancing its services.

More specifically, ISS is tasked with:

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

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

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

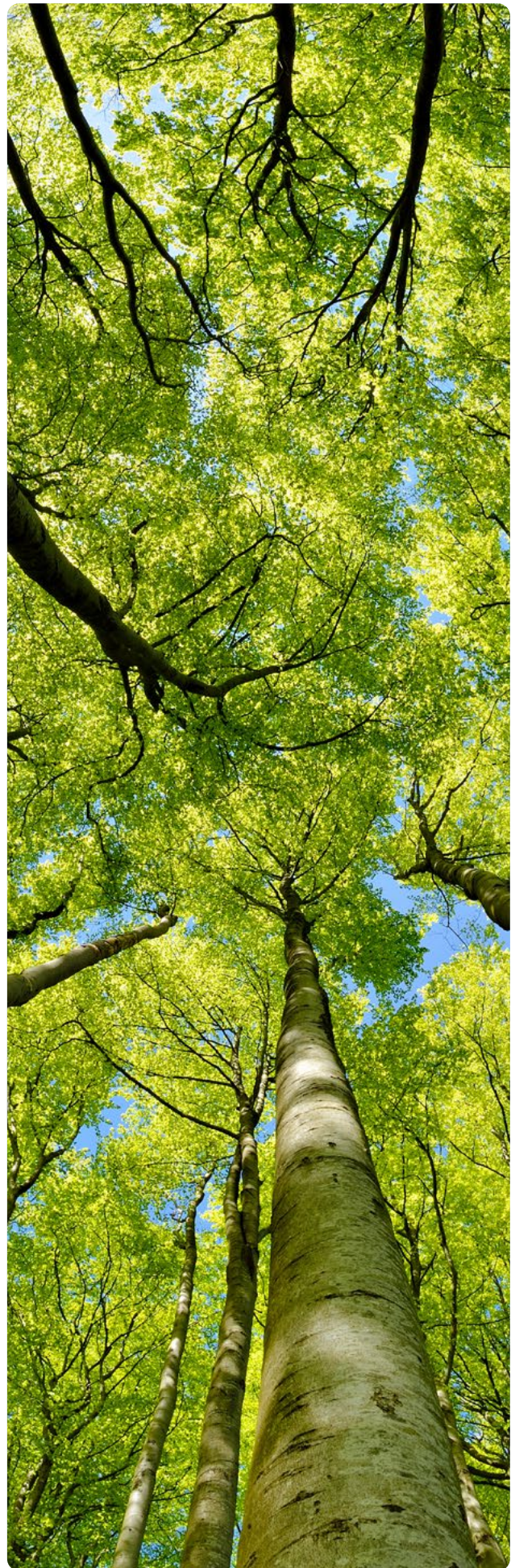
Should our proxy adviser miss its deadlines and not provide custom recommendations, or declare itself unable to provide such recommendations, then the full analysis of the meeting items will be performed internally as soon as the meeting is part of our voting scope and when materially feasible.

The merits of every shareholder resolution are systematically assessed internally.

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

Monitoring of proxy voting service provider

An assessment of the quality of our proxy voting service provider’s research and service is performed at least annually by Candriam’s Voting & Engagement Team, in collaboration with Candriam’s Middle Office. A due diligence addressing, amongst other items,





information security risks and business continuity risks, is also performed regularly by Candriam's Risk Department.

Resourcing experienced and diverse teams

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

Our stewardship professionals have diverse backgrounds and career paths. Our team is multilingual, multicultural and includes members with varying levels of experience.

- Global Head of Corporate Development: Master's Degree in Business Engineering, 36 years of experience in asset management, various senior positions (fixed income management, finance, corporate communications, strategy and corporate development);
- Global Head of Corporate Sustainability: Master's Degree in Economics, 36 years of experience (from



academia to finance: macro-economic research, institutional portfolio management, ESG research);

- Junior CSR Officer: Master's Degree in Global and Sustainable Business, three years' experience in impact investing, philanthropy and CSR;
- Senior Project Manager (focus on cross-company sustainability projects): Master's degree in Banking, Finance and Risk Management, 27 years of experience in operational and project management functions.

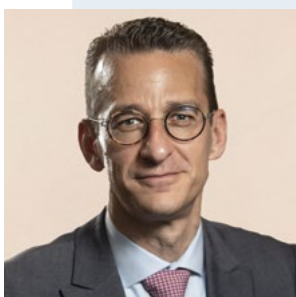
Candriam has an independent and dedicated ESG Team that is responsible for sector, company, and

sovereign research as concerns ESG risk and opportunities for Candriam's investment products. The ESG Team informs Candriam's overall stewardship.

It is organised around four pillars:

- ESG Corporate and Sovereign Research
- Proxy Voting and Engagement
- ESG Business Development.
- ESG Quant Analytics and Research

Our dedicated ESG team informs our overall stewardship:



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

Wim Van Hyfte, PhD, has been Global Head of ESG Investments and Research at Candriam since 2016 and became a member of Candriam’s Executive Committee in 2023. He is responsible for research on environmental, social and governance issues, the implications for and the integration into portfolio and risk management across assets.

Previously, he was senior fund manager–quantitative analyst at Candriam, conducting empirical research on asset pricing, the quantitative modelling of alpha/risk factors and portfolio optimisation. He co-managed over \$3 billion in global ESG quant equity funds and segregated accounts for nearly 10 years. He joined Candriam in 2006 after having worked in the academic world for over eight years.

From 2012 until 2022, he was Visiting Professor at ULB Solvay School of Economics and Management, teaching on Asset Pricing in Practice in an advance Master’s in quantitative finance. From 2006 until 2012, he was Visiting Professor at Vlerick Business School teaching on portfolio management in an MBA program. From 2000 until 2001, he was strategic consultant for a Belgian pension fund and a venture capital fund.

He holds a PhD in Financial Economics, an MBA in Finance and a Master’s degree in Applied Economics. His academic research covers both empirical and corporate finance with a focus on asset pricing, risk modelling and portfolio management. His work has been presented at international academic conferences and published in peer-reviewed international academic journals. and a master’s degree in applied economics. His academic research covers both empirical and corporate finance with a focus on asset pricing, risk modelling and portfolio management. His work has been presented at international academic conferences and published in peer-reviewed international academic journals.



Vincent Compiègne – Deputy Global Head of ESG Investments & Research | Head of ESG Corporate Investments & Research

Vincent has been Deputy Global Head of ESG Investments & Research at Candriam since 2019. He joined the firm in 2017 as a Senior Analyst in the ESG Investments & Research Team.

Vincent has worked in the financial services industry since 2007, including at AXA IM as an SRI Analyst for the Transport and Industrial Goods sectors, where he monitored the development and follow-up of green investments, including AXA Group and AXA IM's Green Bonds. He also worked at ERAFP, France's first 100% SRI pension fund, and at Bloomberg.

Vincent holds a Master's 2 in Economics and Finance from the Panthéon-Assas University, France.

ESG Department – ESG Corporate Research

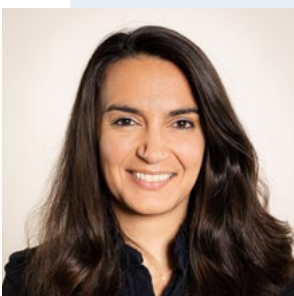


Alix Chosson – Lead ESG Analyst – Environmental Investments & Research

Alix Chosson joined Candriam in 2020 as the Lead ESG Analyst for Environmental Research & Investments.

Alix has thirteen years of experience as an ESG Analyst in the SRI research and portfolio management teams. She started her career at Amundi in 2010 and has more recently been sell-side ESG analyst at Natixis before joining DNCA in 2018 to contribute to the creation of the SRI team and range of funds.

Alix graduated from Science Po Lyon in 2010 with a Master's in Economics and Finance. In 2011 she obtained a Master in Portfolio Management from the IAE Paris 12.



Lucia Meloni – Lead ESG Analyst – Governance Investments & Research.

Lucia is a senior ESG analyst covering the financial sector with more than 10 years of experience in the ESG field and a proven and extensive track record in ESG fundamental analysis, development of solutions and ESG integration across various asset classes. She is an expert on governance related issues across asset classes.

In addition to this role, Lucia also played a key role in the development and follow-up of sustainable bonds investments within Candriam. Lucia holds a Master's 2 in Economics and Finance from the LUISS Guido Carli Business School in Italy.



Jessica Carlier – ESG Analyst

Jessica Carlier has been an ESG Analyst since 2020. Prior to this position, she was a Client Portfolio Manager for Candriam ESG strategies. Jessica joined Candriam in 2015 in the RFP Team.

Previously, Jessica was a Product Specialist in Alternative Investments and Marketing Coordinator at Amundi. Prior to that, she was Head of International Development & Marketing with Aktis Partners.

Jessica holds a Master's degree in International Affairs from IAE Caen and a B.A. from Bates College (Maine, USA).



Rémi Savage – Senior ESG Analyst

Rémi Savage has been an ESG Analyst at Candriam since 2018. He worked as a junior SRI Analyst at Axa in UK.

Remi holds a Master's degree in Economics and Finance from Sciences Po Bordeaux, France.



Pauline Descheemaeker – Senior Impact Specialist Private Assets

Pauline has been Senior Impact Specialist – Private Assets with Candriam's ESG Investments and Research Team since 2024.

She oversees the development of the Kartesia Impact Fund, managing the ESG/Impact strategy and performance analysis of portfolio companies. She also supports Kartesia and Candriam in the development of Impact Investing. Pauline joined Candriam in 2019 as Chief of Staff to the CEO, working closely with senior management and developing the organisation's strategic priorities. Prior to joining Candriam, she was a Senior Consultant at PwC for five years, where she developed Sustainable/ESG investment strategies and policies for private equity clients.

Pauline holds a Master's in Sustainable Development from HEC Paris and an MBA from INSEAD.



Astrid Pierard – ESG Analyst

Astrid Pierard has been part of Candriam’s ESG analysis and research effort since 2022, having joined Candriam in 2020. She focuses on the Utilities and Chemicals sectors, as well as on environmental thematic strategies. Prior to joining Candriam, she worked for Quantis International as a Junior Sustainability Consultant.

Astrid holds a Master’s degree in Management with a specialisation in Corporate Sustainability Management and a Bachelor’s degree in Economics and Management, both from the Université Catholique de Louvain.



Emma Miguel Unzue – ESG Analyst

Emma joined the ESG Research team in May 2024 as ESG Analyst for the Telecommunications, Media & Entertainment, Retail and Textile and Luxury Goods sectors.

She began her journey with Candriam’s ESG team in September 2023 as a graduate. During this period, her primary responsibilities included researching and composing ESG convictions for companies within the banking sector. In addition, Emma conducted ESG analysis for specific positions within the Bond Impact fund.

Before joining Candriam, Emma completed an internship at Degroof Petercam in Private Banking. During this internship, she collaborated with various departments including sales and marketing, process and control and helped the business acceptance committee. Following her internship, Emma completed her Master’s thesis, aiming to evaluate the impact of climate change on the trading volume of ETFs meeting the criteria of Article 8 or 9 of the SFDR.

Emma holds a double Master’s degree in financial management (CFA track) from the Louvain School of Management and ICHEC. Throughout her academic journey, she participated in the CFA Research Challenge 2023, where she conducted the ESG analysis of PostNL, in addition to assessing the company’s stock valuation.



Camille Chollet – ESG Analyst

Camille Cholet joined Candriam as an ESG Analyst in 2021 after graduating from ECE Paris with a Master’s degree in Finance and Quantitative Engineering.



Elouan Heurard – ESG Analyst – Biodiversity

Elouan Heurard joined Candriam in 2022 as an intern and subsequently became an ESG Analyst the same year. She previously worked as consultant freelance for Circuli in France. She holds a Master’s degree in Chemistry from Ecole Nationale Supérieure de Chimie de Lille, France.



Sanskruti Gawade – ESG Analyst – Focus Emerging Markets

Sanskruti started her career as a Japanese language consultant and ESG analyst in the Real Estate sector at SG Analytics in India, where she developed a strong interest in sustainable management. After nearly two years, she pursued an MSc in Sustainable Management and Eco Innovation at Rennes School of Business, France, to deepen her expertise.

As part of her studies, Sanskruti joined Candriam as an intern in May 2023, working with the ESG team. During her internship, she focused on researching and developing ESG convictions for companies in the oncology portfolio. This led to a full-time position at Candriam starting in January 2024 as an ESG analyst specialising in emerging markets.

In addition to her Master’s degree, Sanskruti holds a Bachelor of Commerce from Pune University and a Bachelor of Arts in Japanese from Tilak Maharashtra Vidyapeeth.



ESG Department – ESG Sovereign Research

Kroum Sourov – Lead ESG Analyst – Sovereign Investments and Research.

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



ESG Department – Proxy Voting & Engagement

Sophie Deleuze – Lead Stewardship Analyst – Engagement & Voting

Sophie Deleuze has been Candriam's Lead Analyst in Stewardship since 2019. Since 2016, she has specialised in Candriam's Engagement, Proxy voting, and Stewardship efforts, coordinating our engagement in concert with our ESG analysis and with all our investment management teams. Mme Deleuze joined Candriam's ESG Research Department at its inception in 2005 and spent more than a decade with Candriam as an ESG analyst. With a background in industry as a water engineer, she entered the SRI world at Arese in 2001.

Sophie has been a participant in the Candriam charity Helping Those Who Help since 2014 and is active in local aid for seniors. Sophie holds an Engineering Degree in Water Treatment, a Master's in Public Environmental Affairs, and is a recent Graduate of EFB Belgium in Nursing and Retirement Home Management.



Benjamin Chekroun – Senior Stewardship Analyst – Engagement & Voting

Benjamin Chekroun has been an engagement and voting analyst with Candriam since 2020. He is responsible for ethics, human rights, and social engagements. Joining Candriam in 2018 as Deputy Head of Convertible Bonds, he spent almost two decades managing convertible bond portfolios and trading bonds, with experience in Asia, London, New York, and Paris.

He holds a Master's degree in International Business from the Weller International School in Paris. Help since 2014 and is active in local aid for seniors. Sophie holds an Engineering Degree in Water Treatment, a Master's in Public Environmental Affairs, and is a recent Graduate of EFB Belgium in Nursing and Retirement Home Management.



Luc Riols – Stewardship Analyst – Engagement & Voting

Luc joined the ESG team in June 2019 as a VIE, working as ESG Analyst, dedicated to Engagement and Voting.

He has been on a permanent contract with the same team since June 2021. Before joining Candriam Investors Group, he had the opportunity to do an internship in Paris at CM-CIC Asset Management, as an ESG Fund Manager Assistant, where he discovered his passion for sustainable finance. Then, he fed his desire for travel by spending a few months around Sydney and Indonesia. Luc holds a Master's Degree in Finance applied to Climate and Energy (Paris-Dauphine) and a Master's Degree in Law, with a specialisation in Energy (Paris I Panthéon-Sorbonne).



Cemre Aksu – Stewardship Analyst – Engagement & Voting

Cemre joined the ESG Investment & Research team in June 2021 as Stewardship Analyst, Proxy Voting and Engagement.

From 2018 until joining Candriam, she worked as Cross Market Research Analyst at Institutional Shareholder Services, analysing governance structures and performance of publicly listed companies in Benelux, Nordic countries, Southern and Eastern Europe as well as Russia and Israel and providing investors with consultancy on corporate governance-related topics and participating engagements between ISS and issuers.

She holds a Bachelor's degree in law from Ankara University, Faculty of Law and an advanced Master's degree in International Business Law, which she completed at University of Ghent. She has also been enrolled in a Bachelor's programme in Economics offered by Anadolu University.



Jules Bardy – ESG Analyst – Voting

Jules joined Candriam in Belgium in 2022 after working as an ESG analyst for SquareWell Partners, France); a freelance adviser at La Ferme de Viltain, France; mission's Head - Direction des émetteurs at Autorité des Marchés Financiers, France; and junior adviser in capital markets at Arendt & Medernach SA, Luxembourg. He holds a Master's degree in International Business and Finance from Sciences Po Lille, France; a Master's degree in Financial Law from Université Paris Saclay in conjunction with ESCP Business School, France; and a Bachelor's degree in Law from Université Lille 2, France.



Rodolphe Hermann – ESG Analyst - Engagement

Rodolphe joined the ESG Investment & Research team as a Stewardship Analyst in the Engagement & Voting team in January 2024, after being a Client Portfolio Manager in Candriam's Fixed Income team since 2020.

Previously, he worked as a Business Operations Planning Manager at Amadeus after being part of the Travel Channels marketing team.

Rodolphe holds a Master of Science in Strategic Event Management from SKEMA and a Master's degree in Marketing from INSEEC.

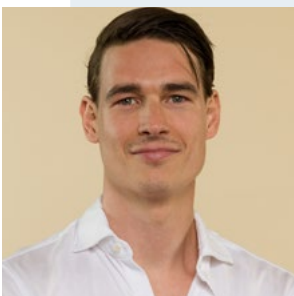
ESG Department – ESG Development



Marie Niemczyk – Head of ESG Client Portfolio Management.

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

Marie has a Master of Science degree from the London School of Economics, a Bachelor of Arts degree from Swarthmore College, and also holds IMC and CISI qualifications.



Jorick Liebrand – ESG Client Portfolio Manager

Jorick joined the ESG Investment & Research team in February 2024 as ESG Client Portfolio Manager.

He previously worked as a Senior Consultant at PwC starting in 2018, specialising in Sustainability, Strategy, and Sustainable Finance. In this role, he advised clients across various industries on ESG-related matters and contributed to various projects focused on implementing sustainable finance regulations, ESG reporting, and ESG due diligences for the Private Equity sector.

Jorick holds a Bachelor's degree in Economics from the University of Applied Sciences Amsterdam and a Master's degree in Economic Geography from Utrecht University.



Benjamin Manent-Manent – ESG Client Portfolio Manager

Benjamin joined the ESG team in March 2024 as ESG Client Portfolio Manager. Previously he worked as an ESG & Investment Analyst at insti7. In this role, he worked closely with institutional investors on matters such as financial and ESG analysis and reporting, implementation of custom ESG policies, and research on ESG quantitative methodologies and regulatory evolutions. Prior to joining insti7, Benjamin completed apprenticeships at BNP Paribas Asset Management, and internships at LFIS Capital and Caceis Bank. He holds a Master's degree in Market Finance from Université Paris II Panthéon-Assas.

ESG Department – ESG Quant Analytics & Research



Sandy Issanchou – Head of ESG Quantitative Analytics & Research.

Sandy joined Candriam, Belgium in 2023, having previously been head of product strategy and market intelligence and senior financial engineer at Candriam, Belgium. He holds a postgraduate in Mathematics and Financial Science from (ISFA, France; a Bachelor's degree and Master's degree in Mathematics from Nancy University, France; and postgraduate classes in Mathematics and Physics from Lycée Poincaré de Nancy, France.



Vincent Lapointe – ESG Quantitative Analyst

Vincent Lapointe has been an ESG Quantitative Analyst at Candriam since 2024. Prior to joining Candriam, he held various quantitative analyst roles beginning in 2015, including positions at Exane BNP Paribas, Ostrum AM – Natixis Group, and DNCA Finance – Natixis Group.

From 2010 to 2013, he undertook academic roles including as a Teaching Assistant at Aix Marseille University and as a Quantitative Researcher at BNP Paribas AM. In 2014, he completed a post-doctoral at Kedge Business School. Vincent holds a Ph.D. from Aix Marseille University, and Master's degrees in Finance and Management from ESCP Europe and Kedge Business School in France. His PhD thesis topic was Socially Responsible Investment and risk-based optimisations.

Candriam's commitment to diversity

At Candriam we strongly believe that our diverse workforce and inclusive work environment are critical to our success and growth and are the foundations of our culture, values and identity.

Diversity & Inclusion has always been one of our core values and is enshrined in numerous policies across Candriam, such as our Diversity & Inclusion Charter, Anti-Harassment and Non-Discrimination Policy, our recruitment policy, and in our company's Code of Ethics. To raise awareness among our staff, our employees have to complete a mandatory training course on the prevention of discrimination and harassment.

As a spin-off of Candriam's CSR committee, Candriam created the D&I committee in 2021 (composed of Candriam staff from diverse backgrounds) The committee develops strategies and D&I initiatives that aim to foster a diverse and inclusive working environment at all levels of the organisation.

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

Candriam staff is further engaged via the "Candriam Communities" ('NextGen Committee', 'Digital Ambassadors', 'TogetHer', Local CSR committees). These committees enable participants to present and work on corporate projects in a direct exchange with Candriam's Group Strategic Committee.

ESG Education and Training among Candriam staff

In accordance with our ESG philosophy rooted in our corporate culture, we incorporate sustainable development into our own corporate strategy and strive to enhance the knowledge and comprehension



of ESG issues for both our investment professionals and clients. To this end, we provide ESG training sessions and presentations available to all our investment professionals, including both ESG and non-ESG staff.

First of all, we believe that it is important that our ESG Analysts undergo training in their domain in order to enhance their knowledge and remain at the forefront of sustainable investing. Thus, we encourage our analysts to participate in at least ten ESG training events (conferences, seminars, etc) per year. Examples of training sessions include webinars and broker meetings on specific ESG thematics and studies.

We promote knowledge sharing of ESG topics through training sessions and presentations organised internally. The ESG Team presents sectorial analysis for major sectors, ESG thematic presentations and/or ESG analysis several times a year to investment teams. Examples of these initiatives include a firm-wide presentation of the Energy Sector review and ESG training organised for our Risk Management Teams.

Furthermore, ESG Masterclasses are organised on a regular basis to provide an extensive understanding of ESG related topics while educating our Portfolio

Managers and Analysts to meet their sustainable investment objectives. This unique opportunity has been designed to provide not only training related to sustainability issues, but also information on new ESG developments and sector analysis developed by our dedicated ESG team.

Furthermore, the firm launched several new innovative and educational initiatives, including the Candriam Academy. Launched in 2017 as the world's first free-to-access accredited training platform for Sustainable and Responsible Investing, the Candriam Academy has reached 14500 trainees as of December 2023. The Candriam Academy, an online ESG content source and training platform for the benefit of European financial advisers, aims to raise awareness, promote education, and improve knowledge of sustainable investing via an innovative and accredited online educational platform. Through the Candriam Academy, the firm seeks to help train the next generation of responsible investors. Upon successfully completing the modules, members are awarded an accredited certificate. The training takes the form of a multi-module course with a combination of text, video and graphics content. Tests require a pass mark of at least 80% and lead to a certificate accredited by bodies including the Chartered Institute for Securities & Investment and the UK Sustainable Investment and Finance Association. Moreover, Candriam encourages all its staff members to undergo this training.

Our People Resources are incentivised to support Candriam's overall mission and commitment to stewardship

Candriam's primary goal is to achieve long-term investment returns for our clients. Believing that integrating ESG factors into our investment decisions will positively impact those returns, our remuneration and performance management philosophy supports Candriam's ESG and CSR business strategy and, where relevant, the strategy of the managed funds and mandates. In 2020, we implemented a remuneration policy that incorporates ESG objectives into long-term compensation and sets targets for reducing the gender pay gap. To uphold a high-quality governing structure, we ensure that our fund boards are well-balanced with independent directors who bring diverse skills and backgrounds.

Candriam manages the yearly performance evaluation process based on qualitative and quantitative measures, including the achievement of pre-established objectives and the employee's professional and personal skills. All Candriam staff is evaluated yearly on the Candriam values G.R.E.A.T ("Grow with Respect, Engagement, Anticipation, Teamwork") during the PDP process. This evaluation is directly linked to remuneration (and more specifically to the variable remuneration).

Total remuneration is determined by evaluating both individual performance and the performance of the respective business unit, alongside its contribution to Candriam's overall results. In assessing individual performance, Candriam considers both financial and qualitative, non-financial criteria. Qualitative performance evaluations encompass various factors, such as risk management (including sustainability risks), awareness of sustainability impacts, governance and compliance, teamwork, leadership, people development, and alignment with Candriam's goals and values.

Our robust resources and processes drive effective stewardship

Candriam is dedicated to ensuring that our governance structures and processes effectively support our stewardship activities. We are committed to maintaining high standards by continuously evaluating the effectiveness of these structures and processes. Our Corporate Social Responsibility (CSR) Committee plays an essential role in this effort by overseeing progress through a detailed CSR roadmap, a five-year strategy that integrates sustainability into our business model. This roadmap establishes policies, charters, and specific targets with Key Performance Indicators (KPIs) for all our stakeholders.

The review process encompasses various areas, including responsible operations and supply chain management, being a responsible employer, transparent governance, client relationships, and responsible investing. Each year, we publish a CSR report that details key initiatives and our progress towards voluntary targets, thereby ensuring transparency and accountability in our stewardship efforts.

Additionally, we continuously assess our stewardship activities and measure them against established KPIs. We link our engagement activities to the influence on the UN Sustainable Development Goals (SDGs) and Candriam's core Conviction Topics: Energy Transition, Fair Work Conditions, and Business Ethics. We also evaluate the impact of our stewardship activities on the opinions of Candriam ESG analysts regarding issuers, and the extent to which objectives set by our ESG analysts for specific engagement activities have been achieved. This rigorous assessment process underscores the effectiveness of our governance structures and processes in supporting our stewardship commitments.

Lastly, Candriam's Proxy Voting Committee monitors, reviews and assesses the firm's voting activities annually, among other things. Based on its review, the committee suggests changes and/or improvements to update Candriam's Proxy Voting Policy for the subsequent voting season.

Candriam's Sustainability Risk Committee supports the oversight of and verifies Candriam's Proxy Voting and Engagement activities with regard to the application of regulatory and other requirements, while also monitoring Candriam's commitment to Net Zero.

In 2024, we are seeking to improve the governance of corporate due diligence in the following ways:

- Further streamline Candriam sustainability governance and oversight:
 - The CSR Ethics committee will become a subcommittee of the CSR committee focusing on Human Rights Due Diligence and will report to the CSR committee, which itself reports to the Candriam Group Strategic Committee;
 - The Candriam Executive Committee will hold CSR and ESG business reviews and steering sessions to ensure follow-up on the implementation of the strategic ESG and CSR roadmaps;

- The Diversity & Inclusion (D&I) committee, which covers D&I topics and staff, will report directly to the Candriam Group Strategic Committee;
- Further extending the participation to the Sustainability Regulations workgroups across business units.

