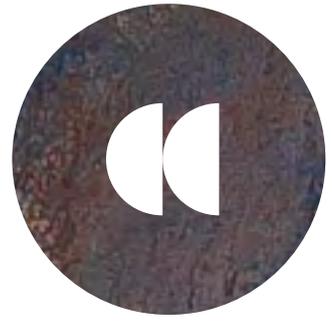


2022 Engagement Annual Review



MARCH 2023

Engage-
ment
Inside.
Annual
Review



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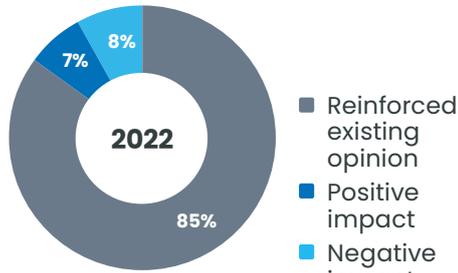
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The year at a glance.

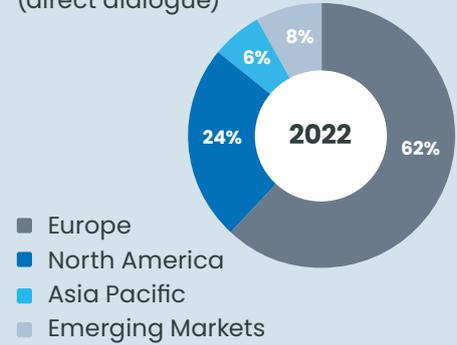


336
corporates
contacted
directly

Impact on Candriam ESG opinion (direct dialogue)



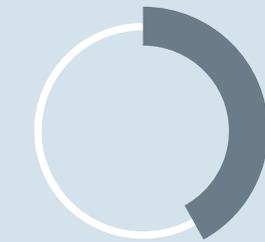
Region (direct dialogue)



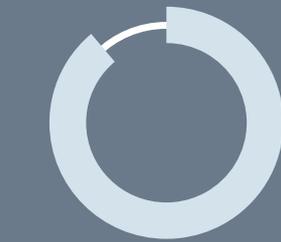
Top topics

- Energy Transition
- Fair Work Conditions
- Business Ethics

Direct Dialogue



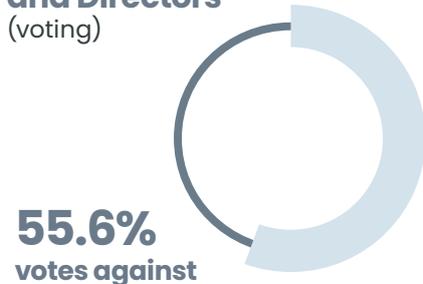
Collaborative Dialogue



Geographical split of meetings (voting)

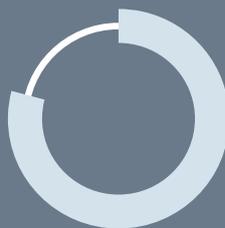


Compensation of Management and Directors (voting)

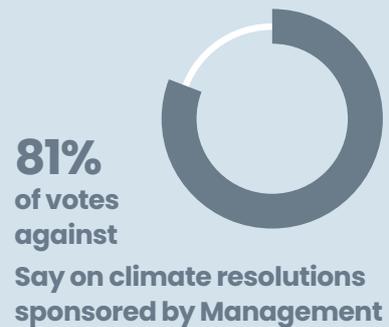


1,939
Voted
Meetings

Active Voting



Climate Voting



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



An Active Year for Active Investors.

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

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

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

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

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

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

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

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

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

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

² Ibidem



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

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



Energy Transition



Fair Work Conditions



Business Ethics



Sophie Deleuze
Lead ESG Analyst,
Engagement and Voting

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

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

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

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

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

How are you handling the increase in Reporting Requirements?

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

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



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

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

And a look ahead?

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

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

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

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

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

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

Direct dialogue.