- Setting up a dedicated cross-company governance (core-team with representatives from CSR, Operational Risk, Investments Risk, ESG Team + workstreams with BU owners) to prepare the CSRD-double materiality assessment and reporting.



Principle 3:

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

Ethical Behaviour in Business

Candriam upholds ethical business behaviour across all its operations and ensures compliance with established regulations through specific policies and charters. Potential conflicts of interest may arise between the firm and its clients, between staff and the firm, or even between the interests of several clients. To prevent and manage these possibilities, Candriam has put in place a Code of Conduct and Conflict of Interest Policy in order to:

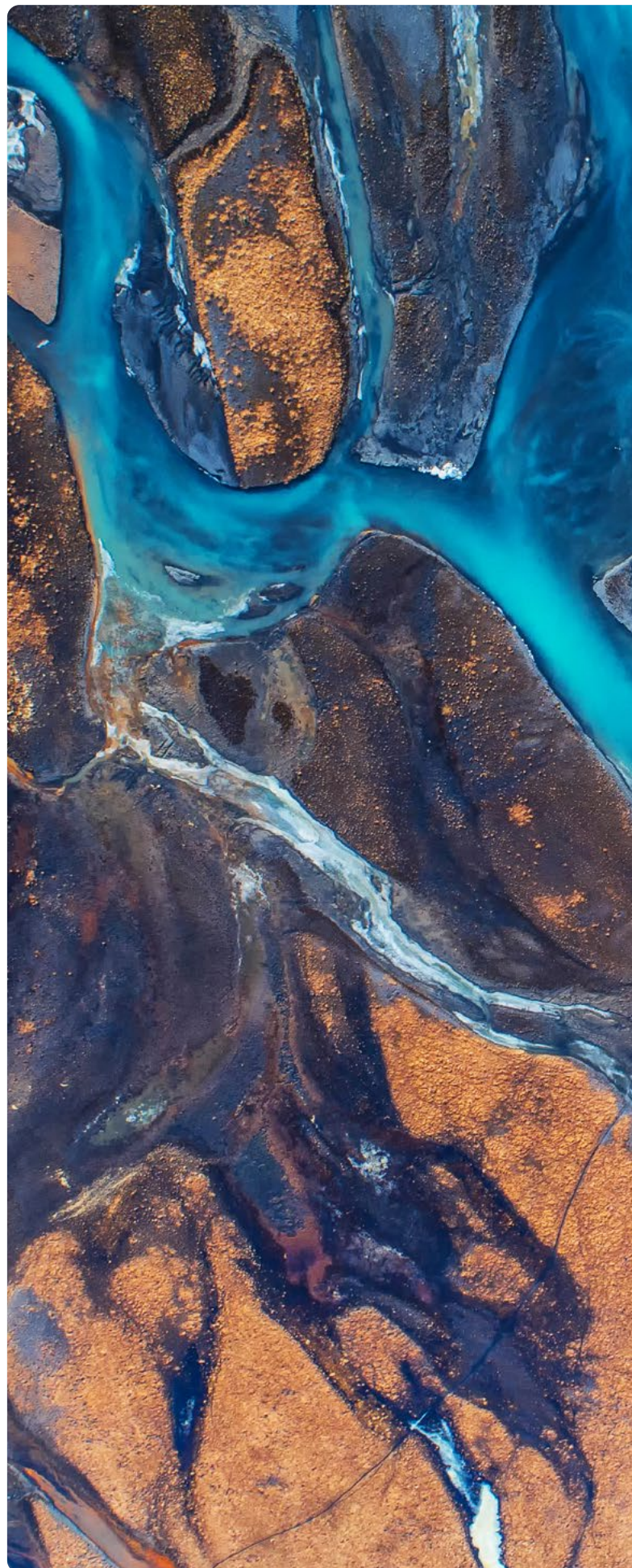
- Candriam upholds ethical business behaviour across all its operations and ensures compliance with established regulations through specific policies and charters. Potential conflicts of interest may arise between the firm and its clients, between staff and the firm, or even between the interests of several clients. To prevent and manage these possibilities, Candriam has put in place a Code of Conduct and Conflict of Interest Policy in order to:
- Identify potential conflicts of interest;
- Underscore the importance of 'client first' in everything we do;
- Respect client information and incorporate principles of data protection in the organisational structure, including segregation of duties and information databases, at both entity and group level;
- Organise functions and entities with sufficient autonomy to prevent undue influence;
- Ban grouping or mingling personal transactions with those of clients or Candriam professional accounts;
- Place precise restrictions on receipt and giving of gifts and invitations, to avoid even the appearance of inducement;
- Provide for information and training for staff on an ongoing basis and for new market or regulatory developments;
- Include specific policies such as trade allocation policies, procedures to identify and monitor inducements and gifts, restrictions on personal trading, and separation of personal and professional activities;
- Notify investors immediately if an actual conflict arises which is not possible to manage.

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

Identify potential conflicts of interest;

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Actively Managing Conflicts of Interest

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

Candriam exercises its voting rights in compliance with its voting policy. We have procedures in place to identify and manage potential conflicts of interest across all Candriam activities, including voting activities. Potential conflicts of interest may arise in situations such as:

- The company being voted on has relevant commercial relations with Candriam;
- Candriam directors are acquainted with board members of the issuer being voted on;
- A Candriam employee involved in the proxy voting decision-making process has a significant personal or family relationship with the company in question;
- Resolutions are voted on for reasons not in the best interest of shareholders but to benefit a third party.

For Candriam open-ended funds, if a conflict of interest arises regarding a vote, the Global Head of Compliance and the Proxy Voting Committee are to be immediately notified. The best approach will be determined in full cooperation with the Compliance Department. Voting instructions will follow the recommendations of the Candriam Voting Policy. The Proxy Voting Committee will consider the facts and circumstances of the pending vote, the potential or actual material conflict, and make a determination on how to vote: whether to follow the proxy adviser's recommendation without any intervention, abstain, or obtain voting instructions from clients in concerned mandates.

To manage potential conflicts of interest, Candriam has taken several measures, including regular monitoring by our Compliance Department:

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

During the reporting period of 2023, Candriam did not identify any actual conflicts of interest in connection with its stewardship or engagement activities.

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

Principle 4:

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

ESG Promotion & Influence

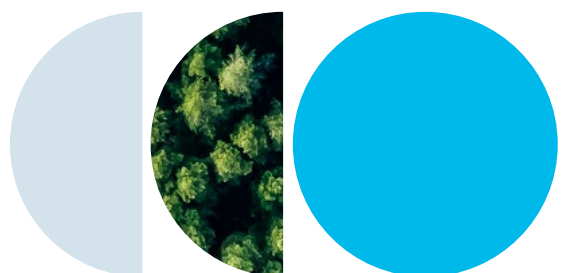
As a founding signatory of the PRI at its establishment in 2006, Candriam is committed to promoting ESG in its relationships with all stakeholders to contribute to the continued improvement of the financial markets.

Candriam's **Global Strategic Committee** monitors our association memberships, and determines who represents Candriam within those associations.

Our ESG experts are in charge of PRI implementation principles, both within Candriam and externally, based on Candriam's own ESG practices, which favour stewardship to elevate ESG standards, promote ESG integration and ESG practices in investments.

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

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



	Name of Association	Joined in
SRI working groups within:	BEAMA – Belgian Asset Managers Association	2004
	AFG – Association Française de la Gestion financière	2003
	EFAMA – European Fund And Asset Management Association	2010
Several social investment forums, such as:	VBDO – European Fund And Asset Management Association	2007
	Forum Nachhaltige Geldanlagen (Germany, Switzerland & Austria)	2010
	Swiss Sustainable Finance (Switzerland)	2014
	Forum pour la Finance Responsable (French SIF FIR)	2014
	Forum per la Finanza Sostenibile (Italy)	2015
	UK SIF – 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 Investor Group on Climate Change	2020
	Investor Alliance for Human Right (ICCR Initiative)	2021



Our commitment to championing ESG practices goes beyond our organisation. In 2023, our ESG experts actively participated in a number of renowned industry conferences and events. These included:

- Moderating a panel at the IMpower FundForum in Monaco on “Best practice sustainable product development from UK SDR to EU Articles 8 & 9”. We also presented to investors on the topic of “Populism & Debt Sustainability”.
- At Finance and Productivity 2023, we gave a presentation to investors on the topic of “International comparison of engagement practices: Case studies and best practices”;
- Our experts also attended a roundtable on carbon pricing hosted by the Vlerick Business School in September 2023;
- Additionally, we held a presentation on the topic of “Sustainability in the age of many grey swans” in October 2023 at the University of Leuven and National Bank of Belgium;
- Attending the UN Human Rights Forum (UN);
- European Corporate Governance (EY);
- Sustainability & ESG in taxation (WTS Global).

We seek to align our engagements with our investments so our engagement covers the full range of issuers and regions to address our complete investment universe, with priority given to issuers covered through our ESG analytical framework. We engage across equity and fixed income assets (including sovereigns), and across corporate and non-corporate issuers, including private equity.

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

We believe that there must be consistency between ESG opinion and dialogue, and that voting with one consistent voice across the organisation is crucial. In order to ensure consistency between engagement, voting and our investment processes, ESG analysis opinion feeds the engagement design, while process and outcomes feed the investment process. Across the investment platform, we collectively decide which concerns to pursue and which best practices we want to promote and defend. This requires close collaboration across teams. Our multi-phase Small- and Mid-Sized Firms’ analysis included the portfolio manager, analysts for European equities, ESG analysts, Engagement Team, and Candriam’s own Human Resources specialists. We described this both in an independent case study and followed up in our 2023 Engagement report in the appendix of this document.

Candriam employs a structured and proactive approach to identify and respond to market-wide and systemic risks.



Our seasoned team of Economists track economic indicators like GDP, unemployment, and inflation data, alongside central bank policies and market sentiment measures. They provide economic forecasts for the main economic areas, as well as analyses of the global and emerging market macroeconomic environment and developments. The economists update and present their scenarios for growth and inflation across major economic areas and can also address ad-hoc topics related to recent headlines and specific events that may have an impact on global or regional macroeconomics.

Our independent Risk Management team of 27 people is in charge of monitoring and managing all types of risks. They are based in Brussels, Paris, and Luxembourg, with over 10 years on average experience in risk management and are organised by specialised competence centres for each risk type.

Solid risk management governance is in place with risk committees covering all types of risks, including a specific Sustainability Risk Committee, in order to monitor business activity, discuss changes in the nature of risk, provide proactive risk management decisions, and provide summary information to the supervisory bodies via the minutes of these committee meetings. Sustainability risk is considered from all standpoints (market risk, credit risk, liquidity risk etc.). To address systemic risks, they perform regular stress testing of portfolios. This helps model worst-case scenarios and assess potential vulnerabilities.

The following main risks are followed by using state-of-the-art tools to provide insights into portfolio exposure and market trends:

Types of Risks	Control Performed	Frequency of Controls	Tool Used
Regulatory and Contractual Risks	<p>Rules:</p> <p>Funds: compliance with prospectus and regulations</p> <p>Mandates: compliance with contractual rules and regulations</p> <p>Internal limits: compliance with internal rules as defined by the Risk Management department</p>	Daily	<p>All investment processes:</p> <ul style="list-style-type: none"> • Constraint server – Charles River© (ex-ante & ex-post controls) <p>Insurance management:</p> <ul style="list-style-type: none"> • Internal tool (ex-post control) • RiskMetrics©
Market Risk (ex-ante)	<p>Volatility, Tracking Error, VaR</p> <p>Exposure and Sensitivity: gross, net, long, short</p> <p>Stress tests</p>	Daily	RiskMetrics©
Liquidity Risk	<p>Consolidated positions at company level</p> <p>Monitoring of portfolio liquidity and liabilities concentration</p> <p>Stress tests</p>	<p>Daily</p> <p>Every 2 months, potentially daily in crisis periods</p>	Internal tool
Credit Risk & Counterparty Risk	<p>Credit risk control on all credit instruments:</p> <p>Investment rules (credit recommendation)</p> <p>Vulnerable Credit List</p> <p>Alerts</p> <p>Counterparty risk control: exposure</p>	<p>Daily for credit risk</p> <p>On-going & at least monthly for counterparty risk</p>	RiskMetrics©
Broker Risk	<p>Line-by-line comparison of transactions to ensure that they have been carried out by authorised brokers</p>	Daily	Charles River© Constraint Server (ex-post controls)
Operational Risk	<p>Constant monitoring for preventing any operational errors</p> <p>Monitoring of operational incidents and subsequent action plans</p>	<p>Daily for the operational errors</p> <p>On occurrence basis for the operational incidents</p>	Charles River© Constraint Server for the operational errors (ex-ante & ex-post controls)
Sustainability Risk	<p>ESG rules monitored:</p> <p>ESG Universe & Exclusions</p> <p>ESG indicators (KPI): follow up (breaches) carbon footprint, ESG scores, etc.</p>	Daily	Charles River© Constraint Server RiskMetrics© Internal tool

Overview of 2023 consultations on ESG issues

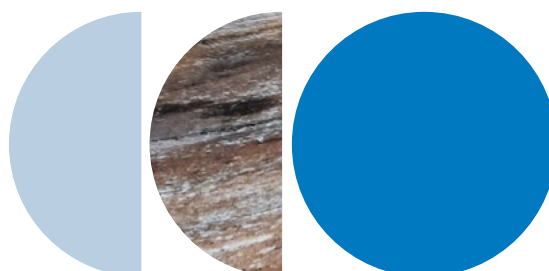
Consultations answered via Industry associations*	Candriam Individual answer
ESMA guidelines on funds naming	Yes
SRI French label review	Yes
ESAs SFDR review Level 2	Yes
EC ESRS First SET Delegated Acts	No
EC ESG ratings service providers	No
EC SFDR Level 1 review	Yes

*All consultations answered by AFG and/or EFAMA

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

Systemic risks: Candriam actively participates in European asset management associations (AFG, BEAMA) on discussions with regulators on risk topics and next ESG regulations. In particular, Candriam believes that transparency can help moderate systemic risks. For example, in 2023, we set up a cross-departmental governance team to prepare for the enhanced CSRD reporting.

We encourage front office employees to pursue the CFA Charterholder credential, and we underwrite a portion of the cost.





Principle 5:

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

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

We strive for transparency. This year (2023) marked the 18th year of publicly-available reporting on our votes. Our long-term basic principles remain shareholder rights, equal treatment of shareholders, board accountability, and transparency and integrity of financial statements.

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

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

The Proxy Voting Committee reviews proposals made by our ESG analysts and assesses the effectiveness of votes cast at shareholder meetings. This Committee, dedicated to the responsible exercise of voting rights by Candriam, has a three-fold mission:

- **It defines the general policy**
- **It reviews voting proposals**
- **It ensures that Candriam's Voting policy is properly implemented**





Review and Assurance

The Proxy Voting Committee consists of internal representatives from the Management, Operations, Compliance, ESG Research & Stewardship Teams and an Independent Member. Representatives of the Legal department may attend meetings upon request. It is informed of contacts taken with companies concerning AGMs and reviews potential escalation in partnership with the Candriam Stewardship Workstream. Meetings focusing on operational topics are held separately with internal representatives only. The Committee may decide on a specific engagement campaign targeting companies demonstrating weak governance practices. Such campaigns allow Candriam to explain our voting philosophy and promote our proxy voting principles.

Candriam's Engagement Policy is internally reviewed by the above mentioned members via the Group Strategic Committee. The policy is sent to the Group Strategic Committee and then presented in a dedicated session. We also take into account benchmarks and surveys done by third parties such as ShareAction, MajorityAction or Reclaim Finance. Candriam's Engagement Policy is under review and a revised version is expected by the end of 2024. There were no changes to the policy during 2023.

To ensure that stewardship reporting is fair, the Stewardship Team collects feedback from internal shareholders such as Sales, the RFP Team, and the

Communication and Investment Teams. Furthermore, we take into account current client reporting demands and expectations which third parties (UN PRI, ShareAction, etc) have publicly expressed.

In 2022, following a competitive submission, Candriam was named "Stewardship Team of the Year" at the Financial News Excellence in Institutional Fund Management Awards, in recognition of our constructive engagement and ESG proxy voting activities.

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

Policies include:

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

Notable changes in 2023 are the implementation of an evolution in and addition to our ESG Corporate Analytical Framework by applying an absolute rating and selection approach, which means a selection of



the best-performing companies (in terms of ESG issues) within the overall universe, without any regional and sectoral relative constraints. This addition allows us to further embed sustainability in our strategies - in a purer, more disciplined, and simpler fashion - and reflects the philosophy of the EU regulatory initiatives on sustainable investing.

Moreover, we have chosen to tighten our exclusion policy in 2023, particularly on the environmental side, for all sustainable funds. We exclude from its investments companies directly involved in the thermal coal industry and which derive more than 5% (vs. 10% previously) of their turnover from it, as well as companies which do not demonstrate any credible alignment with the Paris Agreements, notably through a solid SBTi objective or the allocation of a sufficient part of capital expenditure to activities which contribute positively to them.

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

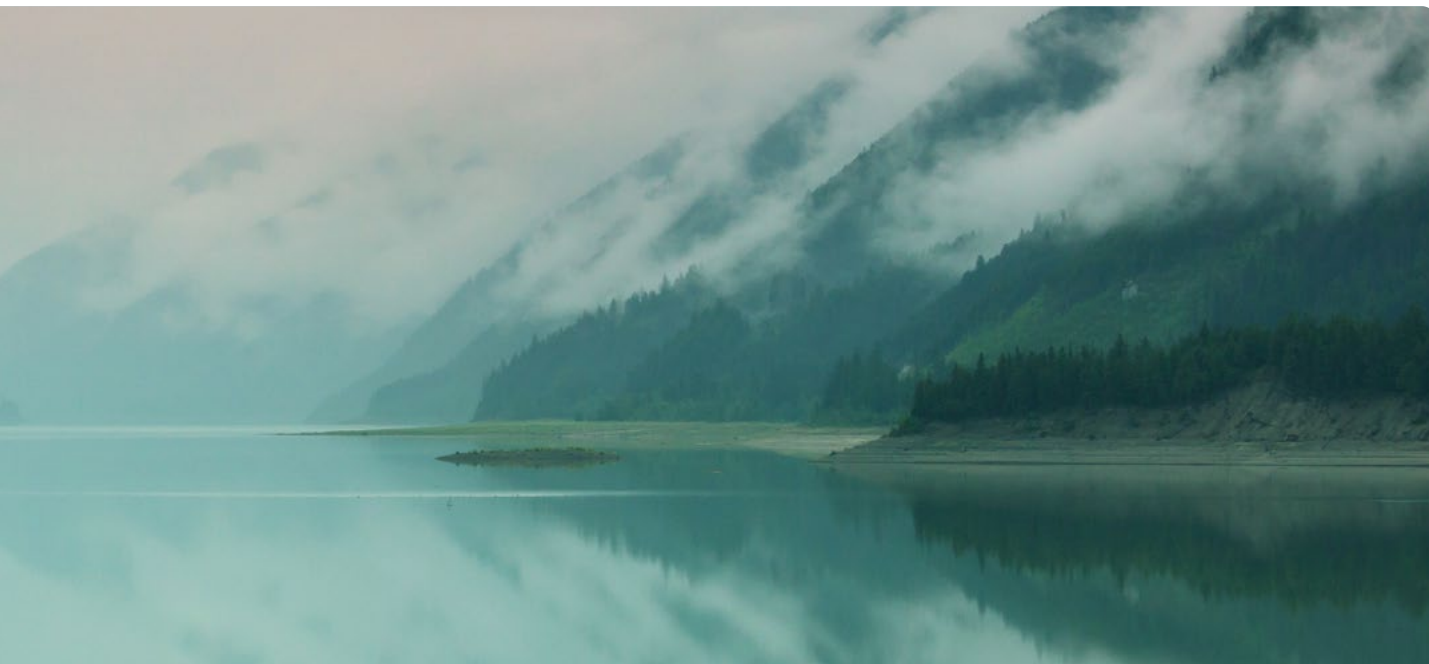
The Risk Management Department ensures that the investment teams comply with our ESG framework and screens.

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

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

The Internal Audit Department carries out regular inspections and advises as necessary to ensure the performance and effective implementation of the internal control system. The inspection missions represent the lion's share of the Audit Department's work, and the aim is to provide the Group Strategic Committee with an objective and independent assessment of particular domains (function, process, systems). The Voting and Engagement Teams were audited in 2022, and the entire ESG Team, including Voting and Engagement, were audited in 4Q 2023.

The ESG Investments & Research Team ensures that communication channels exist internally to provide updates on upcoming AGMs, stimulate exchanges



with fundamental analysts and investment managers to explain our voting guidelines, and to discuss resolutions when more inputs are needed for taking a stand regarding voting instruction. Investment managers are informed of contacts taken with companies both in the context of shareholder meetings and also of any contact taken individually or collaboratively on specific ESG topics that may have an impact on our voting decisions.

We use our corporate website as our main external means of communication for our annual Proxy and Engagement reviews, and to disclose the details of our votes.

For Candriam open-ended funds, the list of AGMs in which the fund participates is published in our annual/semi-annual reports. Details of all votes cast based on Candriam policy can be found on the Candriam website.

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

the recommendation from the management of an investee company.

An explanation is provided in the event that a conflict of interest was not properly managed by Candriam.

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

Candriam increased our use of this approach in 2023.

For several consecutive years, Candriam sustainability funds (classified as 'Article 9') and a few traditional funds have been awarded the Towards Sustainability label in Belgium and the SRI label in French. Both require an extensive review and audit by an external audit committee from the respective labels. Audits include, among other things, an extensive and detailed review of Candriam's engagement and voting activities and alignment with the objectives of the sustainability labels.

Please refer to information provided under Principle 2 for additional information on assurance and governance of policies and overall stewardship.

Principle 6:

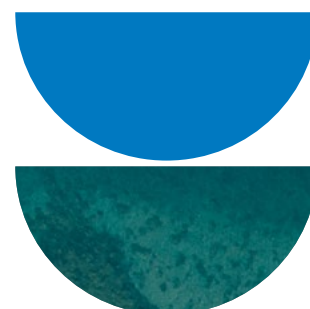
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Aligning our investments with a wide range of client needs

Please see below for a breakdown of our clients as of December 2023:

Asset Class	AUM million GBP	AUM%
Equities	33,913	26.99%
Bonds	38,082	30.31%
Asset Allocation	45,616	36.30%
Money Market	4,986	3.97%
Alternative	3,051	2.43%
Grand Total	125,648	100.00%
Grand Total	125,648	100.00%

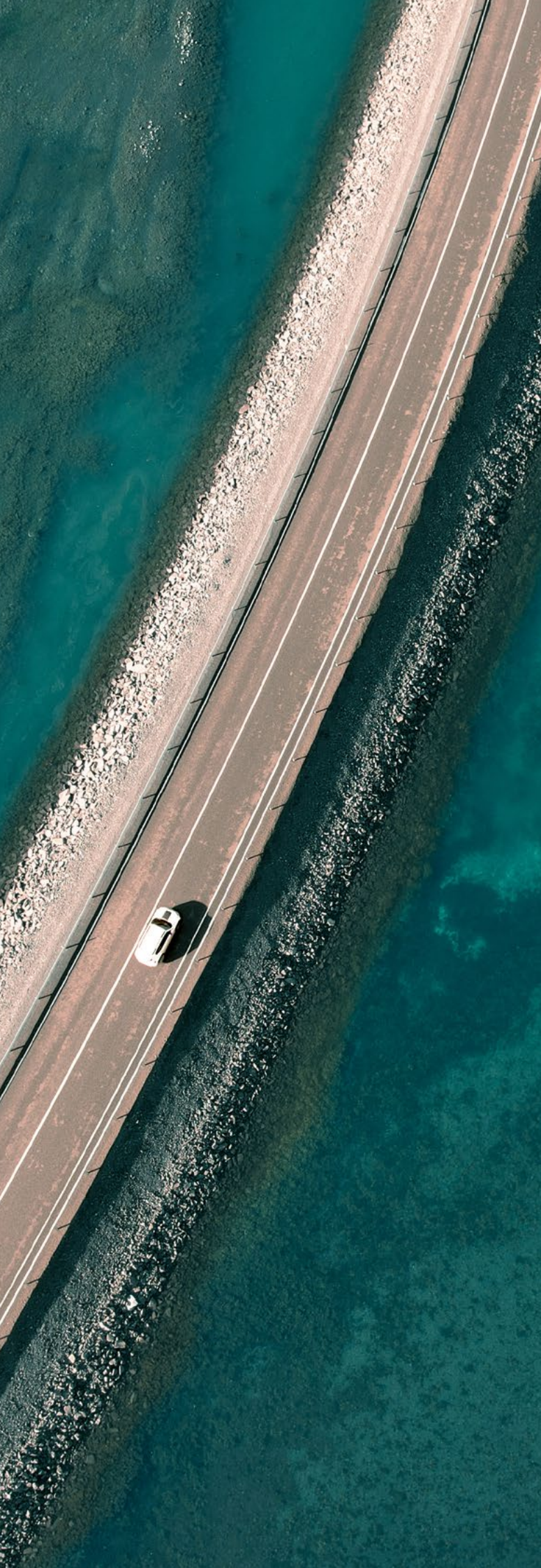
Investment zone	AUM million GBP	AUM%
Australia	1,047	0.83%
Emerging Markets	6,839	5.44%
Europe	46,995	37.40%
Global	66,464	52.90%
Japan	532	0.42%
OCDE	123	0.10%
USA	3,649	2.90%
Grand Total	1,047	0.83%





Client Geog-raphy	AUM million GBP	AUM%
Belgium	66,241	52.72%
France	17,935	14.27%
USA	12,051	9.59%
Luxembourg	7,957	6.33%
Italy	6,045	4.81%
Spain	3,747	2.98%
Switzerland	3,543	2.82%
Canada	1,768	1.41%
Netherlands	1,401	1.12%
Germany	1,148	0.91%
Other European	1,108	0.88%
Kuwait	940	0.75%
Japan	727	0.58%
UK	651	0.52%
Other Asian	253	0.20%
Other MENA	76	0.06%
LATAM	57	0.05%
Grand Total	125,648	100.00%

Institutional Retail	AUM million GBP	AUM%
Banks: Proprietary Assets	161	0.13%
Corporates	2,207	1.76%
Family Offices	35	0.03%
Inhouse funds	14,583	11.61%
Insurance	26,032	20.72%
Other End Investors	2,011	1.60%
Pension Schemes	12,879	10.25%
Public Sector	4,752	3.78%
Social Profit / Non Profit	3,031	2.41%
Sovereign Wealth Funds	974	0.77%
Institutional	66,664	53.06%
Asset Managers	20,684	16.46%
Banks: Private	9,394	7.48%
Banks: Retail	24,804	19.74%
Family Offices	42	0.03%
Insurance	2,800	2.23%
Other Distributors	1,260	1.00%
Retail	58,984	46.94%
Grand Total	125,648	100.00%



Listening to our clients:

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

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

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

Assessment of the Client Journey

At the core of all our work is a commitment to our clients' perspectives and satisfaction.

In 2023, we launched a new initiative aimed at refining the client experience by enhancing every interaction with our company. Our sales and client service teams have thoroughly examined these touchpoints to identify key areas for progressive enhancements.

This initiative is a collective effort, with every team within our company contributing to the improvement of our service standards. The goal is to ensure all client interactions are seamless and positive.

Short-term enhancements will involve fine-tuning smaller details that, while not direct issues, are pivotal to meeting and exceeding client expectations. More significant evolutions are also in the pipeline to fulfil client needs more effectively on a long-term scale.

Our most recent Client Satisfaction Survey showed our clients are satisfied with the relationship management provided by Candriam's commercial teams.

These findings highlight Candriam's unwavering commitment to delivering exceptional client service and fostering strong and collaborative partnerships. By actively listening to client feedback and continuously improving our offerings, Candriam has cultivated a loyal client base that values our expertise.

Client Longevity

Our most useful indicator of client satisfaction is our record of client longevity. At Candriam, the average on-going duration of investors within our funds is 5.3 years².

This figure highlights our ability to establish strong connections and deliver consistent value to clients, resulting in our clients working with us for longer. We believe that maintaining these investors over

extended periods shows a high level of client satisfaction and trust in our expertise.

We have 560 long-term investors in Candriam products³, accounting for 46% of our total client base, which demonstrate our commitment to nurturing enduring relationships. These long-term collaborations signify a deep understanding of clients' needs, effective communication and the ability to adapt to changing market conditions.

The average length of mandates currently managed by Candriam, 11.1 years⁴, showcases our ability to deliver consistent results and meet client expectations over an extended period. This longevity reflects the trust clients place in Candriam's investment strategies, risk management and ability to navigate various market conditions. These longer mandates also provide stability and predictability for our operations.

Building and maintaining a long-term connection with clients is a crucial aspect of any successful business. It not only fosters trust and loyalty but also contributes to the overall growth and stability of the company.



² Data since 2014, when the Candriam brand was inceptioned.

³ Long-term investors are classified as clients who have been invested for over 5 years.

⁴ Including mandates created before the brand change to Candriam (2014) and that are still active as of 31/12/2023.



Responsibility to our Clients:

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

Ongoing communication includes regular review meetings such as calls and webinars, as well as regular reporting. We produce annual Engagement and Voting reports which can be found on our website, as well as monthly fund reports on both financial and extra-financial information. Given the rapid development of ESG transparency by issuers, our extra-financial reporting is constantly developing. We share all relevant information on our website at the following link:

<https://www.Candriam.com/en/professional/market-insights/sri-publications/>.

Other available documents include our Exclusion Policy, ESG integration policy and fund-level transparency codes.

Understanding our Clients

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

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

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

In order to cater to specific client needs we have specialised our sales force and we rely on experts adding value to our clients' decisions and value propositions.

In addition to the local sales force, we have a dedicated unit for insurance companies and pension funds, one for global financial institutions and one for clients investing in private markets.

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

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

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

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

Our approach to financial intermediaries is very similar, but more focused on the product and solutions rather than asset allocation or other investment solutions, as these clients have the financial

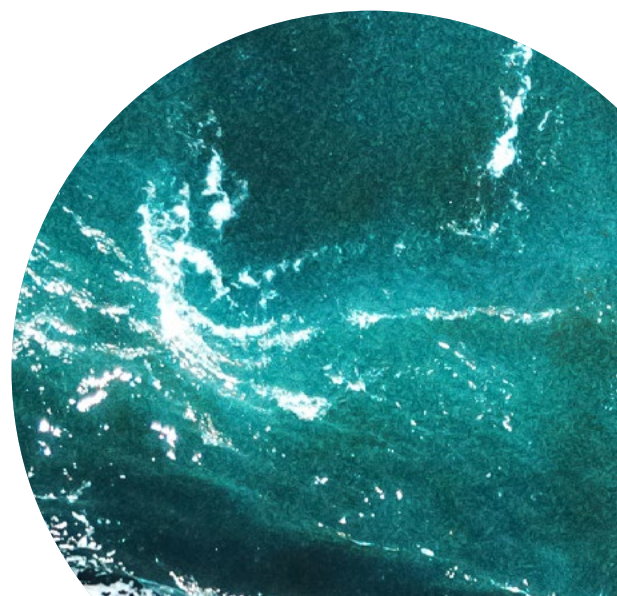
knowledge to select and/or wrap our products into theirs. Our key focus with these clients is on the provision of the most complete information of investment process, financial performance, risk indicators, reporting templates for insurance, financial and/or ESG reporting.

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

Digital client engagement

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

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



CRIS

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

To date, CRIS has generated over 50,000 performance simulations.

Candriam Academy

Following on from the results of a European survey, we observed that financial advisers needed to bring their knowledge on sustainable investments to the next level and we decided in 2017 to launch the first online platform for ESG education, freely accessible to all.

Our aim was to educate investors, financial advisers, and the investing public, and to raise awareness and train financial intermediaries on ESG. The platform serves as an information hub, where we actively engage with our partners. In early 2023 for example, Candriam concluded an educational partnership with the Italian distributor Widiba, in order to deliver multiple live training sessions of our Candriam Academy to a whole network of 600 financial advisers all over Italy.

As of the end of 2023, the Academy has over 14,000 members from over 79 countries, is available in six languages and includes six modules.

Other

Candriam has fully reviewed our website to be more in line with client needs. For our close distribution partners, we established a dedicated Extranet platform. We plan to launch a new fully-fledged Client Portal in 2024.

Reporting

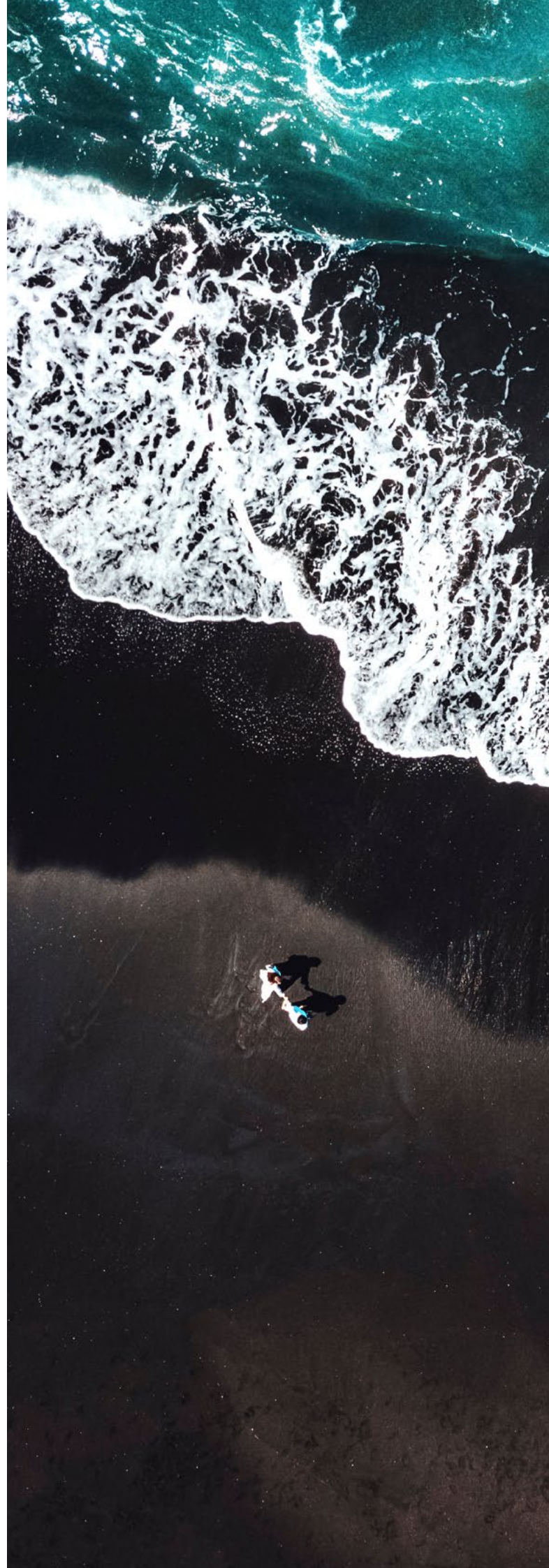
Beyond very detailed financial reporting with extensive risk indicators and performance attribution, Candriam includes a series of extra-financial indicators. Candriam also launched an Impact reporting analysis, giving investors a clear and comprehensive overview of the ESG impacts of their investment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

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

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

Effectiveness of Our Chosen Methods

At Candriam, we strive to fully encapsulate our client and beneficiary needs. Our regional / sector-specific sales experts and market intelligence team are the key drivers in this process. Both departments constantly evaluate our success in understanding our clients' and beneficiaries' needs. This method helps Candriam to keep up with the evolving landscape of client needs and expectations. Through research and expertise we also seek to understand why clients have specific needs and expectations. All of this helps us to gain a deeper understanding of client expectations and allows us to deliver an appropriate and tailored client experience.



Business Intelligence Team

Candriam considers the needs of clients either through direct feedback from clients or through research conducted by our market intelligence team. This team is responsible for keeping track of market dynamics, changes in regulation and client needs to ensure that our existing product range continues to meet expectations and any new launches meet the needs of potential clients. We regularly monitor our product range to ensure that products are meeting their investment objectives and providing value to clients. Any products that are identified as not meeting these requirements are placed on a watchlist as we look to investigate how client outcomes can be improved.

Communication Actions to Promote ESG

Throughout 2023, we worked to strengthen our focus on ESG education and promotion across all our communication channels. Utilising the knowledge of our ESG experts, we produced various articles dedicated to ESG issues, which were made available to our clients and the community at large. We also organised three ESG talks via the Candriam Academy. For more information about the Candriam Academy, please see the Responsible Citizen chapter of this report.

We publish an annual Engagement and Voting Report as well as monthly fund reports on both financial and extra-financial information.

In 2023, we offered:

- Nineteen white papers and opinion papers for investors on issues including biodiversity, biofuels, advances in healthcare and oncology and human rights in the food supply chain;;
- Seven papers on engagement actions or collaborative actions carried out by Candriam with companies on topics such as employee board representation;
- Five educational documents on issues such as the impacts of IORP II Directive for European pension funds and their ESG reporting requirements;
- New engagement modules as part of the Candriam Academy.

Case Study – European Equities Customised Solution

In 2023, Candriam set up a mandate on behalf of a French institutional investor. Our expertise in institutional management of European equities and ESG management enabled us to offer this investor a tailor-made solution in line with its SRI charter and to provide the best possible support in implementing its carbon neutrality objective. As part of this mandate, Candriam's proprietary ESG research integrates transition risk analysis and measures the alignment of issuers with the objectives of the Paris Agreement, based on SBTi and temperature indicators.

The investor also benefits from Candriam's resources, which enable strict compliance with its voting policy and the implementation of a commitment strategy that covers its SRI charter as well as the climate guidelines it is committed to following.

Candriam's sustainable investments are managed based on an investment universe that complies with best-in-class filters and exclusions relating to controversial activities determined by the investor, to which our financial investment strategy applies. This strategy is based on a bottom-up approach, which integrates ESG criteria into the financial analysis and aims to identify quality companies.

Finally, Candriam offers high-quality reporting, adapted to reflect the ESG and climate approach implemented and to measure all dimensions of performance.



Principle 7:

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

Integrating Sustainability into all investment processes

As a leader in sustainable asset management, Candriam is committed to incorporating sustainability risks and opportunities in the portfolios we manage, emphasising the importance of sustainability impacts.

At Candriam, the incorporation of Environmental, Social, and Governance (ESG) considerations into our investment analysis and decision-making processes is structured around asset class-specific materiality frameworks. These frameworks are essential for identifying pertinent ESG factors for both equity and fixed income asset classes. They are based on the principle that a comprehensive evaluation of a company's sustainability requires an analysis of its business operations and its stakeholder management strategies. Our analysis focuses on ensuring that a company's products and services align with key sustainability challenges. Internally, Candriam aligns our sustainability objectives with prominent external frameworks, notably the UN Sustainable Development Goals (SDGs), the Paris Agreement, and the EU Taxonomy for climate mitigation and adaptation.

Candriam is committed to not only integrating ESG factors into investment decisions but also achieving concrete and measurable results. This is demonstrated by the goals set for all sub-funds within the Candriam Sustainable SICAV, which include significantly reducing the greenhouse gas emissions of investee companies compared to the benchmarks of the funds, or aligning with a warming pathway below 2.5 degrees Celsius. Furthermore, our SFDR Article 8 and Article 9 investment products are designed to invest in companies that exhibit a more robust sustainability profile than their peers, as determined by Candriam's evaluations of business activities and stakeholder impacts. Adherence to high standards of corporate governance and the principles of the UN Global Compact are also integral to our sustainability assessments.

Candriam's dedicated ESG Research & Investments Department provides comprehensive evaluations of the sustainability of corporate and sovereign issuers, alongside sector-specific ESG analysis and fundamental research concerning sustainability issues. Integrated within this department, our Engagement and Voting team works in close collaboration with ESG sector analysts to conduct coordinated, impactful engagement and voting initiatives. The insights gained from our sustainability



assessments are crucial for informed decision-making in portfolio management, valuation, and credit analysis throughout Candriam's investment activities, employing a multi-layered approach to integration. The following sections will elaborate on Candriam's proprietary framework for assessing issuer sustainability and how these assessments are integrated into our investment strategies.

Tailoring Integration Across Asset Classes

Asset classes and geographic regions

For over a decade, Candriam's sustainable funds have utilised a unique methodology to define the sustainable universe in emerging markets. As the availability of data improves, our methodologies in these markets are progressively aligning with the advanced analyses used in developed markets. The specific distinctions between developed and emerging markets, and between equity and debt, are detailed in our SFDR Product Disclosure documentation, which is available on our website.

Corporate sustainability model

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

Proprietary ESG analysis is composed of:

Business activity analysis; Stakeholder analysis; In-depth negative screening; Controversial activities analysis; Norms-based assessment.

Each of these pillars is described in detail below.

I. Proprietary ESG analysis

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

ESG trends and challenges, such as global warming and the depletion of natural resources, test the resilience of financial and economic systems and of the companies that operate in them. At the same time, they also offer opportunities to foster innovation by investing in companies that create solutions to alleviate or solve these challenges. This goes beyond environmental matters and includes the social and governance dimension of corporate behaviour. This holistic consideration of ESG factors reflects our conviction that specific environmental, social and governance issues are being and/or will be priced by financial markets participants due to policy, technological and/or societal change.

i. Business Activity analysis

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

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

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

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



ii. Stakeholder Analysis

Candriam's Stakeholder Analysis evaluates a company's ability to sustainably incorporate stakeholder interests into its long-term strategy, and its potential positive or negative short- and long-term impacts on its stakeholders. A company's interactions with its stakeholders also give rise to opportunities and risks for the company and are therefore key determinants of long-term value creation or risk exposure. There are six key stakeholders: the Environment, Society, Employees, Suppliers, Clients and Investors. The Stakeholder Analysis examines a company's interactions with its stakeholders and assesses the quality of management of these interactions.

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

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

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

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

- Environmental considerations undergo a comprehensive evaluation through:
 - Business Activities Analysis, notably via the following KSCs:
 - Climate Change (e.g., level of GHG emissions, level of progress on decarbonisation pathway)
 - Resource Depletion (e.g., impact on availability or scarcity of resources in our ecosystem)
 - Digitalisation (e.g., digitalisation of processes that delivers clear benefits to the environment)
 - Stakeholder Analysis, notably via:
 - Environment (e.g., environmental policy, including GHG reduction programme, land use and biodiversity, disposal and recycling)
- Social considerations are evaluated through:
 - Business Activities Analysis, for instance through the following KSCs:
 - Health & Wellness (e.g., ensuring healthy lives and promoting well-being for all at all ages)
 - Digitalisation (e.g., digitalisation of processes that deliver clear benefits to society and the economy)

- Demographic Evolution (e.g., aging population and other changing trends in global human population including specific sub-groups (young, elderly population, etc) across various locations (countries, regions, urban, rural, etc)).

- Stakeholder Analysis, via:

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

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

- Human capital management (labour structure, location of operations, employee turnover rates)
- Controversial raw materials (policy management and commitment on sourcing materials, responsible sourcing mechanisms, transparent reporting on findings or flagged issues)
- Customer-related matters (product quality and safety, data privacy and security)
- Corporate governance (board commitment, oversight and monitoring on Human Rights, code of conduct, human rights policy, modern slavery statement, etc.)
- Governance considerations are assessed through the:
 - Stakeholder analysis, via:
 - Investors (e.g., board structure, auditors’ rotation, remuneration, share capital, etc.)

II. In-depth negative screening

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

i. Controversial activities analysis

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

ii. Norms-based assessment

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

Sovereign sustainability:

Similar to our corporate model, we have developed a proprietary framework in order to assess the long term sustainability of sovereign nations, recognising that the factors contributing to a well-managed company differ significantly from those that underpin the sustainability of a country.

Firstly, we have adopted a firm policy against investing in sovereign debt of autocratic states (the financial results of a general policy of avoiding autocratic sovereigns are reported in our November 2022 Sovereign Sustainability white paper, *The age of the grey swan*, pages 12-14). Totalitarian regimes, by their very nature, are inherently unsustainable, due to the extensive use of physical and psychological coercion required to maintain control. Freedom of thought and expression is essential for genuine progress. Without it, the Human, Social, and Economic Capital of countries tends to stagnate and ultimately deteriorate. This decline is often gradual and may not be immediately apparent; a historical example is the slow disintegration over eight decades (1922-1991) of the Soviet Union and the Warsaw Pact. The reverberations from that collapse continue to echo in Europe to this day.

We calculate the sustainability score of a country as the average of its environmentally-efficient human capital, social capital, and economic capital created with natural capital serving as a multiplier, due to the fact that natural capital is finite. This approach underscores the importance of environmental preservation within our assessment framework, acknowledging it as one of the most critical challenges facing humanity today. Countries are evaluated based on the efficiency with which they create well-being in the form of human, social and economic capitals, accounting for the potential depletion of or damage to the natural environment in the process of the creation of this well-being.

Sovereign Model in Detail:

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

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

I. Sustainable development criteria

II. In-depth negative screening

These pillars are described in detail below.

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

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

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



- **Natural Capital:** Assesses how a country conserves and sustainably employs its natural resources. We evaluate how a country manages its interactions with global environmental trends and challenges such as climate change, consumption of resources, stewardship of biodiversity, and waste handling.
- **Human Capital:** Assesses economic and creative productivity, by evaluating education and skill levels, innovation, health, labour participation rates and employment ratios, among other sustainability themes. Long-term sustainability trends and their impacts are also taken into consideration, such as changes in the labour market structure.
- **Social Capital:** Evaluates civil society and state institutions, including transparency and democracy, government effectiveness, corruption, inequalities, and the populations' level of security. We monitor both short-term (e.g., election outcomes, political unrest) and long-term (e.g., growing inequality) matters, and form a comprehensive view of the overall sustainability path of a country.
- **Economic Capital:** Assesses a country's economic fundamentals, in order to measure each government's ability to finance and support sustainable policies over the long run. We monitor, among others, regulation and tax policies, the short- and long-term exposure to risks and

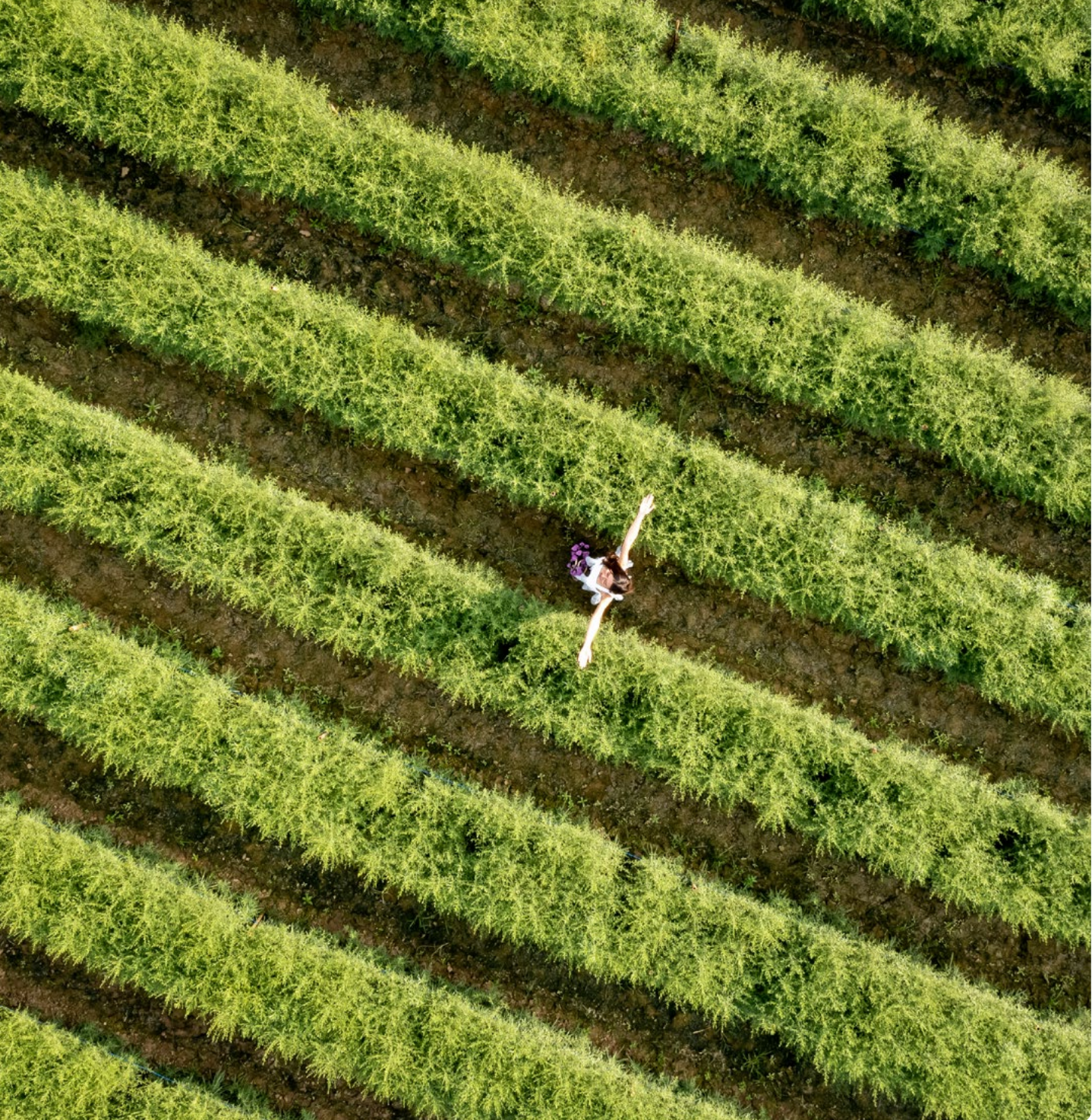
opportunities that stem from the transition to a Net-Zero Carbon economy and the overall business environment of a country.

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

II. In-depth negative screening

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

- Freedom House's Freedom in the World Index – states that are considered 'Not Free'
- Highly Oppressive Regimes – severe human and political rights violators
- Financial Action Task Force's Call for Action List – state sponsors of terrorism
- Countries that are violators of international agreements



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

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

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

- Human capital, which examines for example, education and skill levels, innovation, health, labour participation rates and employment ratios, among other sustainability themes. Labour rights, such as decent working conditions, absence of forced, child and slave labour, as well as the prevalence of discriminatory labour practices are monitored within Human Capital.

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

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

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

Supranational organisations and agencies

Candriam assesses supranational organisations and agencies through a mission statement analysis and a norms-based analysis.

The purpose of the mission statement analysis is to identify supranational organisations and agencies whose mission contributes in a positive way to the economic and social development of regions and countries. This qualitative analysis is carried out by Candriam's ESG Analysts and considers different regional and country-specific challenges and opportunities. Where agencies are indirectly covered by sovereign issuers, their eligibility is also dependent on the ESG quality of the country in question.

Candriam also performs a norms-based analysis of supranational issuers and, when relevant and material, agencies. The purpose of this analysis is to determine whether or not a supranational organisation observes the ten principles of the United Nations Global Compact in four key domains: Human Rights Labour, Environment and Anti-Corruption. This analysis aims at identifying supranational organisations that significantly and repeatedly fail to observe these principles.





Tailoring Integration Across Asset Classes

The Approach to integration

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

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

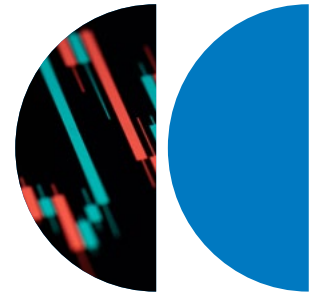
Candriam’s portfolio management teams therefore integrate within their investment process financially relevant ESG factors, taking into account the specificities of each asset class. The objective is to

leverage ESG knowledge and information across all our investments, whilst adapting for the distinct nature of each strategy.

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

However, ESG integration can only be effective when it is material and relevant to the investment strategy at hand and the respective portfolio manager’s decision-making process. ESG risks and opportunities vary across sectors and regions and may have varying impact depending on the investment horizon and asset class. It is thus essential that portfolio managers, when making investment decisions, understand the ESG issues that are material for assessing the risk-return trade-off and then integrate those into the investment process. ESG integration requires thus a thorough understanding of the investment issues at stake, which will enable portfolio managers to harness the power of environmental, social and governance data, analysis and recommendations to inform the investment decision-making process. Broad and deep integration of ESG issues ensures that opportunities arising from ESG megatrends and risks embedded in ESG practices will continue to drive alpha generation and/or risk mitigation. Moreover, ESG integration assists in upholding our fiduciary duty to clients by taking into consideration both financial and extra-financial aspects to achieve better long-term risk-adjusted returns.