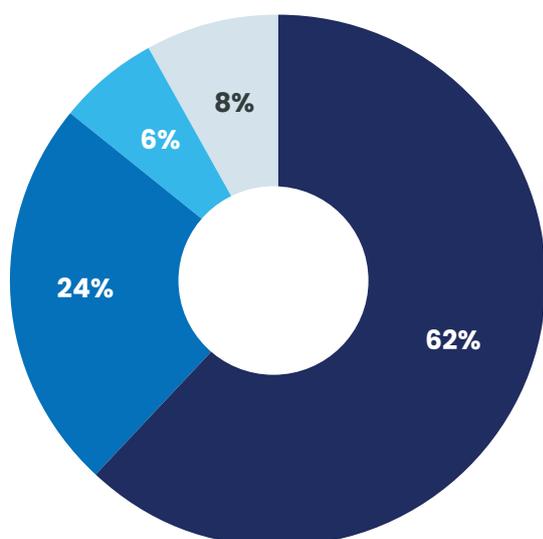
Statistics

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

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

Regional breakdown

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

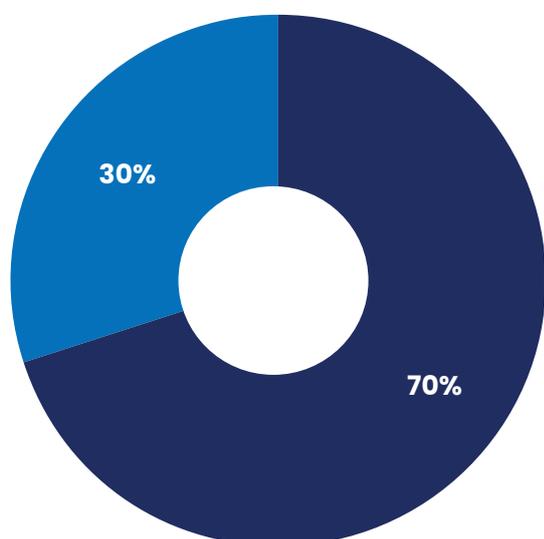


Region	2022	2021	2020
■ Europe	62%	55%	71%
■ North America	24%	29%	16%
■ Asia Pacific	6%	10%	6%
■ Emerging Markets	8%	6%	7%

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

Response rate

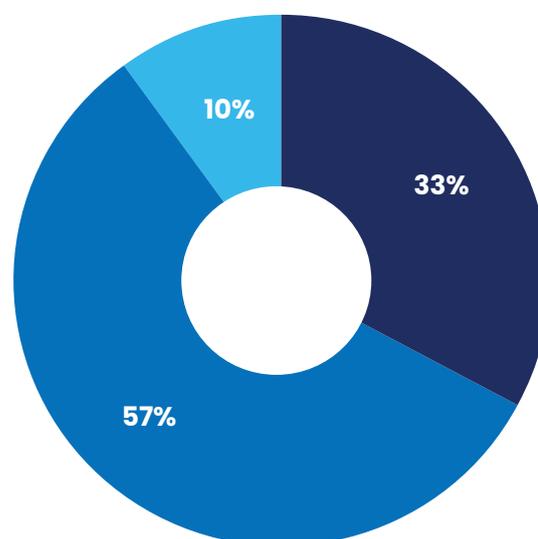
Of a total of 336 issuers under dialogue in 2022 (versus 274 in 2021, and 206 in 2020)



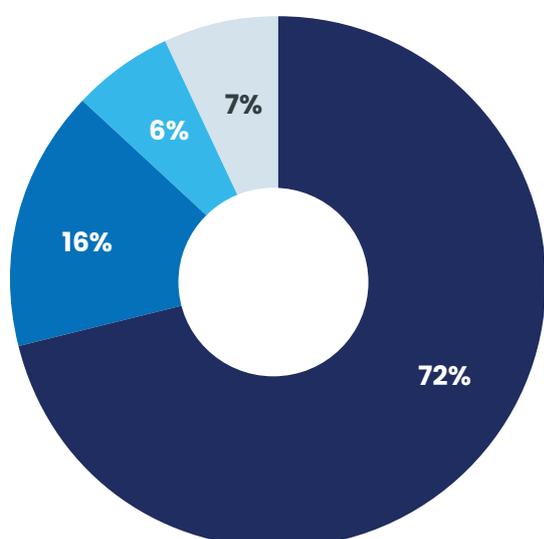
Response rate	2022	2021	2020
■ Responded	70%	60%	54%
■ Did not respond	30%	40%	46%