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



1. ESG integration for equity strategies

>> Traditional equity strategies:

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

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

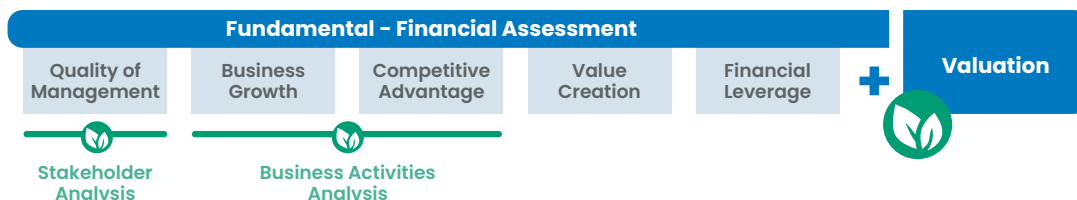
1. ESG exclusions from the investment universe

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

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

2. ESG integration into fundamental analysis of companies

Candriam’s fundamental equity strategies⁵ take into account the “**Business Activities Analysis**” and “**Stakeholder Analysis**” scores resulting from Candriam’s corporate ESG analytical Framework in fundamental analysis and in “**Company Valuation**” as follows:



Quality of Management

In order to obtain a holistic view on the overall governance and soundness of a company's management, we assess a company's relationships with several stakeholders by considering and integrating qualitative ESG information and quantitative ESG scores that result from the ESG stakeholder analysis.

Further to the assessment of strategy, stability, track record, corporate communication and other financial criteria, we assess the management team on its relationships with its stakeholders.

The ESG Stakeholder analysis is taken into account in the Quality of Management assessment. If the company 'stakeholder' score is in the bottom 20% of its universe⁵, the 'Quality of Management score' cannot be 'green'.

Business Growth

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

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

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

⁵ Applicable for developed markets (Emerging Markets get a specific analysis)

⁶ Investment universe varies across strategies

Competitive Advantage

We perform an intrinsic analysis of products and services, R&D, customer support, and other areas relevant to the company's business, including opportunities and risks resulting from the ESG considerations. Very often, ESG factors directly impact the strategic positioning and innovation of a company relative to its peers through its brand, product/concept/services leadership, costs, R&D, marketing and distribution.

We use the Porter concepts to analyse the competitive position of the company in its industry, such as the threat of new entrants, threat of substitutions, and the bargaining power of suppliers and customers.

We check potential regulatory constraints and assess their impact on the competitive advantage of the company, and opportunities that arise as well as barriers to entry resulting from new environmental policies. Considering the ambitious climate objectives of many countries across the globe, and the ensuing regulation and legislation regulating emissions and pollution, we expect companies that have business activities sustainably and positively contributing to those environmental objectives, to outperform in the long run.

Final Fundamental Assessment

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

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

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

3. Consideration of ESG in company valuations

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

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

4. Impact of ESG on portfolio construction

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

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

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

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

>> Thematic equity strategies:

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

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



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

For more information about our different thematic strategies, please refer to our dedicated Thematic Transparency Code.

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

>> ESG integration for quantitative equity and index strategies

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

1. Eligible universe (Positive/negative screening)

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

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

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

2. Portfolio Construction

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

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

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

2. ESG integration for fixed income strategies

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

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

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

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

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

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

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

1. Holistic top-down approach

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

2. A focus on material factors

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



3. A systematic process

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

>> Corporate issuers:

Our team of credit analyst/portfolio managers analyse the fundamental Business Profile and Financial Profile of issuers. **We integrate our ESG analysis into industry risk, business model, and management pillars of the Business profile.**

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

challenges as well as how the company addresses these challenges.

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

>> Sovereign issuers:

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



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

- **These Quality of Government indicators** encompass political stability and corruption control, rule of law, absence of or levels of violence and terrorism, and regulatory quality and cost. Political accountability means building public institutions with strict audit and control systems that deter corruption practices, good management of public resources, and an independently functioning justice system. Data is sourced from the World Bank World Development Indicators database, updated annually.
- The **Quality of Institutions** and the assessment of the overall **Business Environment** are evaluated using the Ease of Doing Business survey. The ease of creating and running a business in a country depends on several regulatory factors such as the protection of property rights, the quality of contract enforcement, and the fair resolution of legal disputes between market participants. We favour countries in which investment is supported and regulatory burdens are limited. We assess the ability of governments to formulate and implement policies that promote economic growth. The Ease of Doing Business Index is produced annually by the World Bank. **Structural Reform Momentum** is tracked using both quantitative indicators, such as the Gini Index of poverty and inequality, as well as qualitative indicators. We evaluate the country's development path, fairness, percentage of population below the poverty threshold, openness and access, rule of law,

voice and accountability, and political stability.

- The **Environmental Impact** using measures of the country's ecological footprint and biological capacity is also reviewed. Poverty and inequality data, including the Gini Index, are sourced from the World Bank. Ecological data is sourced from the Global Footprint Network on an annual basis.
- The assessment of the efficiency and sustainability of a country's **Monetary Policy Framework** is measured by the Central Bank's independence and credibility. Inflation targeting increases a Central Bank's credibility and its commitment to managing inflation. These variables are individually analysed, inputted, and maintained by Candriam's Emerging Markets Debt Team.

Impact on portfolio construction

The impact on Portfolio construction is the following.

- If Credit rating is CR4/CR5, the issuer cannot be included.
- If credit rating is between CR1 and CR3, the following applies to portfolio construction.
 - We provide a weight based on:
 - Credit score (ESG integrated)
 - Macro assessment.
 - Relative value opportunities (yields, Spreads, Prices)
 - Market assessment (high yield, IG, EMD etc)



Engagement and Voting

In addition to above described corporate and sovereign models, our engagement activities provide us with a deeper and more thorough understanding of performance related to E, S and G factors. We differentiate our engagement approach across funds, asset classes, and geographies through a structured and multi-layered strategy.

Fund-Level

The engagement and voting components of Candriam's stewardship activities are tailored to the specific characteristics and objectives of each fund. For instance, the stewardship approach for equity funds may focus more on active voting and engagement with company management, while fixed income funds might emphasise monitoring and influencing issuers' ESG practices through dialogue and engagement. Candriam also has a specific engagement process for Candriam's Bond Impact Fund which invests in Green and Labelled bonds.

Asset Class-Specific

Equities

The stewardship activities for equity investments include active voting at shareholder meetings and direct and/or collaborative engagement with company management on ESG issues. This involves evaluating and voting on resolutions, engaging in dialogues to influence corporate behaviour, requesting more company disclosures, and participating in collaborative initiatives to amplify impact.

Fixed Income

Candriam's fixed income investment process focuses on Governance and Climate Change as the two most material factors affecting the performance of portfolios. Our engagement activity follows these two focus points. An example is a specifically designed engagement campaign for our High Yield Strategies to improve our insight of the ESG performance of private companies, where ESG disclosure is typically weak.

Multi-Asset

In multi-asset strategies, Candriam integrates ESG considerations across all asset classes, ensuring that the stewardship activities are aligned with the overall investment strategy and objectives of the fund. This involves a combination of equity and fixed income stewardship practices, tailored to the specific asset allocation and risk profile of the fund.

Geographic Differentiation

Candriam's stewardship approach varies by geography to account for regional differences in regulatory environments, market practices, and ESG issues. For example, in emerging markets, the focus might be on improving transparency and governance practices, while in developed markets, the emphasis could be on advanced ESG integration and climate-related engagements.

The stewardship activities are also adapted to local market conditions and cultural contexts, ensuring that the engagement strategies are effective and relevant to the specific challenges and opportunities in each region.



Collaborative Engagements

Candriam participates in collaborative engagements with other investors to address systemic ESG issues that require collective action. This includes initiatives such as Climate Action 100+ and the Workforce Disclosure Initiative, which aim to drive significant improvements in corporate ESG practices across different geographies and sectors. (See also Principle 10, and our 2023 Engagement report.)

Candriam Voting Policy and Guidelines

Candriam applies a customised voting policy that outlines the high standard of corporate governance set for investee companies. It ensures that the voting decisions are aligned with investment strategies and the broader stewardship goals of promoting sustainable and responsible business practices.

- Regarding open-equity funds managed by Candriam, votes are cast in line with the in-house Candriam policy which apply the same way, not making any difference from one strategy to

another. The Candriam policy also applies to dedicated funds and mandates if the underlying client has given their agreement to the application of such policy.

- For mandates or dedicated equity fund, our clients may ask for a specific voting policy to apply.

Regardless of the policy applied to the funds and/or mandates, the Voting team pays close attention to ensure alignment between ESG opinion / engagement activities and vote.

Candriam recognises that there are no “one-size-fits-all” structures. Candriam takes into account market capitalisation and ownership structure, legal systems, local corporate governance codes and, finally, company explanations, on a comply-or-explain basis. Indeed, in the event of nonapplication of the local best recommendations, companies are expected to disclose all recommendations not followed and specific reasons for such deviations. While Candriam seeks to apply a standard of good



governance practice, we also factor in regional differences. These qualitative factors required an immense amount of custom analysis.

This is due to the differences in the regional regulations and the maturity of each market. For example, as tenure is not an independence criterion in the USA, we apply a specific average board tenure rule in this market to avoid situations where directors who serve on the board for an extensive period are still considered independent. As such, when the average tenure of the board members exceeds nine years, we vote against the election of the most tenured director serving on the board (other than the CEO). In terms of diversity, we expect our US issuers to have at least one representative from the underrepresented ethnic minority on the board. We have similar expectations in the UK, which has a 'comply or explain' policy for targets on women and minority representation on the Board, and a standardised numerical disclosure. Due to the legal limitations on monitoring (privacy laws), such guideline is not applicable in Continental Europe.

In some cases, we may bring support to some principles that are not yet considered as regionally accepted. This is to give a direction in the market towards the best governance practices.

Indeed, as a responsible investor, and when going beyond observed market practices, we choose to promote governance practices which we believe serve the best interests of our clients, and of the ultimate beneficiaries of the investments.

Principle 8:

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

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

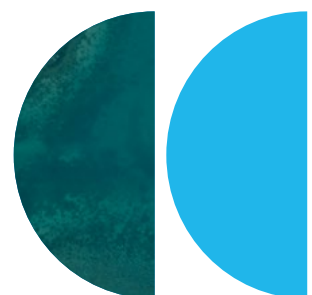
Following on from this due diligence, Candriam's Purchasing Department manages the contractual negotiations.

ESG data provider monitoring

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

To date, we have not ended a contract with any of our providers due to unsatisfactory research or services. In case of anomalies we have discovered, e.g. missing data or data inconsistencies, we investigate internally and then escalate to the source vendor if necessary. An internal process has been set up as well to overwrite a data point in case we do not agree with the external data provider's value.

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



Principle 9:

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

The Candriam 2023 Annual Engagement & Voting Report is an integral part of our 2023 Stewardship Report, and particularly of our Principle 9 Activities. For a fuller understanding, it should be read in conjunction with the case studies presented on our website, which give background and follow-up information for some multi-stage examples.

Engagement activities refer to interactions between Candriam and:

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

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

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

Candriam's engagement activities encompass a broad range of issuers and regions, prioritising those covered by our ESG analysis. Our engagement does not include interactions solely for data collection related to investment decisions such as buy, hold, sell, or weight adjustments. Instead, we focus on four main pillars aligned with the Principles for Responsible Investment (PRI):

- encouraging improved ESG disclosure;;
- supporting investment decision-making;;
- influencing corporate practices on ESG issues;;
- and promoting sustainable finance.

These pillars guide our discussions with issuers and

are not mutually exclusive, allowing for multi-target dialogues.

Our engagement process is both proactive and reactive, with the formal identification and prioritisation of activities occurring within this four-pillar framework. Factors considered 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 (e.g. 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;
- Engagement with public bond issuers typically occurs through collaborative initiatives to maximise leverage with countries and international organisations.

Direct dialogues are preferred, but collaborative approaches are adopted under certain conditions such as dealing with countries or international organisations where we are not shareholders, or when past dialogues with a corporate issuer were suboptimal. Collaborative dialogues are also favoured to avoid issuer fatigue, achieve greater leverage, address a large number of companies on the same topic, or when increased media coverage can enhance public awareness.

Since 2015, Candriam has emphasised three long-term engagement topics:

- **Business ethics,**
- **Energy transition,**
- **and Fair work conditions.**

These 'Conviction' topics are integral to our engagement strategy, which also includes a robust proxy voting policy applicable to our open-ended funds and, with client consent, to dedicated funds and mandates.

Our proprietary ESG database features an engagement module that provides immediate access to the history of both individual and collaborative dialogues and voting for each issuer. This integration of ESG research information and dialogue inputs enhances our ESG analytical framework, ensuring that the ESG profiles and analysis models of issuers are regularly updated based on engagement outcomes.

The outcomes of our engagements impact Candriam's research and opinions, influencing investment decisions regardless of whether companies respond to our queries. Transparency in company responses is a critical input for our ESG analysis. Regular engagement reports and updates are provided to our investment teams, and the Stewardship team participates in investment committees to align engagement activities with portfolio management across different asset classes.

To measure the success of our engagements, we use simplified indicators to track whether dialogues have led to changes in a company's eligibility status or confirmed our ESG analysts' opinions. All engagement activities are systematically recorded in our ESG database, capturing detailed information on each dialogue and its impact.

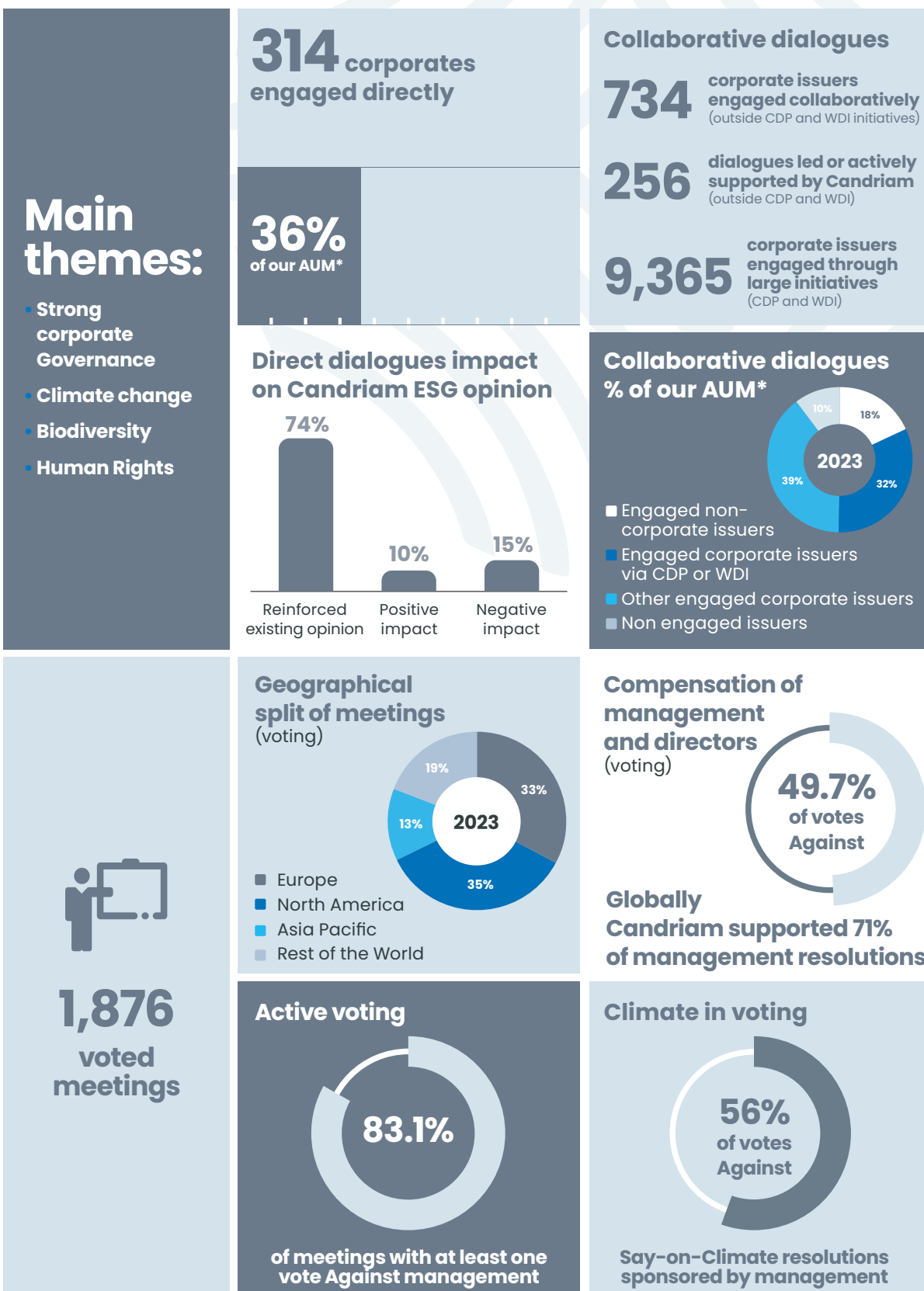
Engagement can lead to escalation processes if objectives are not met but are still deemed achievable. These processes may include joining or initiating collaborative initiatives, exercising voting rights against management, supporting or filing shareholder resolutions, or making public statements at annual general meetings (AGMs).

Ultimately, the success of an engagement is judged by whether its objectives have been fully achieved. These objectives typically aim to improve disclosure, support investment decision-making, or influence corporate practices. Regular monitoring and cross-team meetings help assess the progress and effectiveness of our engagement strategies, ensuring they remain aligned with our overall investment goals and ESG commitments.



Hereunder please find an overview of the 2023 engagement activities:

The year at a glance.



*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.

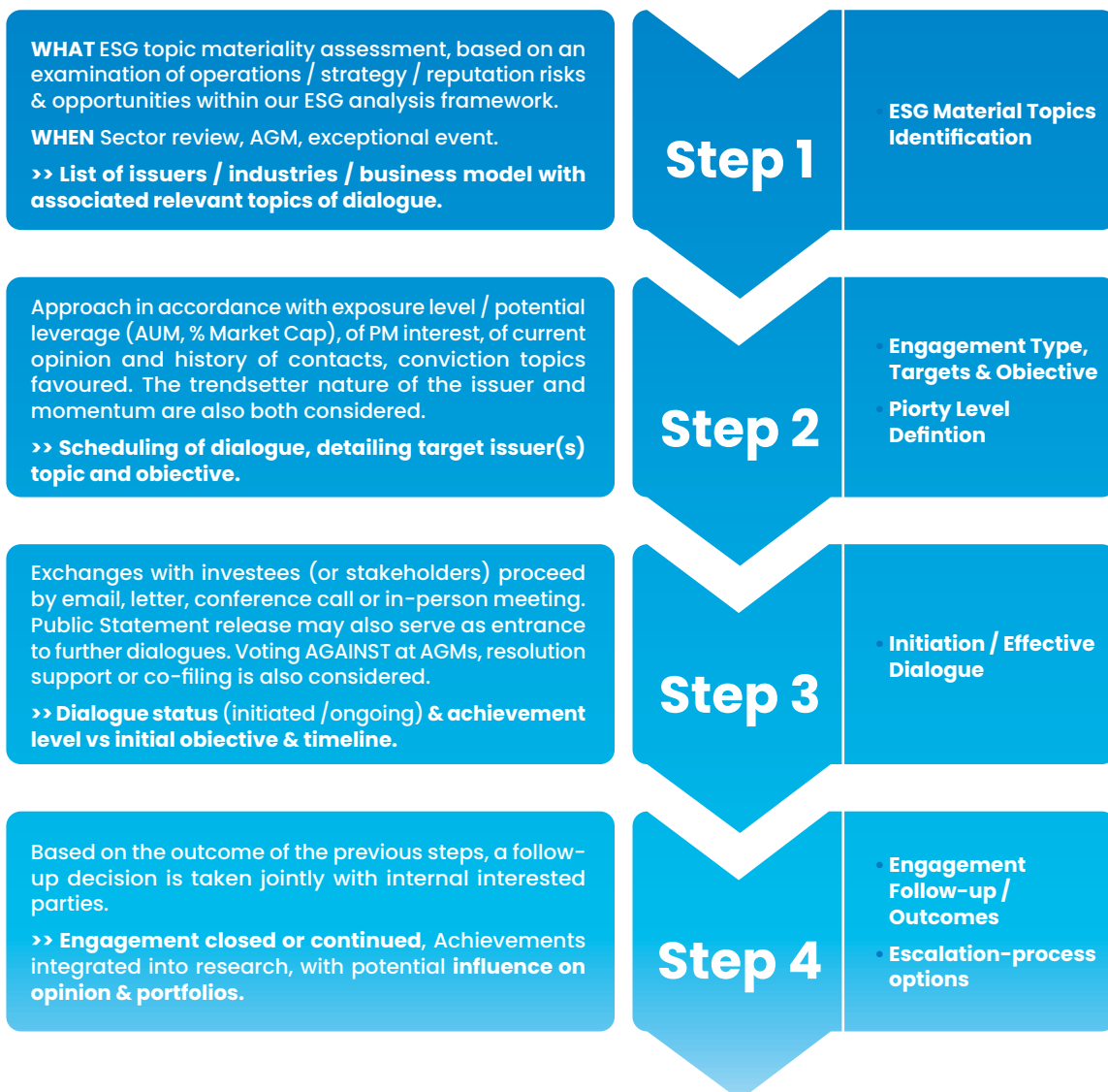
Please find more details in our 2023 Voting and Engagement report, which is available on our homepage.

A good knowledge of the ESG challenges faced by industries and issuers, and of their respective materiality, are the necessary entry points to any engagement initiative, individual or collective.

In that respect, the main objective of ESG sector analysis is to identify first the most material topics from an operational, strategic and reputational perspective. Country analysis adopts a comparable framework, focusing on a country's long-term sustainable development potential.

Such analysis is regularly performed but may also be prompted by exceptional events such as an acquisition, a change in the issuers' business model or a controversial event (accident, investigation announcement, charges laid down by stakeholders). In that case, the analysis aims not only at identifying both the impact and the materiality of the event on issuers' value, but also how they, and eventually their industry, adapt themselves and/or respond to the event in question.

Below the stages of a typical engagement:



Building on the initial identification of ESG material topics, Candriam can effectively define and update the priorities and timeline for engagement by considering a variety of crucial factors. These include Candriam’s level of exposure in terms of assets, which influence the scale and focus of the engagement efforts. The interests of Candriam’s portfolio managers and analysts are also taken into account to ensure that the engagement aligns with their areas of focus and expertise.

Additionally, the relevance of the engagement topic to Candriam’s established conviction topics and other ESG priority areas is assessed, including those topics that in which Candriam’s clients have shown an interest. Our current ESG opinion on the issuer, such as whether the issuer is on an ESG watchlist, determines the urgency and nature of the engagement. The trendsetting nature of the issuer is also considered, evaluating the potential market-wide impact that

changes at the issuer level might trigger, influencing broader market practices or approaches to specific issues.

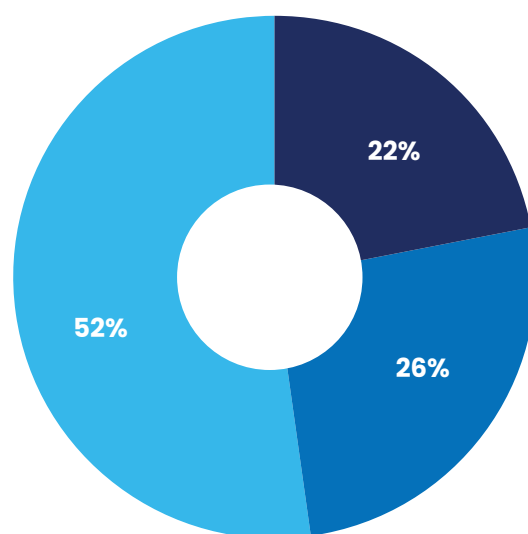
Furthermore, the nature of the trigger for engagement is crucial; for instance, the period before an annual general meeting (AGM) is seen as an optimal time for discussions on governance topics with top management. Immediate contact is initiated when an incident occurs that has an assumed or proven material impact on one or more issuers, necessitating a review of analyst opinions. These considerations help Candriam strategically direct our engagement efforts to be both effective and aligned with broader ESG goals and client expectations.

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

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).





Trigger	2023	2022	2021*
ESG issue(r) planned review / follow-up	32%	23%	25%
Exceptionnal 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.

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

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

Principle 10:

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

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

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

During 2023, a total of 9,385 corporate issuers (697 if excluding large initiatives such as CDP and the Workforce Disclosure Initiative (WDI), and statement) were targeted by 42 initiatives of collaborative dialogues, representing a total of 17,399 dialogues on various ESG topics. These engaged issuers account for 89% of Candriam AUM, measured as corporate instruments (equity and bond instruments, direct lines) in funds or mandates for which Candriam ensures the management activity. Within this, corporations' issuers engaged through large initiatives (CDP and WDI) represent 32%, issuers targeted by other collaborative initiatives represent 39%, and engaged non-corporate issuers represent 18%. In 2023, Candriam (co-)led or was an active participant to 297 of these collaborative dialogues,

256 if excluding CDP and WDI associated dialogues. For non-corporate issuers, such as sovereigns, we engaged only via collaborative dialogues and statements thus far. Engaged non-corporate issuers accounted in 2023 for about 18% of Candriam's AUM. As the collaboration initiatives we participate in are numerous and mostly ongoing, our role and the reason for joining are summarised in a four-page table (pages 53 to 56) in our latest 2023 Voting and Engagement Report: (<https://www.candriam.com/siteassets/medias/publications/brochure/commercial-brochures/sri-brochure/voting-and-engagement-report-2023.pdf>).

During 2023, we joined seventeen new initiatives. With so many more initiatives being launched, sometimes even in competition on similar topics, we must prioritise. We allocate our resources by respecting our three long-standing priorities set in 2015, **Energy Transition**, **Fair Work Conditions**, and **Business Ethics**, and by judging the likelihood of adding value to our investment process or making a difference on the topic.

For example, in 2023 we joined the 'Forced Labour and Child Labour Engagement' initiative, formed by FIR ('Forum pour l'Investissement Responsable') 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. 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 aims 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. Candriam offers active support as part of this collaborative initiative. We have actively taken part in the creation of the engagement framework of this initiative since 2022. For the proper dialogue campaign, out of the ten current target companies, we lead the dialogue for one of them and are active on two more.

Measuring impact

Candriam measures impact of collaborative dialogues on our investment process at issuer level, 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

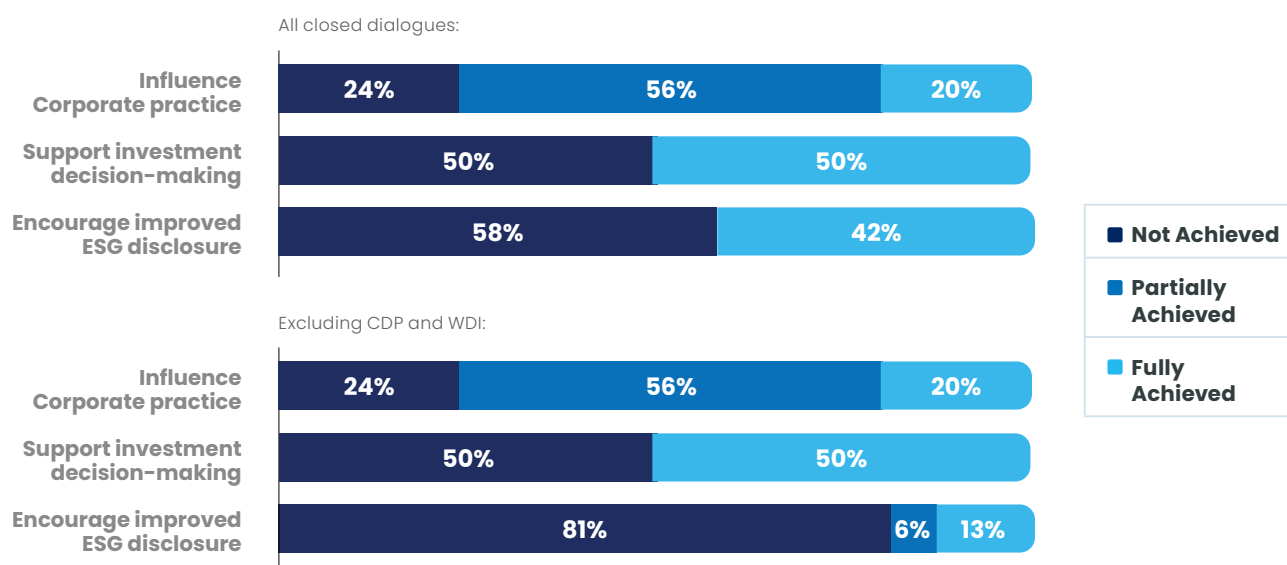
Impact on opinion	Ex. CDP and WDI	All
Reinforced analyst opinion	95%	99%
Positive impact on analyst and related ESG scoring	5%	<1%
Negative impact on analyst and related ESG scoring	0%	0%

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.



An example of engagement concerns the case of ENEL, in which we have actively taken part via the CA100+ investor working group since 2017, even being part of the investor co-filing a nomination slate in 2020. This enabled the increase of Renewable expertise at board level. While the Phase I (first five years) of the initiative was essentially focusing on commitment and disclosure, Enel is one of the few that meets fully or partially all of the ten criteria of the CA100+ disclosure framework at the end of 2023 (Enel SpA Climate Action 100+). We acknowledge there is path for improvement but the company's efforts following collaborative engagement must also be commended.

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

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

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

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

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



Principle 11:

Signatories, when necessary, escalate stewardship activities to influence issuers

The formal process for identifying and prioritising the engagement activities takes place within our four-pillar framework, taking into account: (1) the materiality of the issue; (2) the impact within the SDG spectrum; (3) the presence of the issuer/company in the portfolios as well as the interests of our investment team and the potential leverage.

All engagements carried out by the ESG Research & Investment Team through individual or collaborative dialogue with issuers are systematically recorded in a tool provided for this purpose, where all the information on dialogue activity is stored: Contact, period of contact, topic and associated target of engagement (including the related impact from an SDG perspective), level of achievement, current status of engagement, impact on Candriam process/analysis and issuer eligibility. Once dialogue has begun and depending on the quality of the exchanges and the interest of internal parties, a follow-up approach and potential escalation measures can be defined. Several decisions can be taken, not mutually exclusive:

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

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

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

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

In 2023, out of a total of 382 dialogues, 3% were closed during the year and tagged for escalation. An example of escalation measure is the introduction in 2023 of a systematic method of pre-declaring our vote intentions, utilising 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. 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, and must be linked to a case of specific

interest recognised by the Candriam Proxy Voting Committee.

Utilising 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.



Outcome

Examples of cases where we had to step up our engagement approach include Unilever and Teleperformance.

Unilever

Unilever, recognised as a leader in the household and personal care sectors, also ranks as one of the top five global packaged food manufacturers, generating significant revenue from this segment.

Candriam has been actively engaged with Unilever to enhance the company's practices and transparency concerning nutrition. This engagement is part of a broader strategy to influence the packaged food industry towards adopting better nutritional standards and transparency. Since 2018, Candriam has been a member of an ATNI working group, focusing on improving Unilever's nutritional transparency and practices. They have engaged one-on-one with Unilever since 2019, particularly concerning the sugar content in food products.

Since Unilever's progress was lagging our expectations, in 2021, we joined with the Healthy Markets investor coalition, led by ShareAction, in filing a shareholder resolution on nutritional goals and nutrition transparency scheduled for the 2022 AGM. This resolution aimed to push Unilever towards public reporting on the nutritional performance of its global product portfolio against government-endorsed Nutrient Profile Models and its own Highest Nutritional Standards. Unilever responded by announcing its commitment to publicly report these metrics, leading Candriam and the shareholder group to withdraw their resolution. They agreed to continue monitoring Unilever's benchmarking practices and remain in contact with the company during this process. This initiative marked Unilever as the first global food company to commit to such comprehensive and public nutritional reporting.

Overall, Candriam's engagement with Unilever reflects a strategic and collaborative approach to fostering better nutritional practices and transparency within the global food industry, aiming to create a virtuous circle of improvement that influences the entire market and supply chain. Further, and as expected by active investors, two additional top-five global food companies have since followed suit, raising the standards by which the industry is judged: Nestlé and Danone.

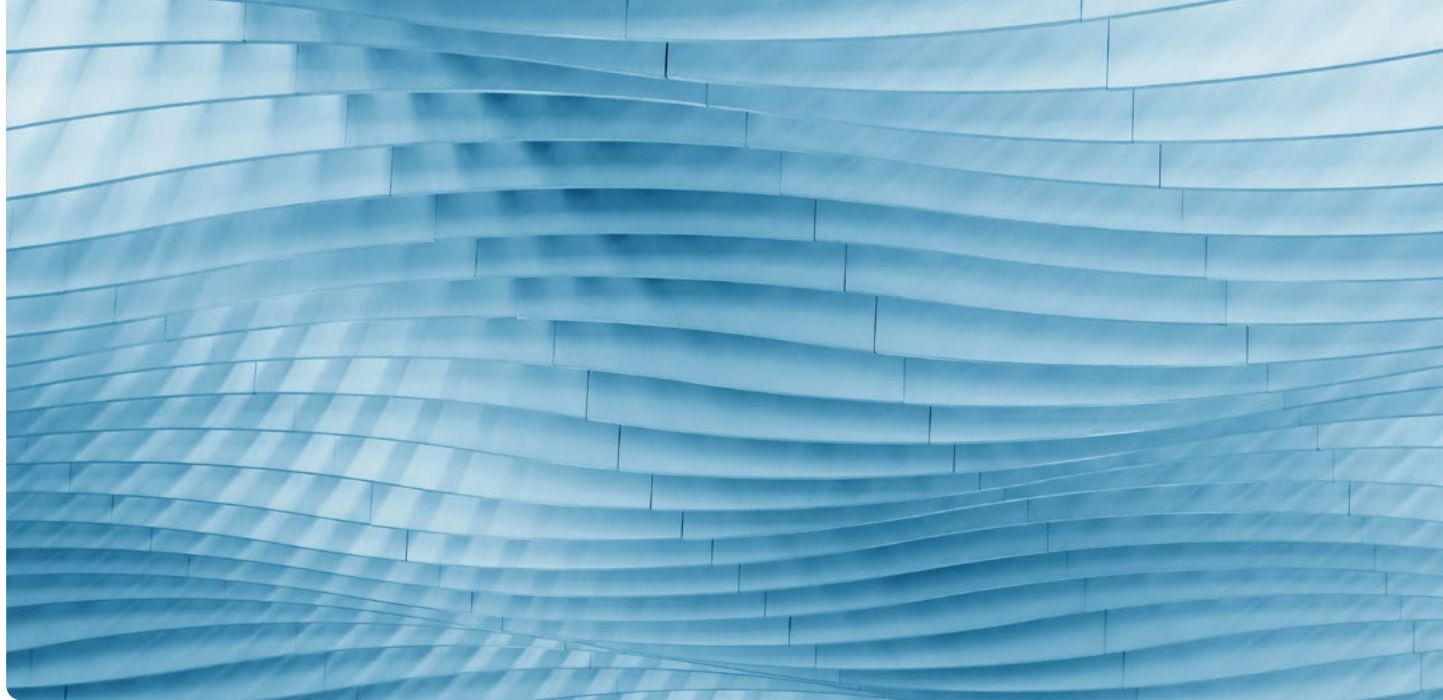
More details can be found on our website:

https://www.candriam.com/siteassets/medias/insights/sri-publications/engagement/active-engagement-unilever/2023_08_engagement-case_unilever_gb.pdf

Teleperformance

Teleperformance is a global leader in digitally integrated business services, including call centres and web platforms, with well over 400,000 employees in 80 countries.

Candriam engaged with Teleperformance starting in 2019, both directly and indirectly, on social and governance issues. Initially, we shared our concerns and examples of best practices we wanted to see the company adopt. Initially, this



engagement yielded some positive outcomes, with Teleperformance creating a Corporate Social Responsibility Committee. Yet, progress was not meeting our expectations in terms of input and pace. Our concerns grew, notably after our analysis of Teleperformance's 2021 French Duty of Vigilance law report. This report, requiring employers to monitor the respect for human rights and environmental risks of suppliers, was insufficiently prepared in our opinion. At the same time, we saw increased potential for an escalation of social issues at the company and in fact, unions and media started to draw public attention to social issues, in particular, regarding the company's working conditions in Latin America, which could lead to a threat to the company's reputation. We monitored the unfolding of these events very carefully and conducted calls with Teleperformance's representatives. In addition, we were in constant contact with unions. At that stage, our exchanges focused on human rights due diligence and risk mapping, the effectiveness of the whistleblowing system, social dialogue and transparency of disclosure on social matters. While the dialogue contributed to progress on some aspects, we did not observe sufficient progress on crucial points such as: quality of social dialogue and its measurement, completeness of external social audits, robustness of social performance indicators, and balance of power at board level. This triggered us to submit a set of questions to the Board at the April 2022 AGM. The answers received to our questions on that occasion were not considered convincing enough, leading us to take escalation measures: We decided to make Teleperformance non-eligible for our sustainable funds. We had sold all of our positions by September

2022. In November 2022, media outlets such as Forbes and TIME magazine outlined alarming working conditions faced by employees in Colombia. Allegations included widespread occupational trauma, inadequate psychological support, demanding or impossible performance targets, punitive salary deductions, and extensive surveillance. What followed was a significant downturn in Teleperformance's market value. As a result of our engagement efforts, we had made the decision to divest from Teleperformance well before the controversy was made extremely public and the market reaction that followed. This allowed us to insulate our portfolios and investors from the financial consequences of this issue. Thus, while the engagement with Teleperformance was not successful in achieving the objective of implementing satisfactory ESG practices at the company, it successfully served another objective: enriching our investment decision-making process and contributing to the avoidance of ESG risks in our portfolios. This was thanks to the careful execution of our escalation plan and the integration of the feedback gained throughout the engagement process. We continue to closely monitor developments at Teleperformance, to engage directly with the company, and to remain active within the collaborative investor group. For further information on our Teleperformance engagement, please consult the case study on our website:

https://www.candriam.com/siteassets/medias/publications/sustainable-investment/teleperformance/2023_02_teleperformance_update_engagement_en_web.pdf.

Principle 12:

Signatories actively exercise their rights and responsibilities.

Candriam's Proxy Voting Policy

Candriam has been engaging with companies since 2003 through an increasingly elaborate and active proxy-voting policy. Our procedures are designed to uphold the principles of good corporate governance and sustainable development. Pre- proxy-voting season engagement activities have been undertaken since 2012.

Prior to voting, Candriam does its utmost to ensure that it has at its disposal all relevant information to justify its decision. While taking into consideration the voting recommendations of one or more advisers, Candriam has the final say in the votes it exercises. The general principles of this policy are the following:

- One share, one vote, one dividend -- The corporate governance framework must protect shareholder rights, in accordance with the golden rule: 'One share, one vote',
- Equal treatment of all shareholders -- The corporate governance framework must ensure that all shareholders, including foreign and minority shareholders, are treated fairly. All shareholders must be able to obtain effective compensation for any violation of their rights,
- Accurate and transparent financial information -- The corporate governance framework must ensure the accurate and timely dissemination of all information on the company, including its financial situation, its earnings, shareholders and the way in which it is governed,
- Board responsibility and independence -- The corporate governance framework must guarantee the company's strategic guidance, effective control of management by the board and the board's responsibility towards the company and its shareholders.

Voting and its related activities are embedded in our sustainability philosophy. Our voting policy is designed and updated to encompass emerging issues not only in corporate governance but also in environmental and social topics. Accountability and transparency are the backbone of our voting policy, as our 2023 voting results demonstrate. When casting our votes, we respect our fiduciary duty to our clients and we assess whether companies comply with internationally-



recognised standards of corporate governance.

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

Our current proxy voting scope only includes equities portfolios. The following funds are excluded from the proxy voting activities:

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

Every December, the scope of funds falling into the voting perimeter is defined for the upcoming financial year. The scope may exceptionally evolve during the year, integrating newly managed portfolios for instance, and as soon as feasibility conditions are validated with internal teams, (sub-) custodians and our proxy adviser. The companies for which votes will be cast are also defined at this time.

All funds which fall under the Candriam Proxy Voting Policy are voted in the same way.

You can refer to Candriam's Proxy Voting Policy on our website at the following link: https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en.pdf.

Use of external advisers

Candriam has used ISS Institutional Shareholder Services since 2005 to apply our proprietary policies. Candriam also uses Broadridge to link us with the sub-custodians network. This allows us to transfer our voting instructions through ProxyExchange, an electronic platform.

ISS provides recommendations to Candriam based on its proxy voting policy. Decision-making is not delegated. Candriam's Proxy Voting Committee has developed its policy to reflect the equal treatment of shareholders, Board accountability, and transparency and integrity of financial statements. For open funds, individual decisions about items on shareholders' meeting agendas are made by Candriam's financial analysts on the basis of its voting policy and the ISS's recommendations. In making the final decision, the analysts may seek advice from external sources. They report their decisions to the Proxy Voting



Committee. For institutional mandates, ISS assists Candriam and makes voting proposals based on Candriam Proxy Voting policy or the client's own proxy voting policy on the client's voting intentions. An ESG analyst, on behalf of the ESG team, checks all ISS recommendations and makes decisions on the General Assembly agenda topics.

An effective voting process requires a well-structured and efficient organisation. At Candriam, the coordination between the ESG Voting Team and the Middle Office is pivotal to the execution of 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, and reconciled by Candriam.

A few years ago, Candriam moved from a 'best efforts' basis to a results-oriented strategy to ensure that every vote is actually cast. Within the Middle Office department, there is a team member dedicated to the proxy voting process who takes care that every vote which was not cast is analysed and that structural actions are taken in order to prevent such an issue from happening again.

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

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

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

Proxy Voting for dedicated mandates

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 (e.g., 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.

Stock lending:

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

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

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

The decision to recall some or all of the shares on loan may occur when materially feasible and when the meeting is considered of particular importance, such as: A controversial item is on the agenda, including specific shareholder resolutions, resolutions seeking approval for corporate actions, or resolutions posing a threat to the fundamental rights of shareholders:

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

The year at a glance.

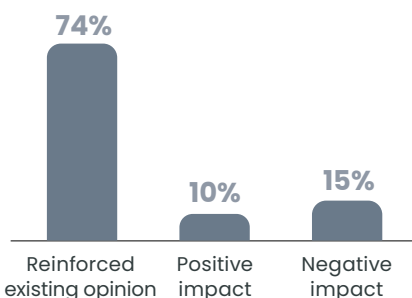
Main themes:

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

314 corporates engaged directly

36% of our AUM*

Direct dialogues impact on Candriam ESG opinion



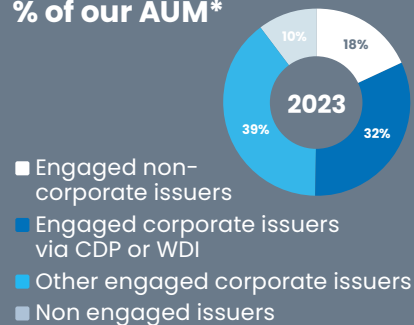
Collaborative dialogues

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

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

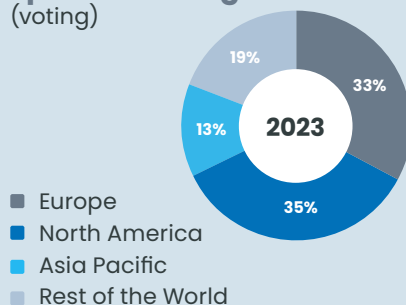
9,365 corporate issuers engaged through large initiatives (CDP and WDI)

Collaborative dialogues % of our AUM*

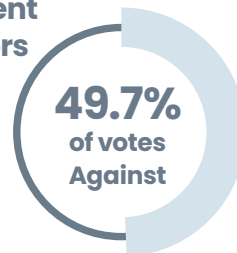


1,876 voted meetings

Geographical split of meetings (voting)

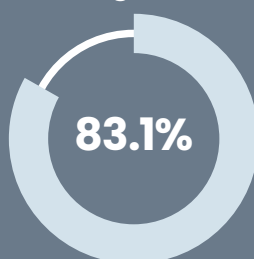


Compensation of management and directors (voting)



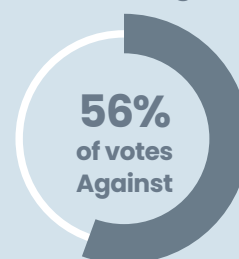
Globally Candriam supported 71% of management resolutions

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.

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

Candriam's proxy voting policy applies to the open-ended equity funds which are managed by Candriam.

Voting scope

Voting funds	Candriam Policy		Client Custom Policy
	Open Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)
No. Voting funds at end 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.



Geographical distribution of meetings voted in 2023

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 adviser;
- Holding position without voting rights.

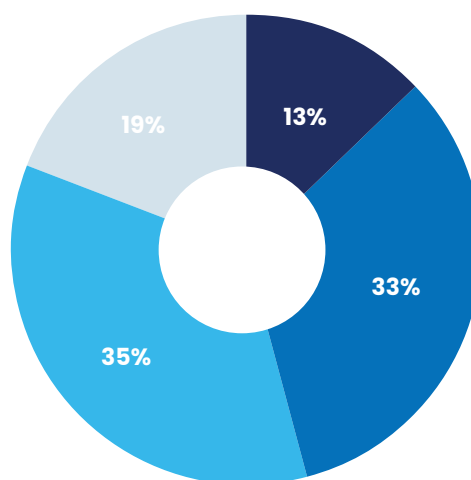
Our voting statistics can be found in Candriam's 2023 Voting Report, available at the following link:

<https://www.candriam.com/siteassets/medias/publications/sri-publications---candriam-policies/voting-report-2023.pdf>.

Moreover, details of our votes for Candriam open-ended funds, including explanations of 'Against' votes, are publicly available on our voting dashboard:

<https://vds.issgovernance.com/vds/#/NDA0Nw==/>

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.



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

Management resolutions

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 emphasising the accountability and independence of the board.

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.

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.

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.

We supported 84.6% of Environmental shareholder proposals. We do not support those which are not a true reflection of our in-house ESG opinion and the engagement we have with our investee companies.

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.





Case studies

Example of outcome of a resolution we voted for in the past year:

We 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 recognised the significant shareholder support for this resolution, and he stated that the vote indicates that the company needs to enhance the shareholder dialogue.

A second example regarding the outcome of a resolution we voted for, concerns Icade S.A. The resolution concerned the approval of the Company's Climate and Biodiversity Transition Plan. Candriam voted in favour of this resolution.

We supported 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 welcomed the new commitment of the company to put this resolution up for a vote every year and commended the company for its Biodiversity reporting and commitments. Going forward, with the anticipated deconsolidation of Icade Santé (announced divestiture 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 STIPI and LTIP performance criteria, including short-term and medium-term objectives of the Climate and Biodiversity transition plan. Outcome: 98.3% of support, Passed.

Other examples are available on pages 21 through to 26 of our 2023 Voting Report, available at the following link:

<https://www.candriam.com/siteassets/medias/publications/sri-publications--candriam-policies/voting-report-2023.pdf>

Exercising rights and responsibilities for fixed income assets

Candriam Fixed Income portfolio management teams do not engage in dialogue to change terms and conditions of upcoming debt issuance. Thus, they do not discuss and negotiate deal terms and conditions with syndication banks. Please note that dialogue obviously occurs regularly between portfolio managers and syndication banks on the pricing terms of new issuances.

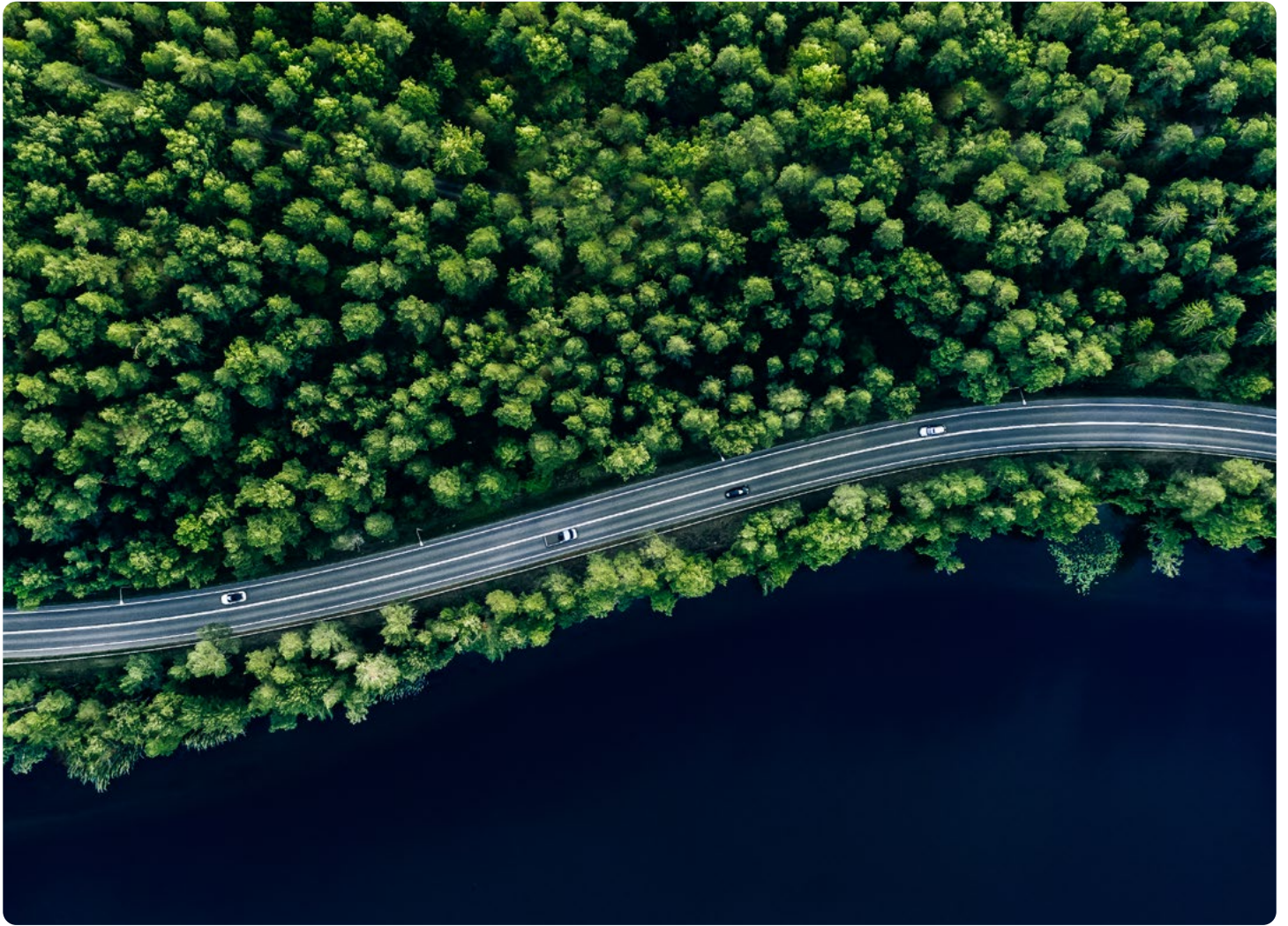
Trust deeds and impairment rights are not applicable for Candriam.

Our analysis of each issue includes a legal review of the relevant elements, including specific covenants for the individual issue, term sheet, bullet payments, call provisions, asset coverage level and recovery rate analysis.

The legal aspects analysed include:

- Covenants and the specific clauses of the securities issued;
- Relationship between issuers and subsidiaries such as cash flow guarantees, or potential spin-off;
- Seniority and analysis of all other corporate liabilities relative to the issue, such as other bonds issued, bank loans, letters of credit, and credit lines.

The Team has continuous access to external legal experts to aid in this analysis, including consultations with Covenant Review LLC. The combination of the first two analyses results in a global quality assessment ranging from 'Excellent' to 'Uninvestable'.



€149 B

**AUM at end
June 2024***



600

**Experienced and
committed professionals**



+ 25 years

**Leading the way in
sustainable investing**

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*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labeling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 30/06/2024.