Main contact channel

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



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



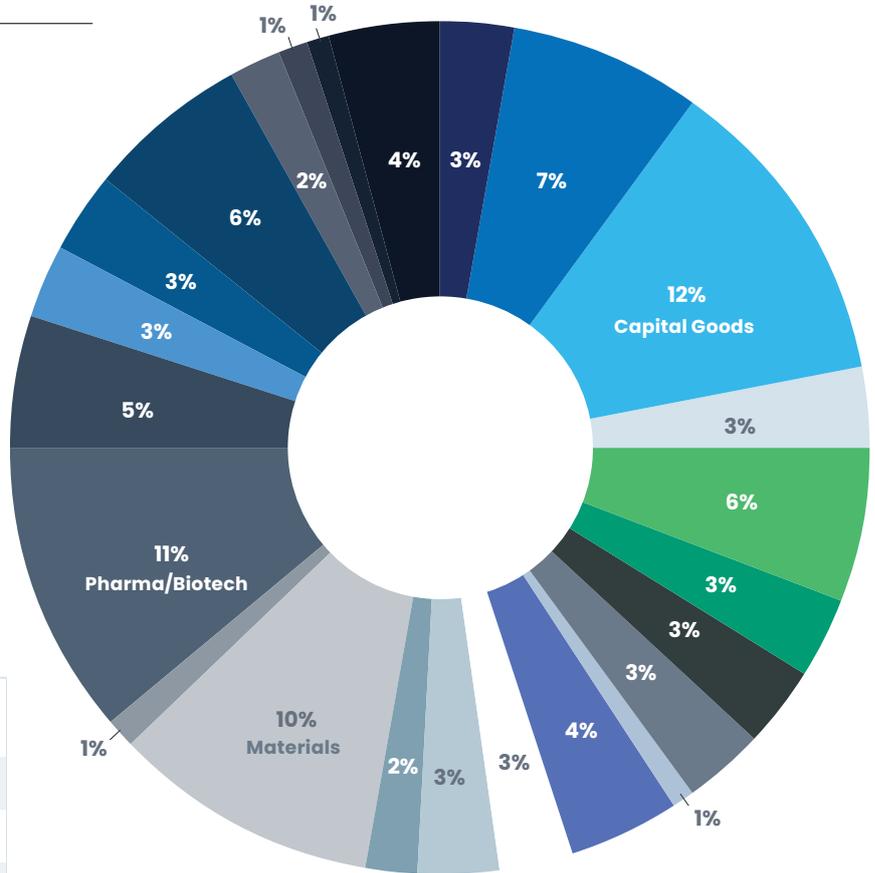
Regional breakdown of issuers which responded

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

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

Sector breakdown.