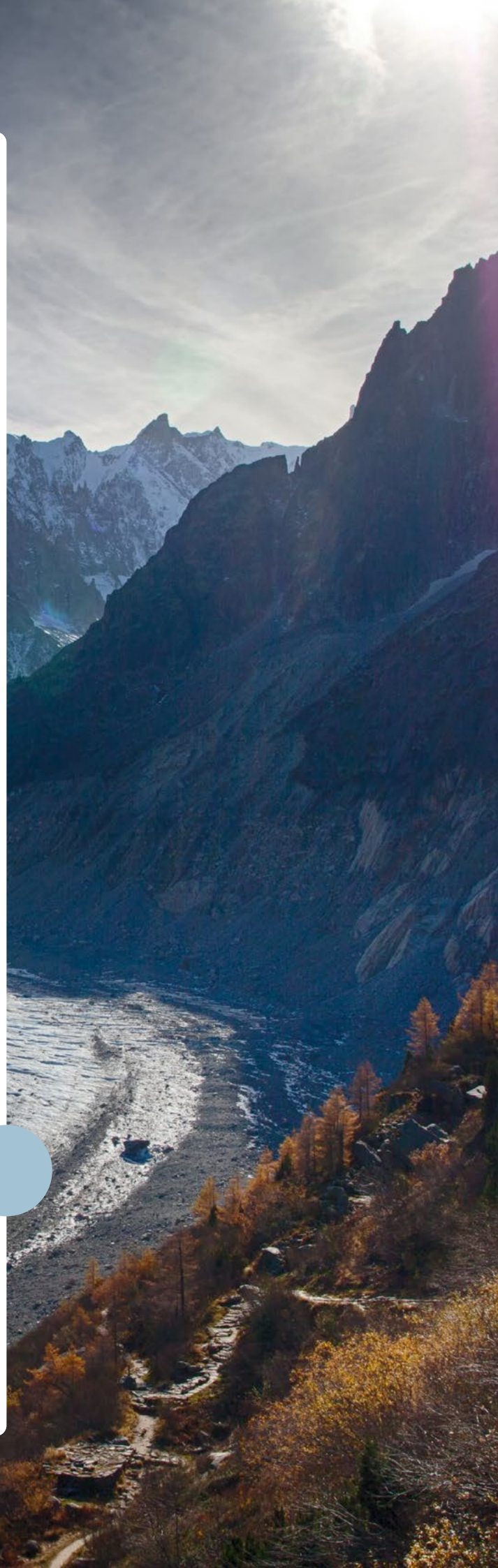
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2023 Annual Engagement & Voting Report



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*

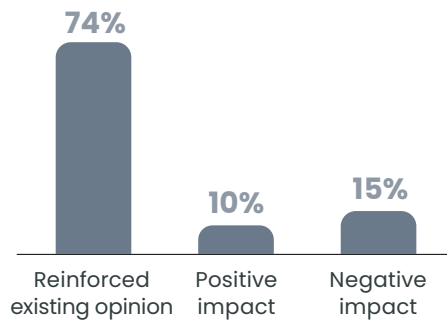
Collaborative dialogues

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

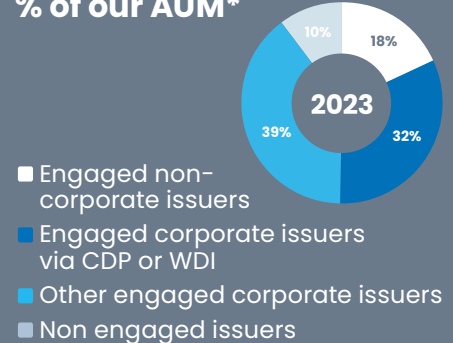
256 dialogues led or actively supported by Candriam (outside CDP and WDI)

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

Direct dialogues impact on Candriam ESG opinion

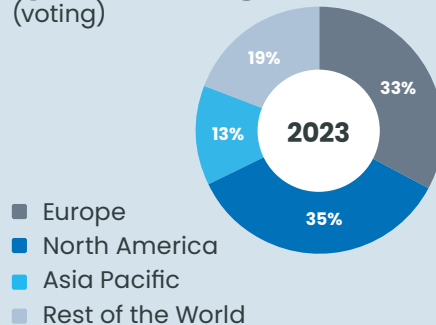


Collaborative dialogues % of our AUM*

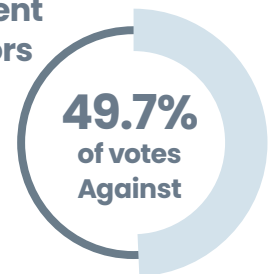


1,876 voted meetings

Geographical split of meetings (voting)

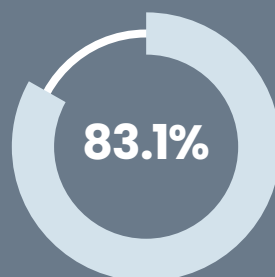


Compensation of management and directors (voting)



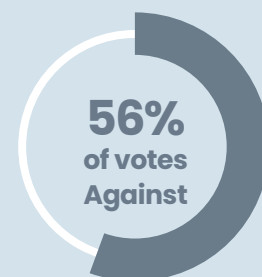
Globally Candriam supported 71% of management resolutions

Active voting



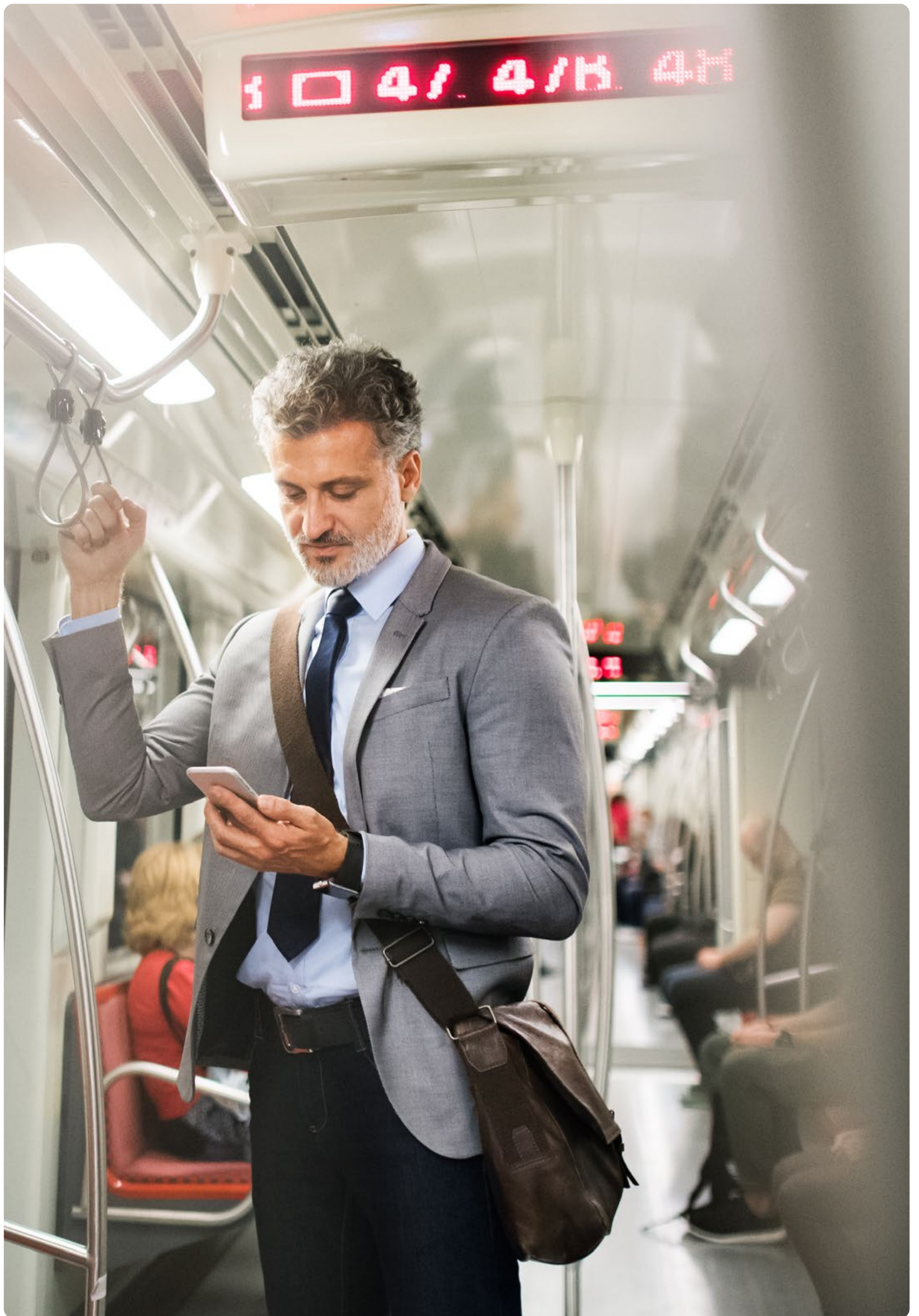
of meetings with at least one vote Against management

Climate in voting

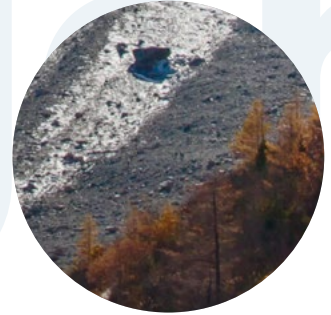


Say-on-Climate resolutions sponsored by management

*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.



Annual Engagement & Voting Report



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Promoting Sustainable Development 99

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 universe¹, 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](#)

Meet the team:

[2022 Stewardship Report.](#)



Energy Transition



Fair Work Conditions



Business Ethics

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 France³, 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 labels⁴, 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 Responsable : [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 basis⁵.

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 unions⁶ 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 the 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 remuneration⁷. 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 1933⁹, 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 risks¹⁰.

⁸ https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%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](https://www.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.

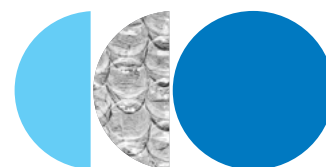
More information on how we prioritize annual meetings is in Part 2 of this report.

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 2023¹¹ 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 $1.45 \pm 0.12^\circ\text{C}$ 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

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.

Want to know more about NZAMi ?

[CANDRIAM – The Net Zero Asset Managers initiative](#)

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 resolutions¹⁸.

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 rescinded¹⁹, 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+](#)

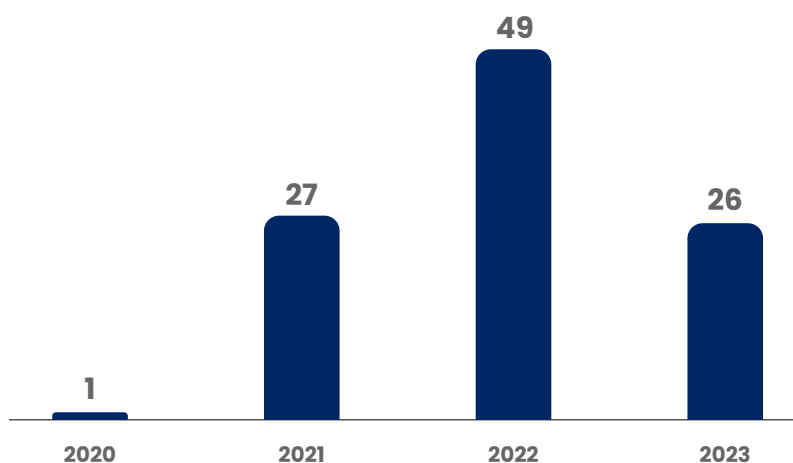
²² [ExxonMobil takes legal hammer to climate shareholder groups \(ft.com\)](#)

For years, and particularly since the rise of the Say-on-Climate²³ 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 SOC 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 this is driven by the fact that SOC strategies coming from France have been put to the vote this year. Indeed, given that France is one of 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 in Australia ?

[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 Framework²⁶ 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.

Discover our full biodiversity approach:

[It's all here](#)



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.

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.

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.

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

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 COP15²⁷, 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 through 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 initiative 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 Lula 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.

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.

How serious are we?

See our [Human Rights Policy](#) and judge for yourself.

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 Surov, 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

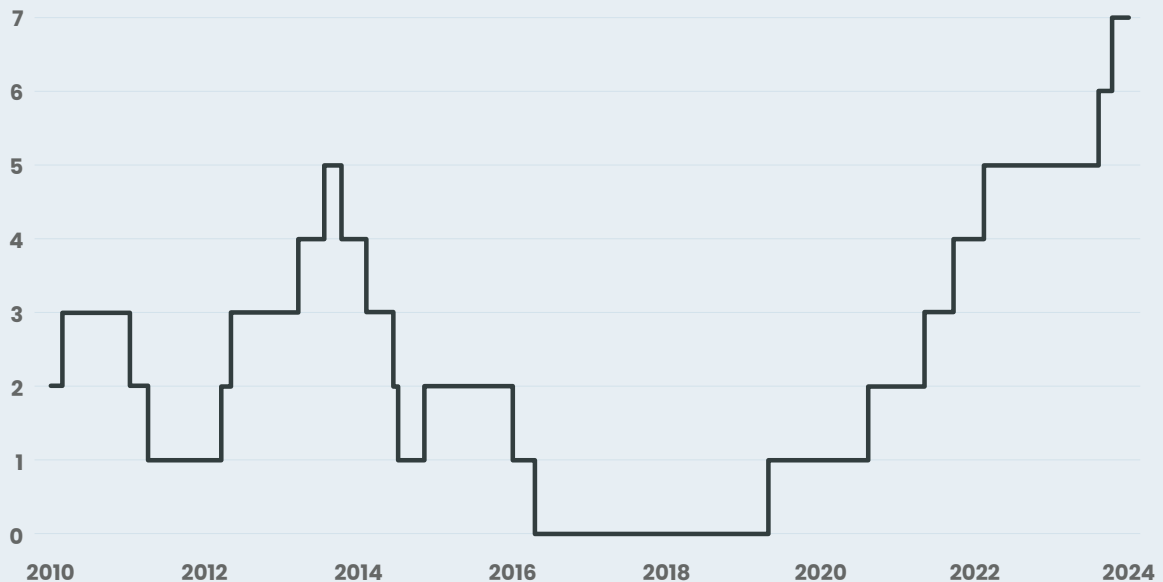
junta is still in control. North Korea remains a wild card.

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.**

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.

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.



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 II 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 cases 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 through our ongoing participation in the Investor Alliance on *Human Rights* engagement on *Uyghur Forced Labour*.

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).

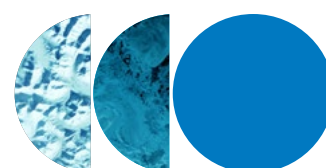
Following serious allegations of forced labour in the Chinese auto supply chain (Sheffield Hallam University Report [Driving Force](#)), we decided to initiate a campaign focusing on this industry. The objective is to dialogue with nine global auto manufacturers to gain better insight into their policies, 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 *nth* 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 **lead 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.



In Figures
Engagement
and Voting



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 dialogues¹ on a range of topics. These issuers account for 36% of Candriam AUM, based on corporate instruments (stock and bond instruments, direct lines).

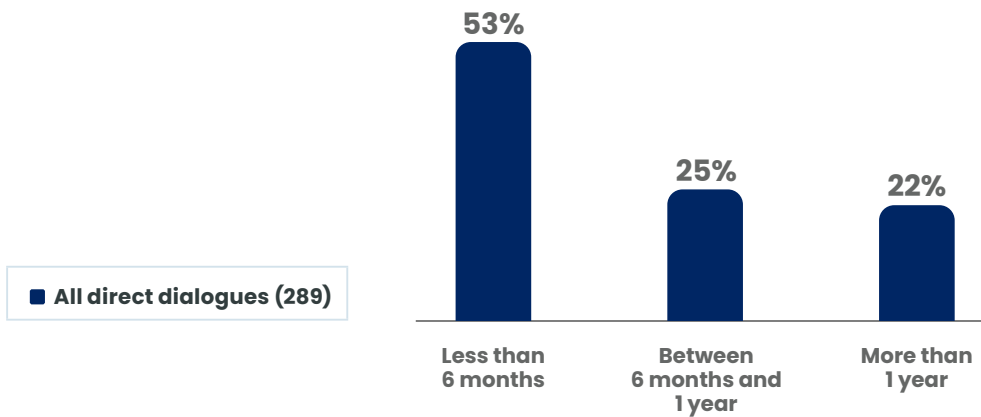
The apparent decline from last year, in the number of issuers directly engaged reflects our commitment to streamline and more narrowly focus on our engagement activities, illustrated by our improved response rate, as well as our choice to favor collaborative engagement when possible for a greater impact.

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



Duration of direct dialogues

Direct dialogues closed in 2023

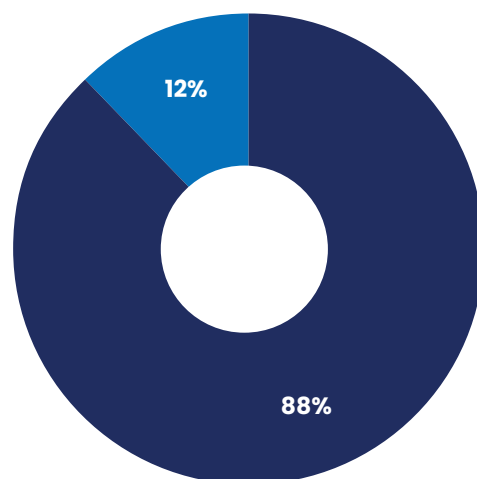


Issuer breakdown by region

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

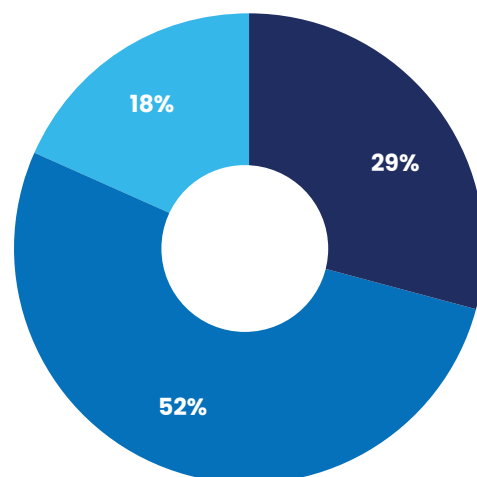
Response rate	2023	2022	2021
■ Responded	88%	70%	60%
■ Did not respond	12%	30%	40%



Main contact channel

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

Main contact channel	2023	2022	2021
■ Conference call	29%	33%	13%
■ (e-)Mail	52%	57%	85%
■ Meeting	18%	10%	2%

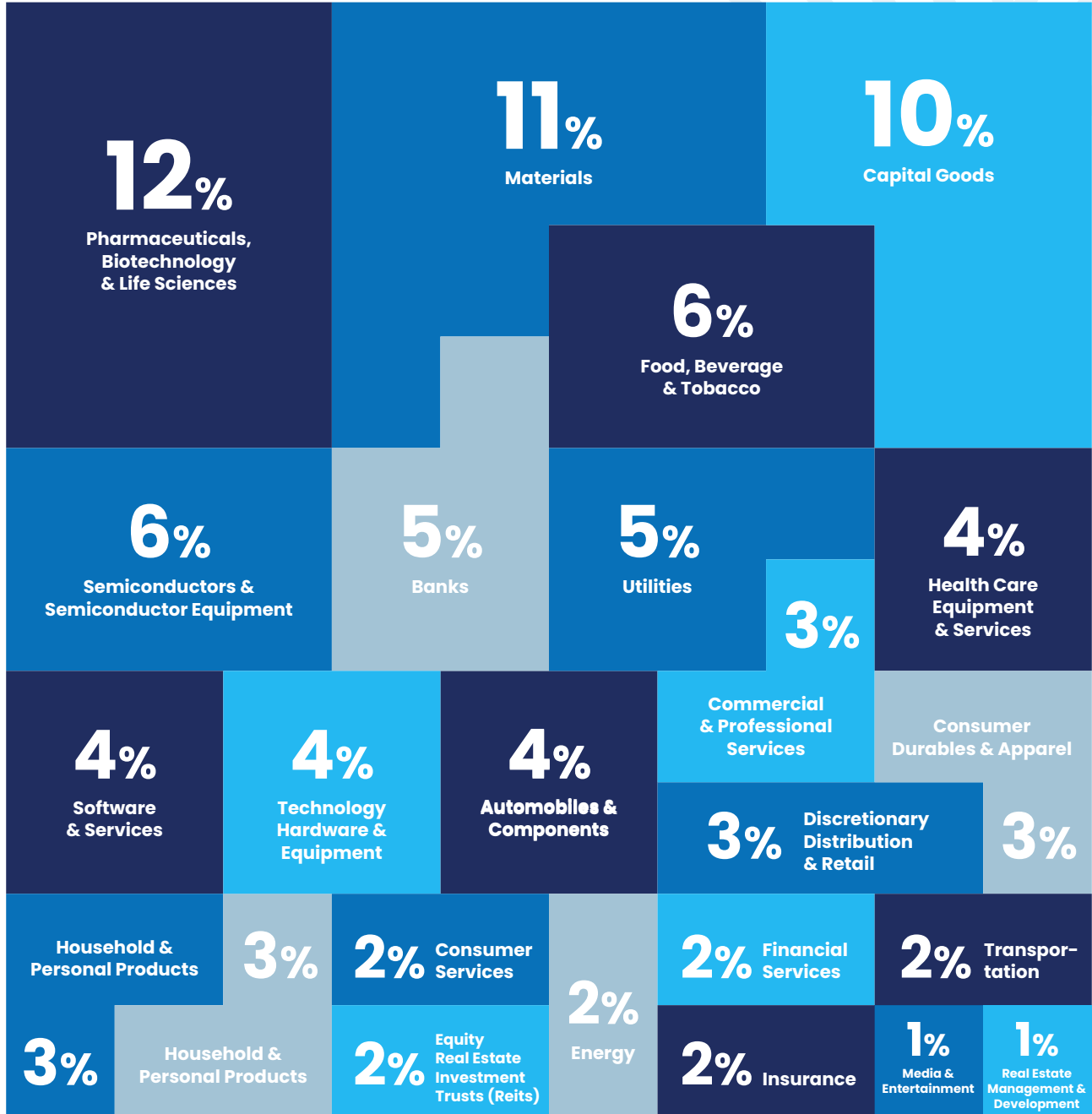


Regional breakdown of issuers who responded

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%

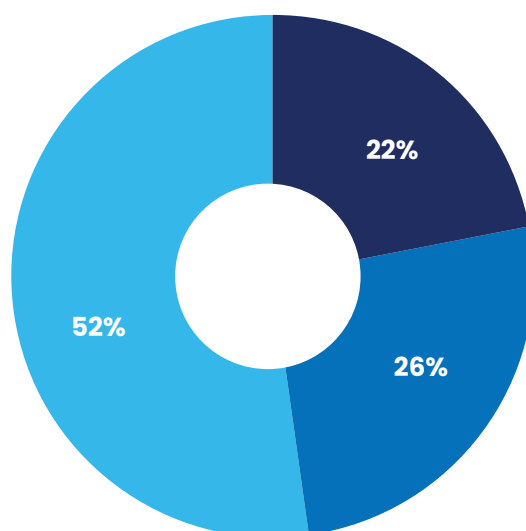
Issuer breakdown by sector



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 further details on our Conviction topics can be found in our [Engagement Policy](#).



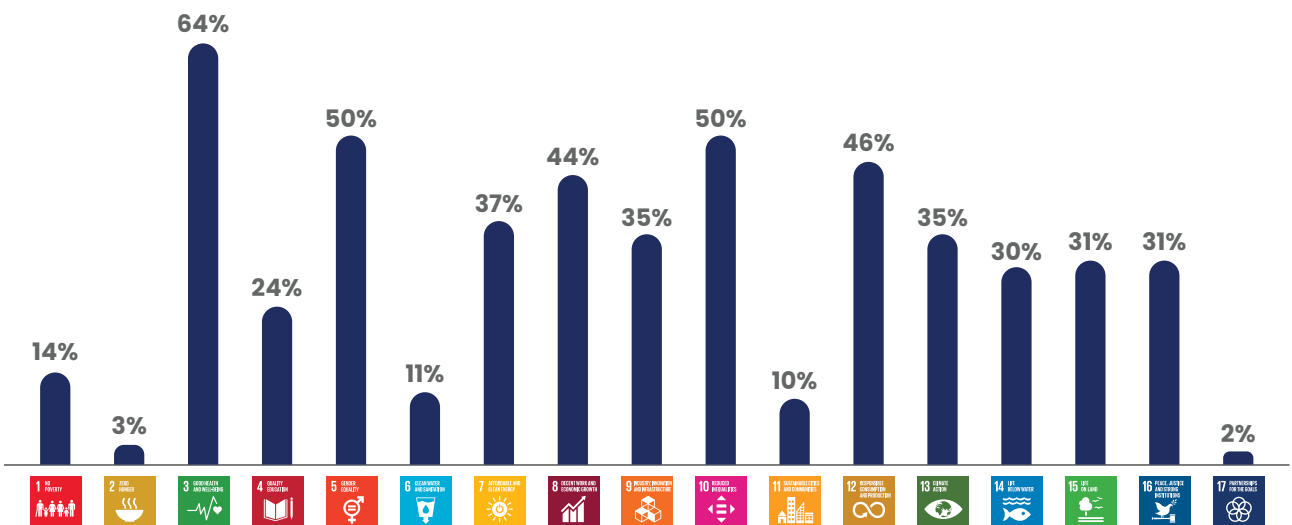
Sustainable Development Goals and Principal Adverse Impacts

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 Goals¹ and Principal Adverse Impacts² 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.

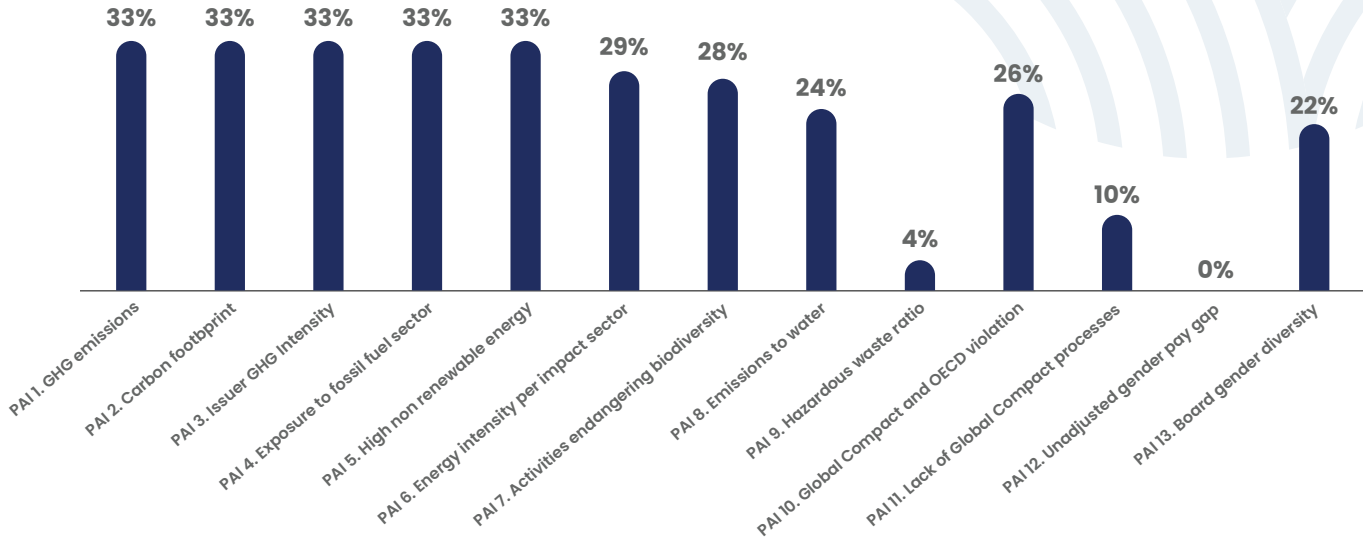


¹ United Nations Sustainable Development Goals (UN SDGs): for additional background information about them, please refer to the UN official website under <https://sdgs.un.org/goals>.

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.

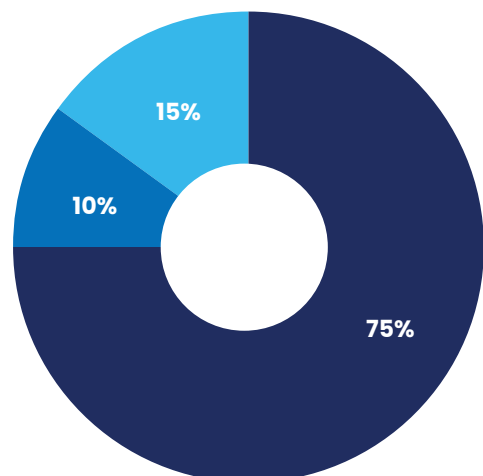
For these reasons, we measure our impact in two ways:

- 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

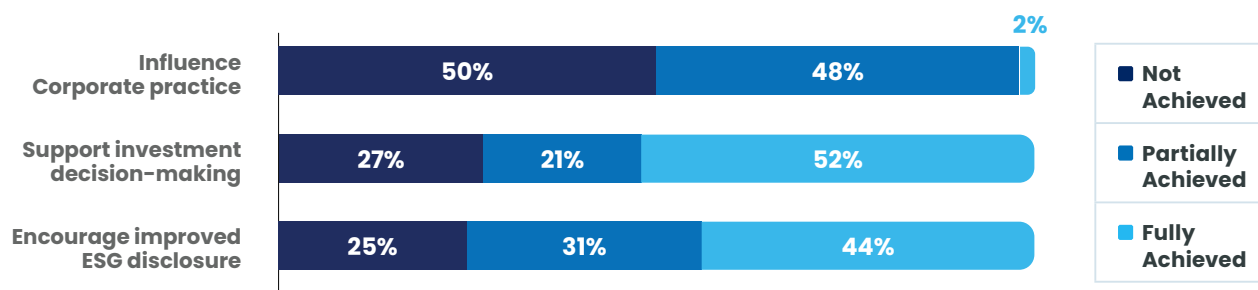
A total of 288 direct dialogues were closed during 2023.

■ Reinforced analyst's opinion
■ Positive impact on analyst's opinion and related ESG scoring
■ Negative impact on analyst's opinion and related ESG scoring



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:

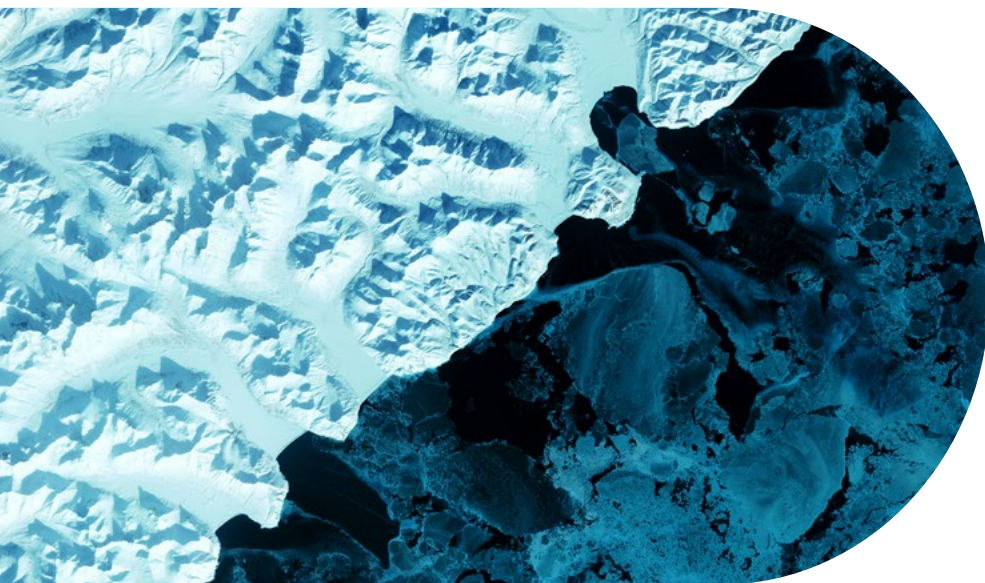
Lead

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

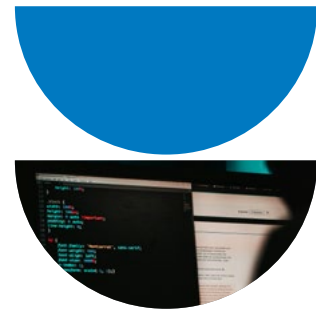
Initiative name <i>Type</i>	Thematic	Joined/ Renewed in	Candriam role <i>Initiative trigger</i>	Conviction topics
Marine Microplastic Pollution <i>Collaborative Dialogue</i>	E	2020	Mix of support <i>Thematic</i>	
Collaborative Engagement on Uyghurs Slave Labour in the Supply Chain <i>Collaborative Dialogue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

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

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



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 companies¹.

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 Thailand¹.

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: Delaying 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 delaying (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.



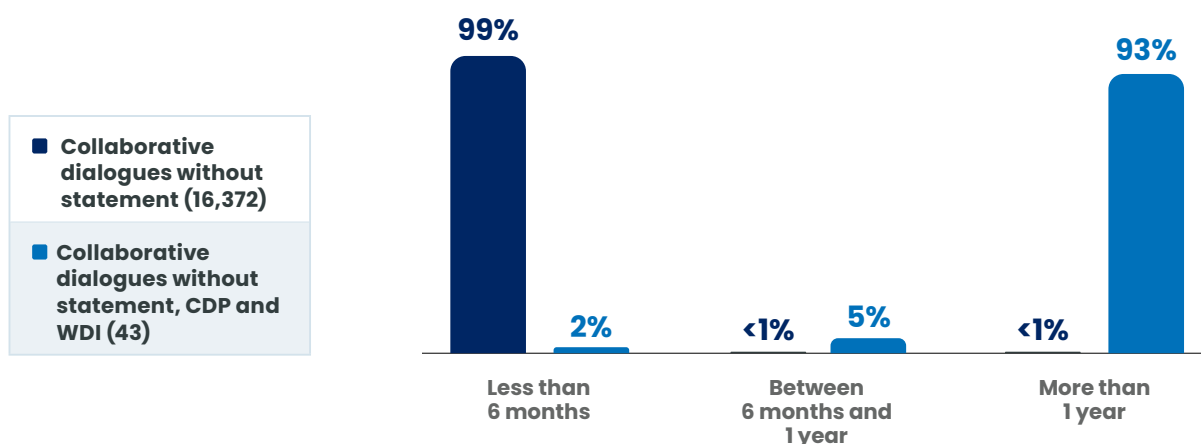
Collaborative statistics.



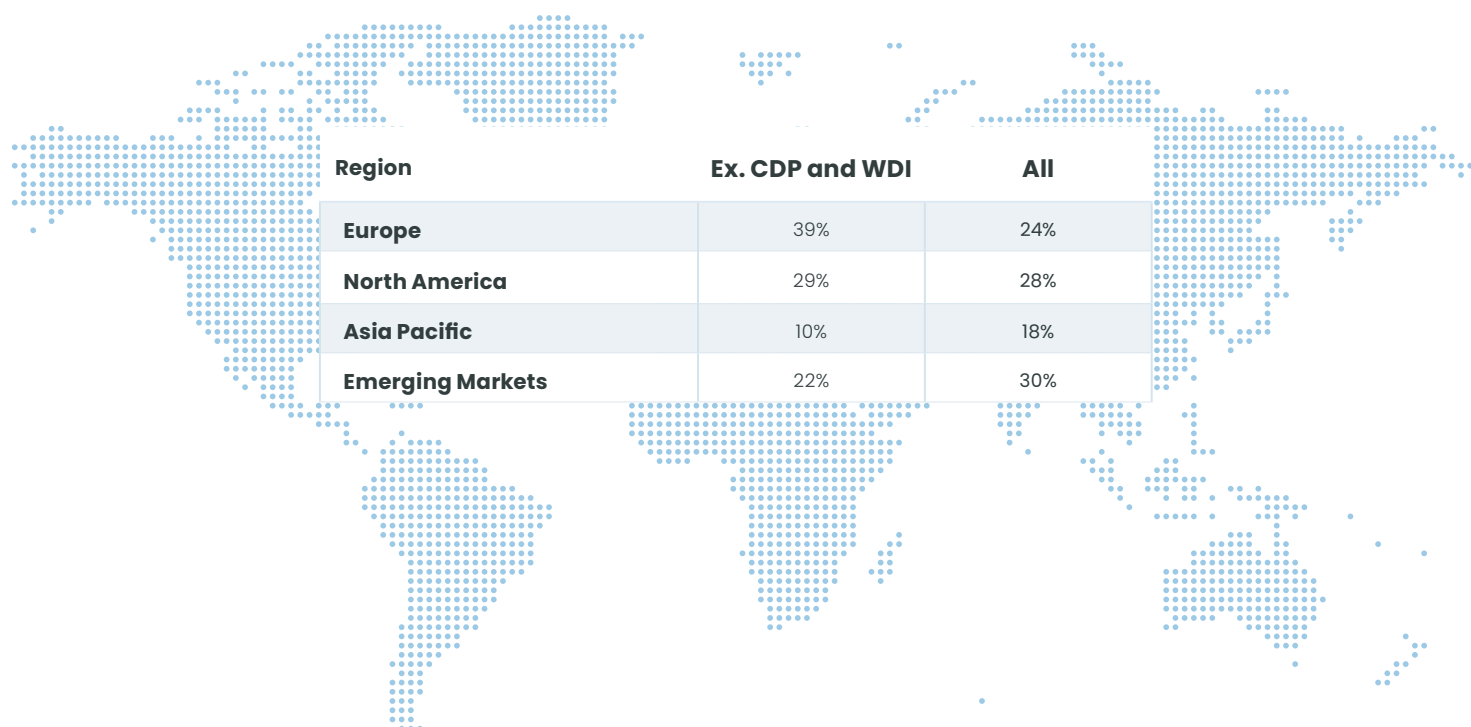
Top-down view of our collaborative dialogues with corporate issuers. For these statistics, 'dialogue' means attempt to exchange with, or effective exchanges with, issuers on Environmental, Social and Governance (ESG) factors.

Duration of collaborative dialogues

Collaborative dialogues closed in 2023

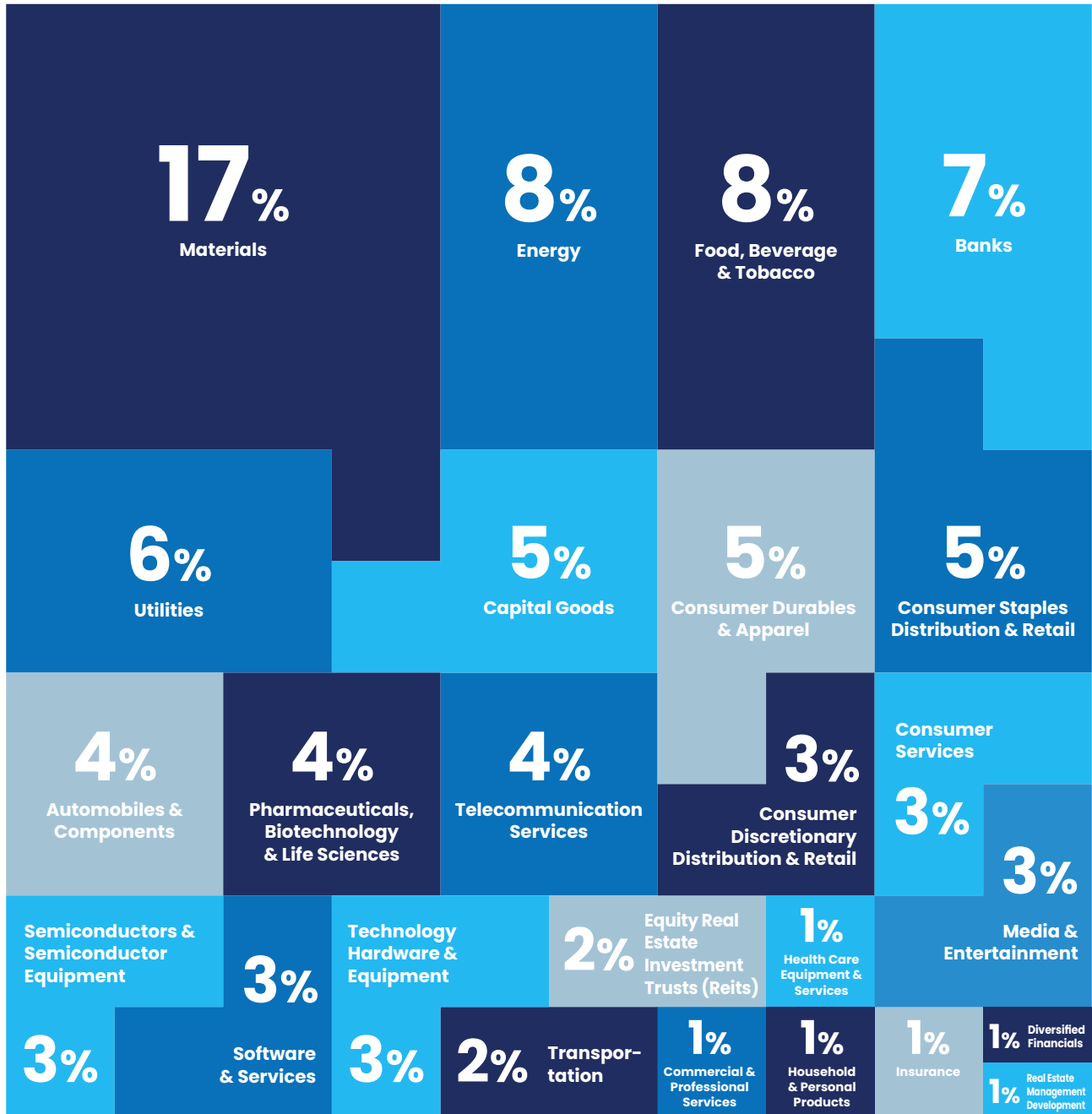


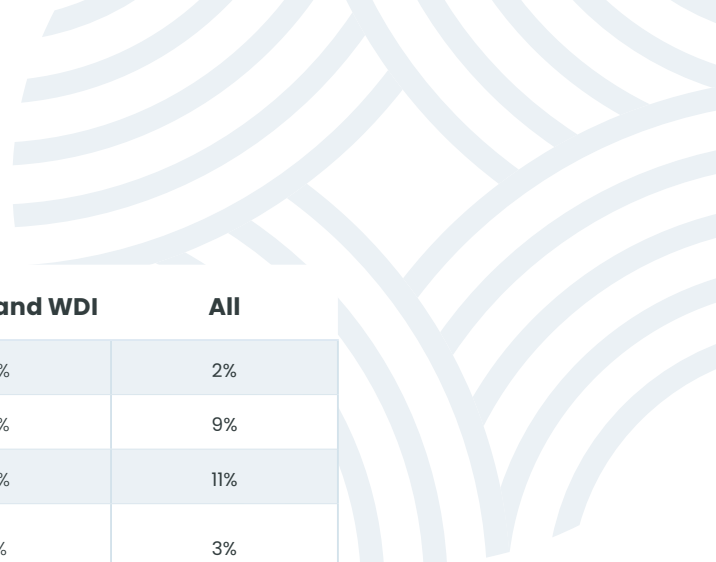
Issuer breakdown by region



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%

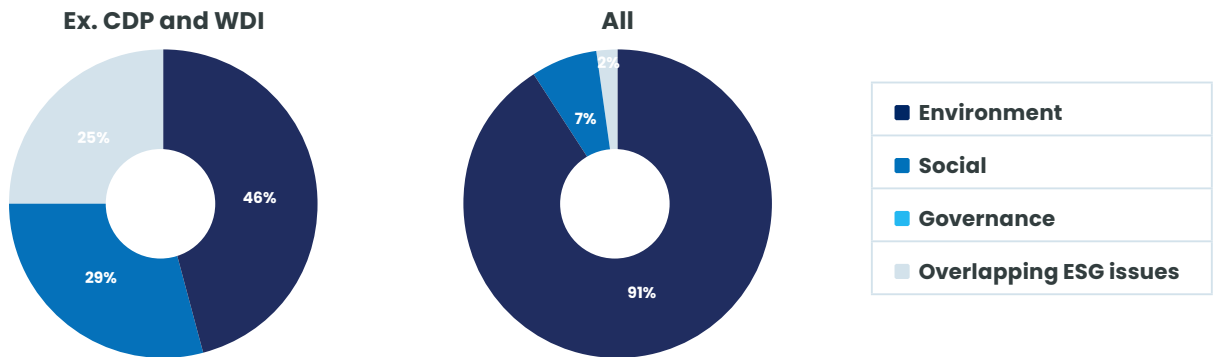
For any collaborative initiative, investors can opt for different roles:

- 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

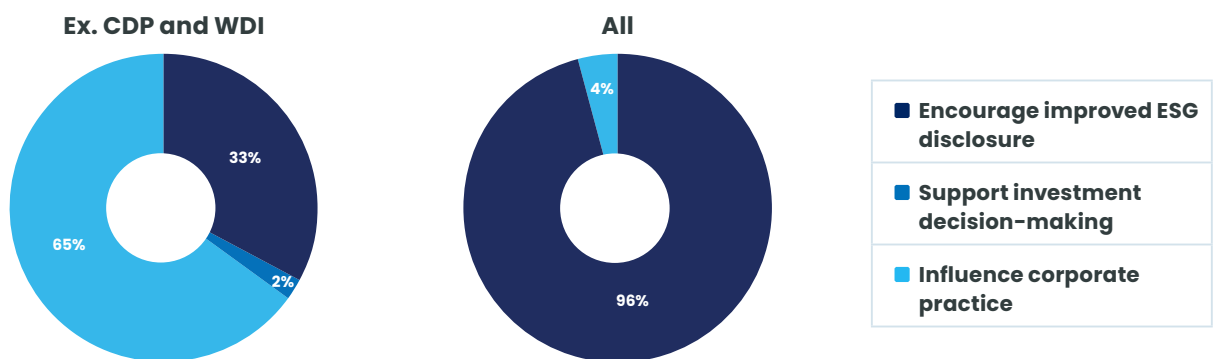
In practice, coordinators and supporting investors typically share the workload, choosing lead or active investors essentially on the basis of their competence, history of relationships with the company, geographical proximity, or their respective 'leverage'.

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

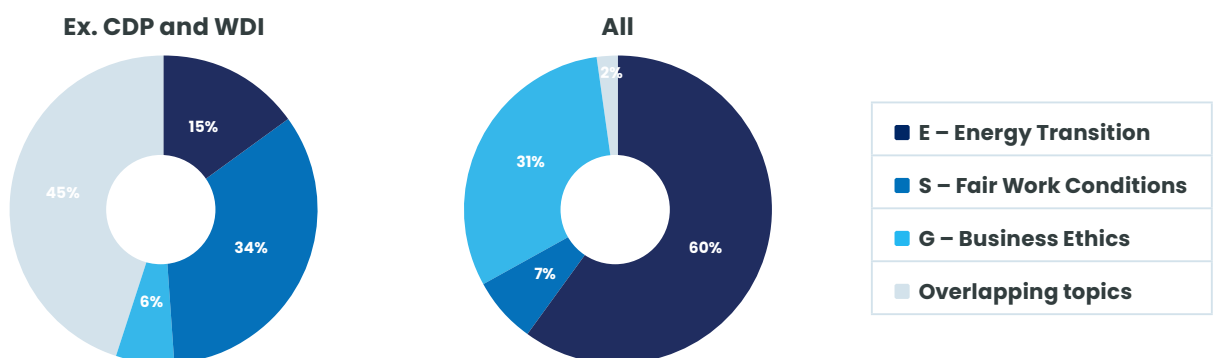
Collaborative dialogues breakdown by thematic



Collaborative dialogues breakdown by primary objective



Collaborative dialogues breakdown by relation to our conviction topics



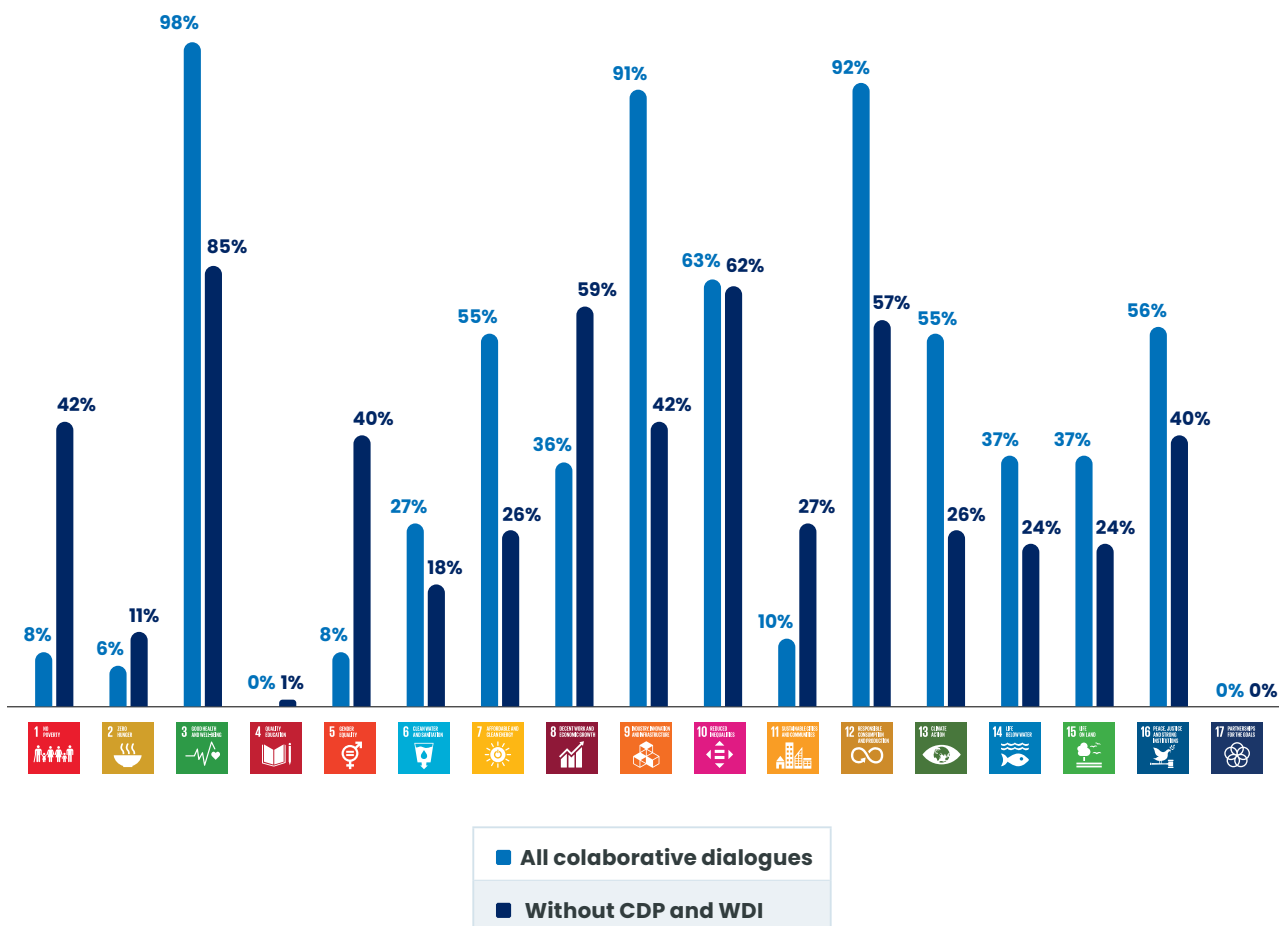
Sustainable Development Goals and Principal Adverse Impacts

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.

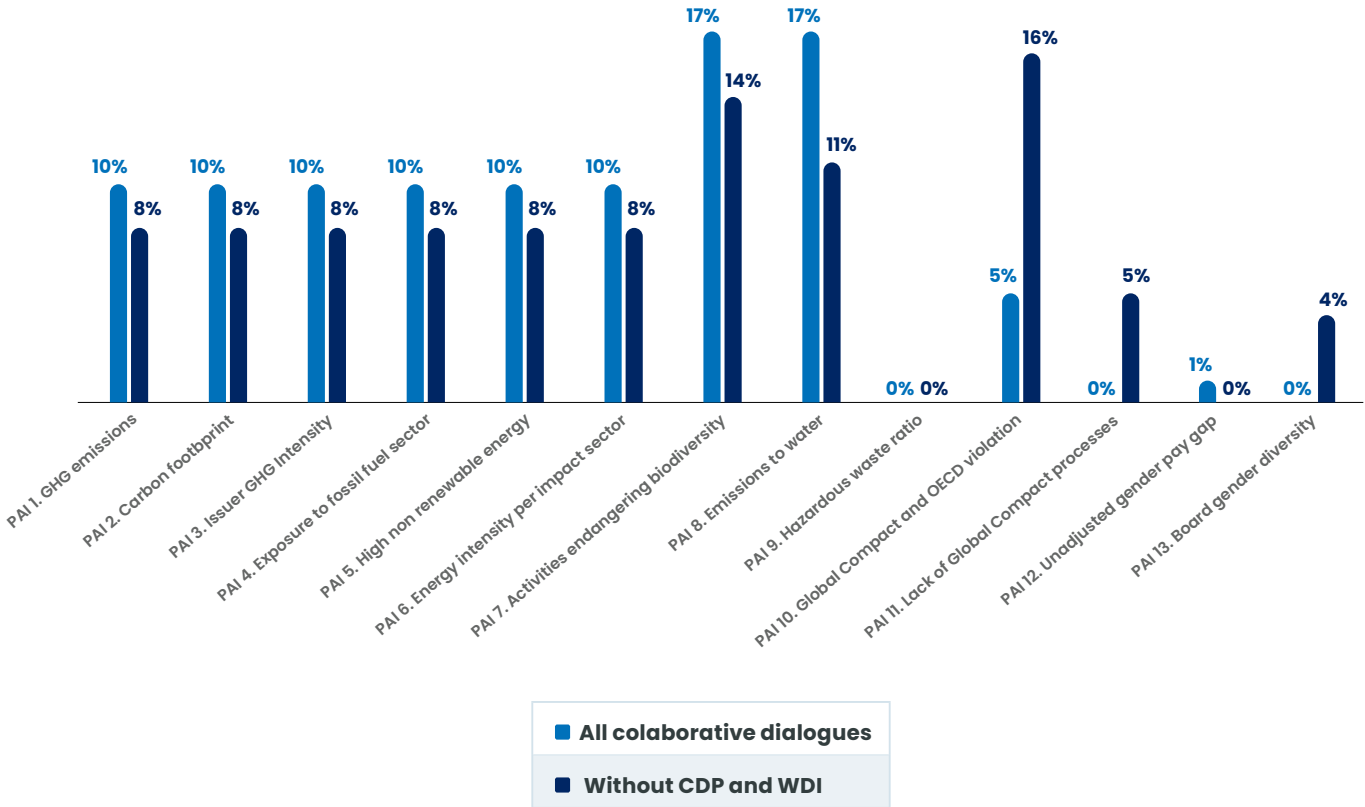
Share of collaborative dialogues linked to each of the UN SDGs

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.



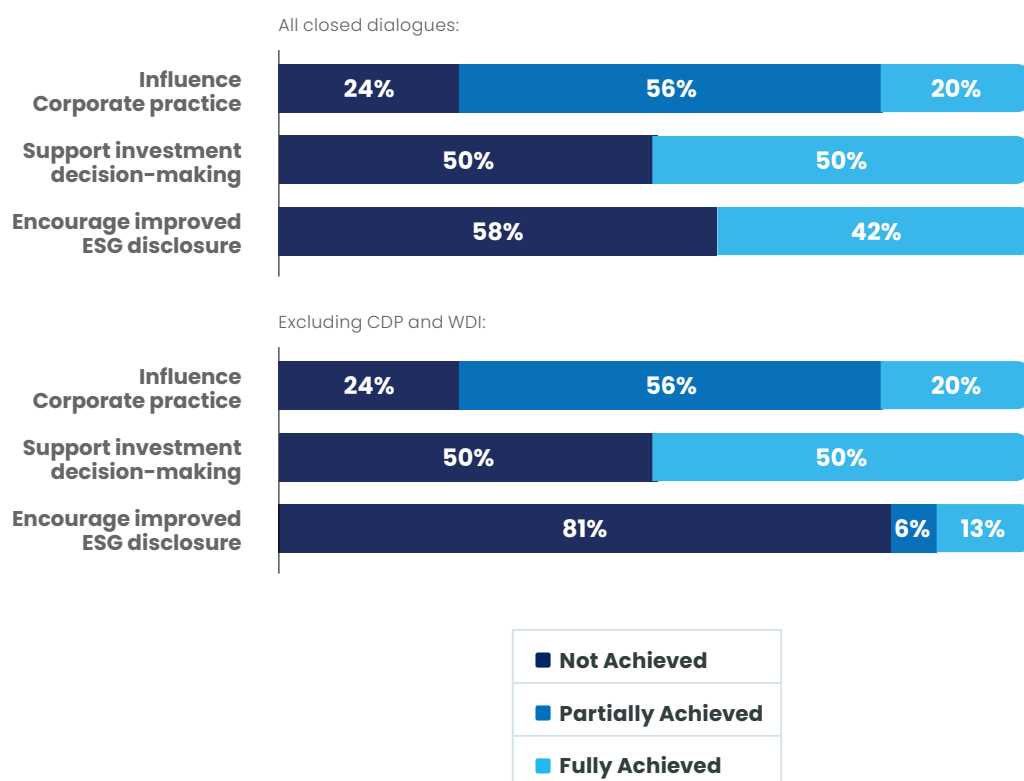
Collaborative dialogues breakdown by impact on Candriam ESG opinion

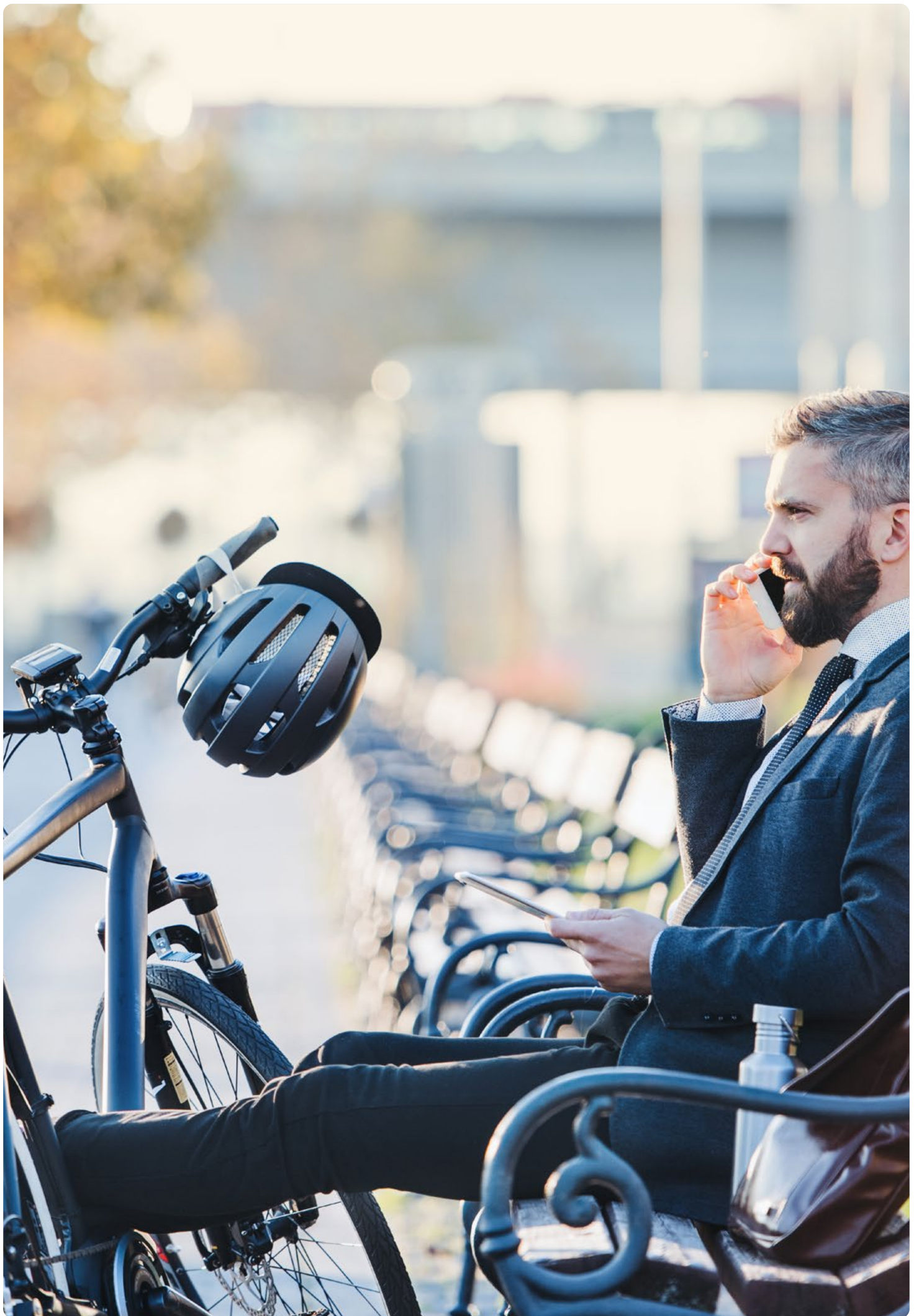
Impact on opinion	Ex. CDP and WDI	All
Reinforced analyst opinion	95%	99%
Positive impact on analyst and related ESG scoring	5%	<1%
Negative impact on analyst and related ESG scoring	0%	0%

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 rules¹, 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 funds² 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

Voting funds	Candriam Policy		Client Custom Policy
	Open Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)
No. Voting funds at end 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.

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.

More to read under

- [Candriam Proxy Voting Policy](#)
- [Candriam Proxy 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.

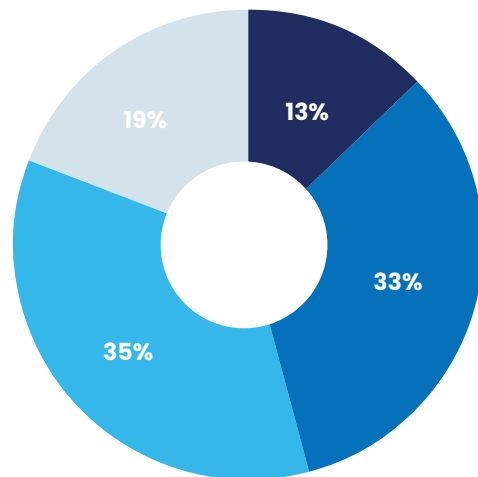
Any confirmed breach of voting principles identified for any voting fund is communicated in the annual report(s) of the respective fund(s) when relevant. Similarly, any exceptions made to the chosen voting policy is also communicated in these reports. In 2023, there were two breaches due to an operational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



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





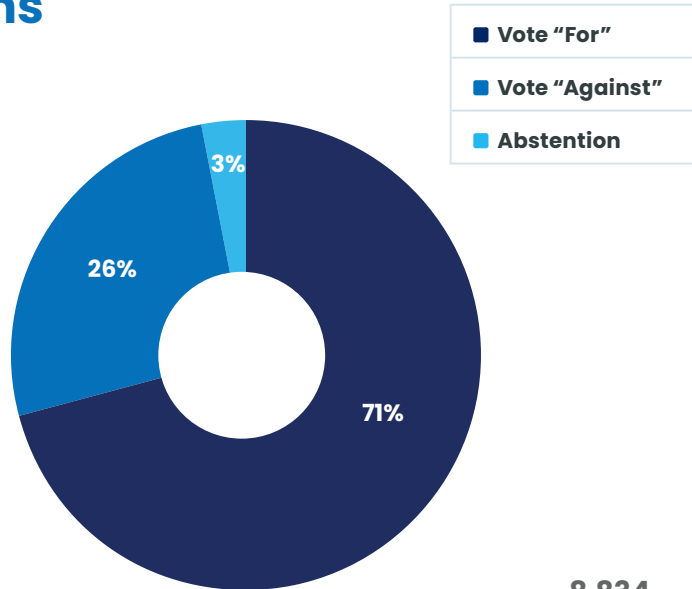
Our votes by topic.

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

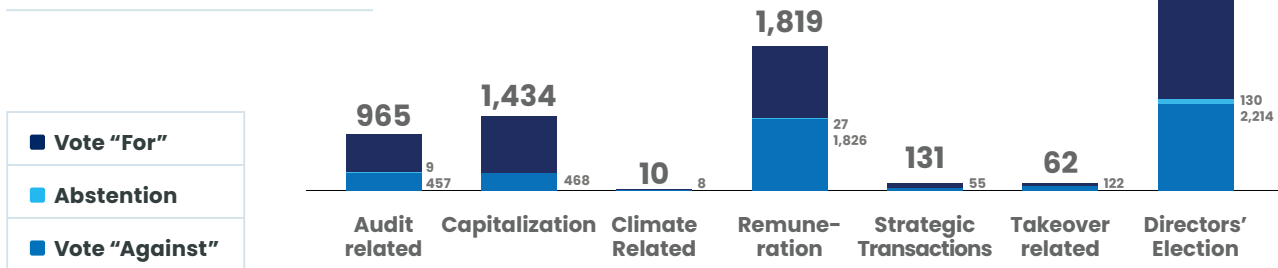
Management resolutions

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%

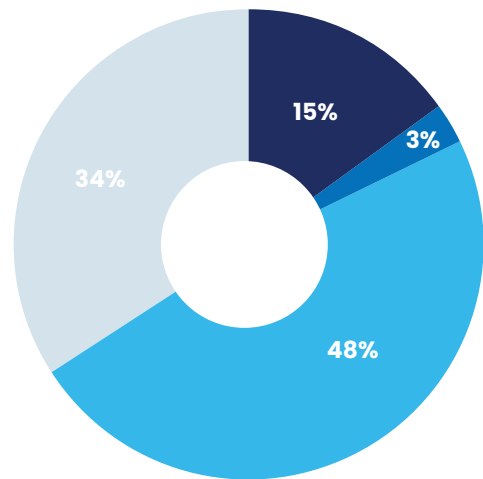
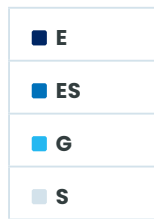
Shareholder resolutions

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.

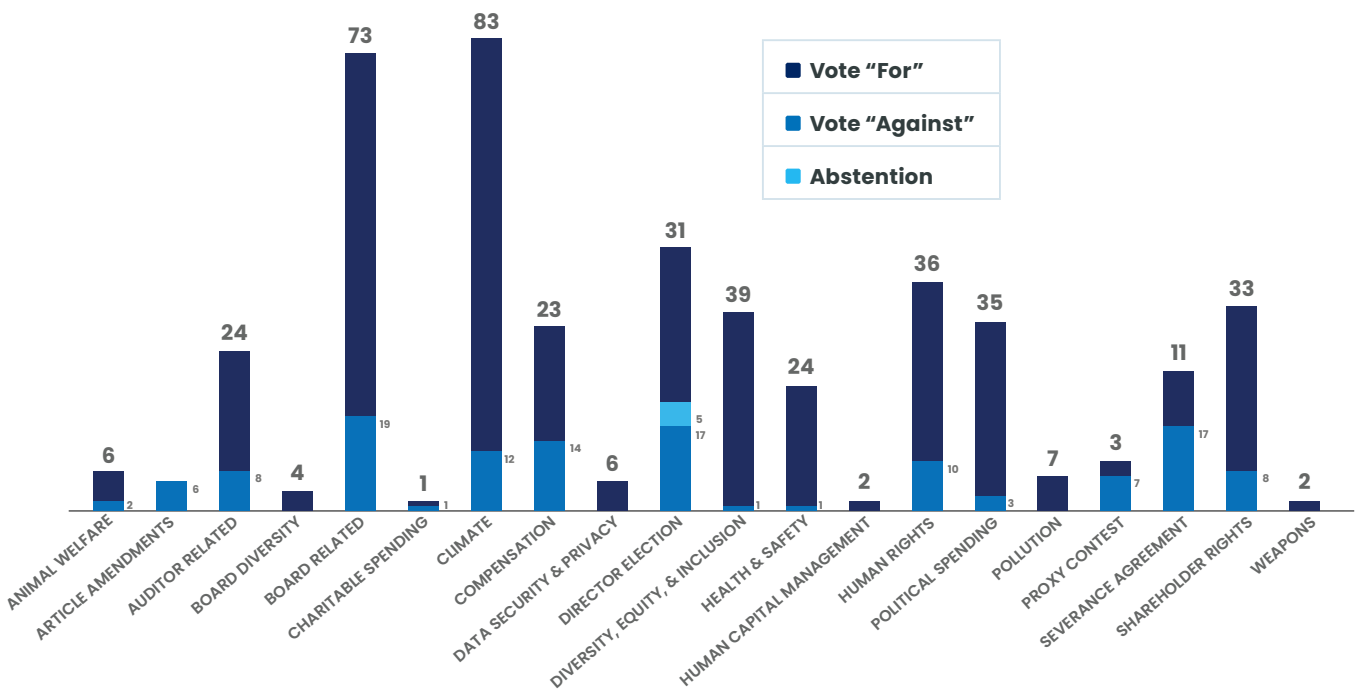
Do you want to know how Candriam compares to peers ?

[ShareAction Voting Matters](#)

Environmental, Social, Governance, or a combination?



Shareholder resolutions by subject



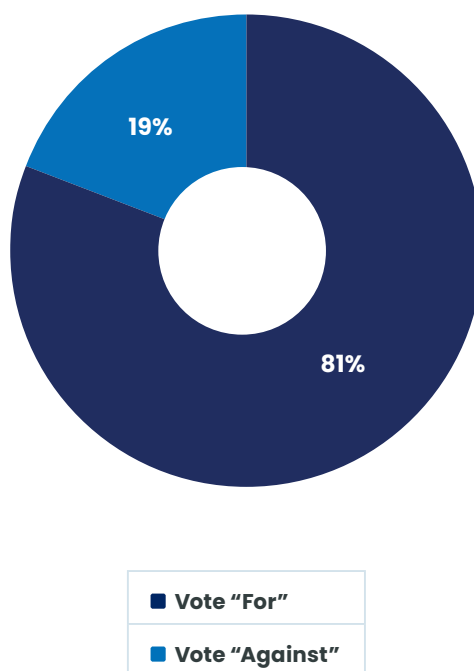
Note : 114 company-specific shareholders resolutions were also voted in 2023. These are not mentioned in the above chart.

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

¹Dow 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.

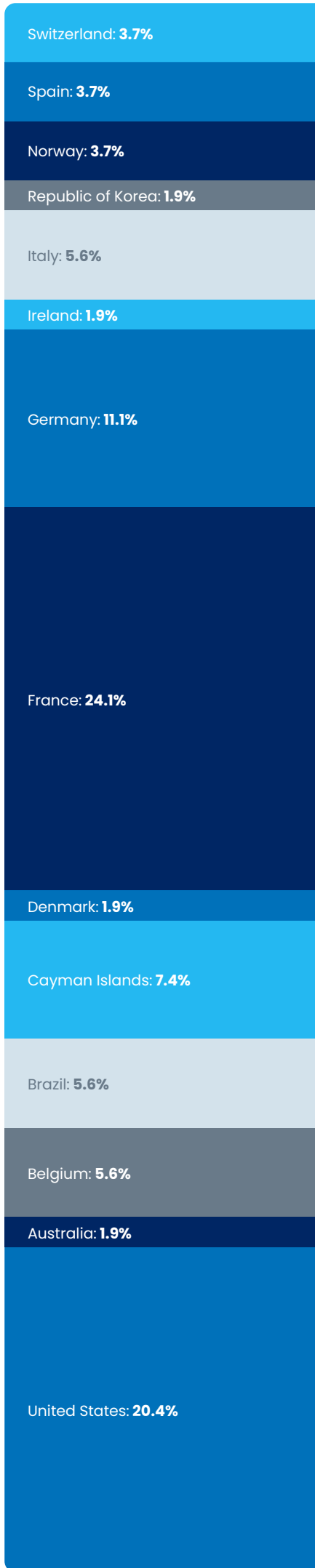
Pre-AGM campaign

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



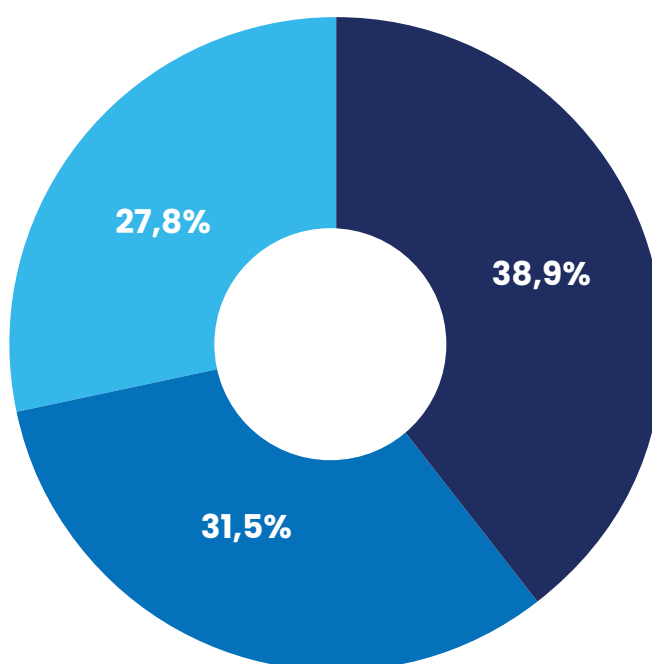
The primary emphasis of all pre-AGM engagements lies in the examination of board composition and remuneration, with additional attention given to capital structure and the safeguarding of shareholder rights. We view pre-AGM dialogues with companies as valuable opportunities to exchange diverse perspectives,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

■ Easy
■ Medium
■ Difficult



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 define 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.

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

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

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.

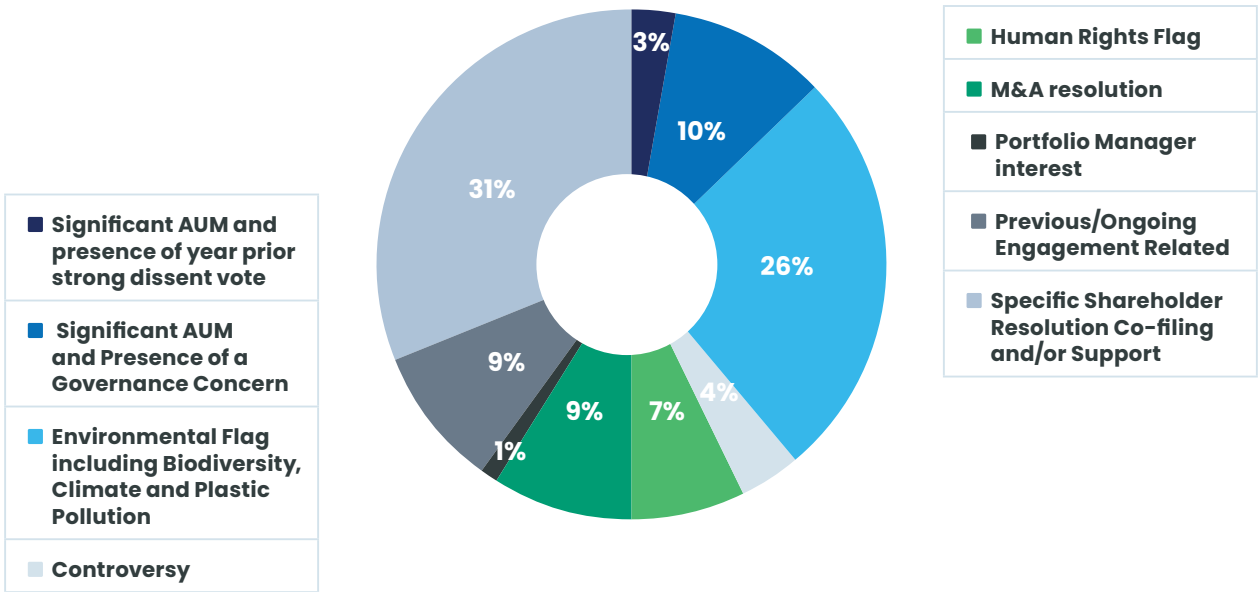
The topics of those meetings can generally be group under nine categories:

- 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

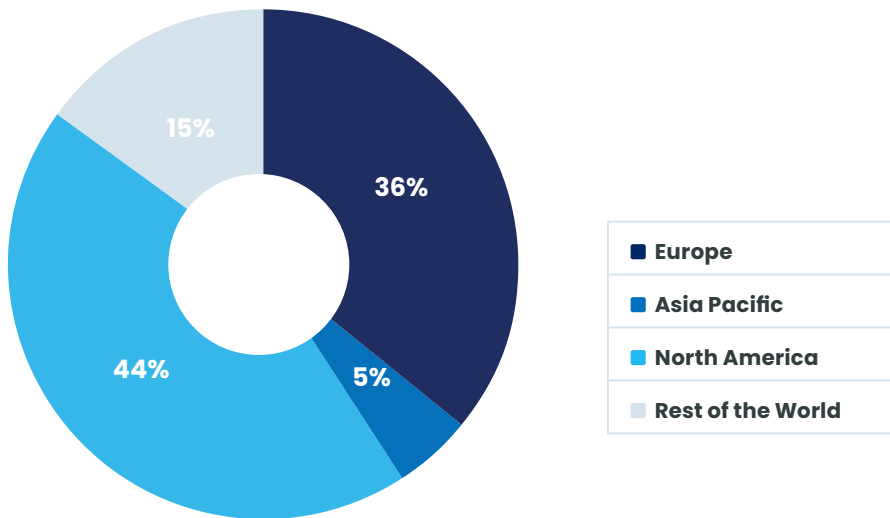
In 2023, we internally re-analyzed 636 meetings, of 582 different companies, for a variety of those reasons. Of these 636 meetings, 378 were deemed highly sensitive (with at least one highly sensitive resolution) as detailed under Votes on Sensitive Resolutions Section.

[Want to know how we work with proxy advisors ?](#)

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 STIP¹ 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 Alliance¹ 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 alignment with our position on sustainable finance,
- Candriam policy engagement activities or those conducted on our behalf,

All related information will be made available in our forthcoming 2023 CSR report, as well as additional details¹ 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**

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*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labeling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 31/12/2023.



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