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



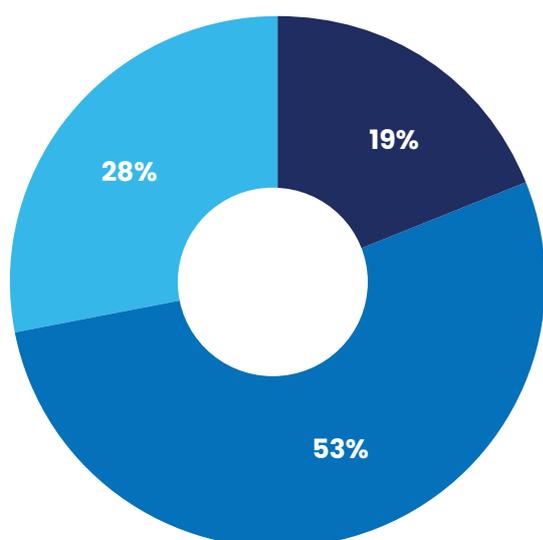
Sector breakdown 2022

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

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

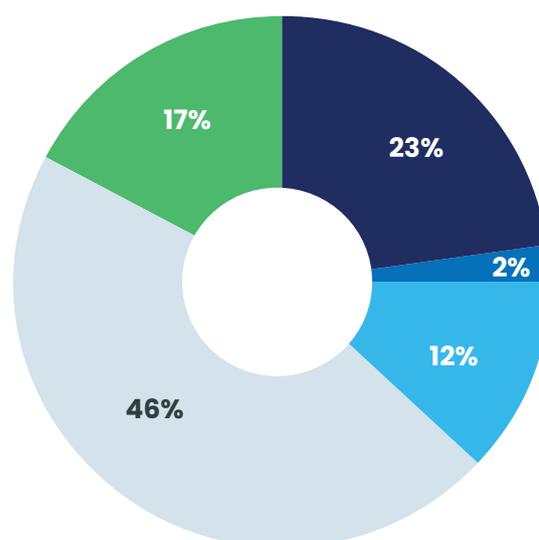
Dialogue Primary Objectives

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



Dialogue triggers

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



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

Encourage improved Disclosure

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

Support investment-decision making

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

Influence Corporate practice

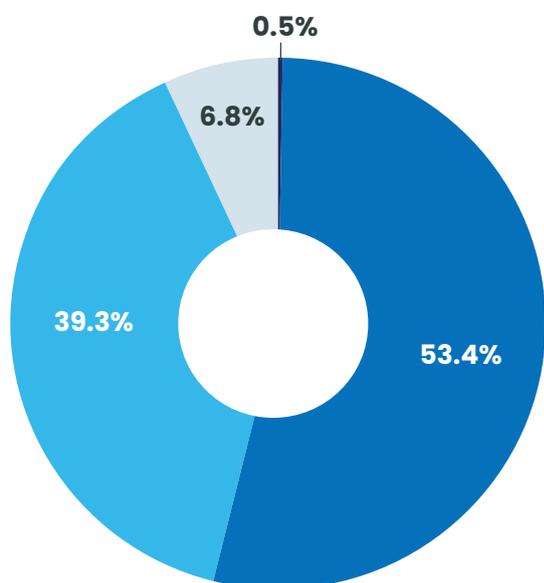
When the issuer lags our expectations and we expect the issuer to review its approach (strategy, practices) over specific ESG topic(s).

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

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

Dialogue status

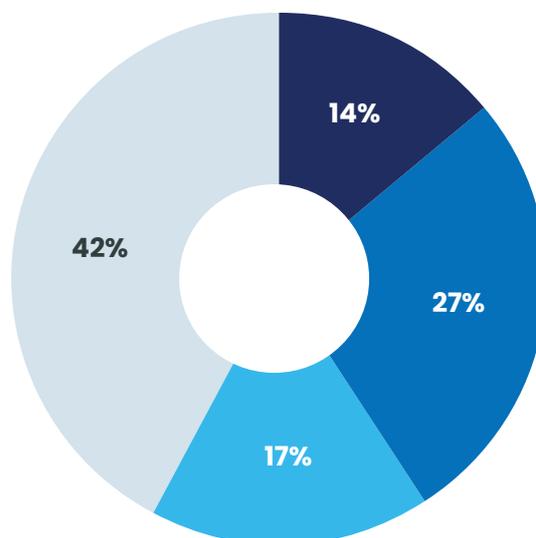
As of December 2022, of a total of 427 dialogues (versus 320 in 2021, and 227 in 2020)



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

Thematic breakdown of all our Direct Dialogues

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

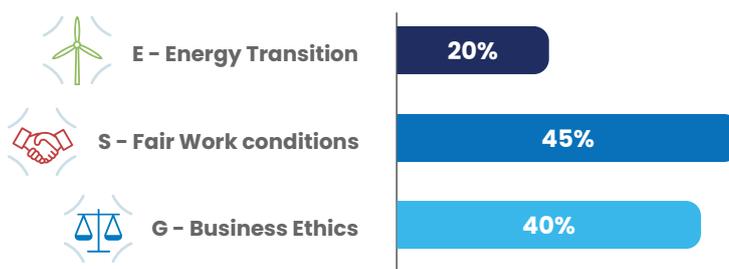


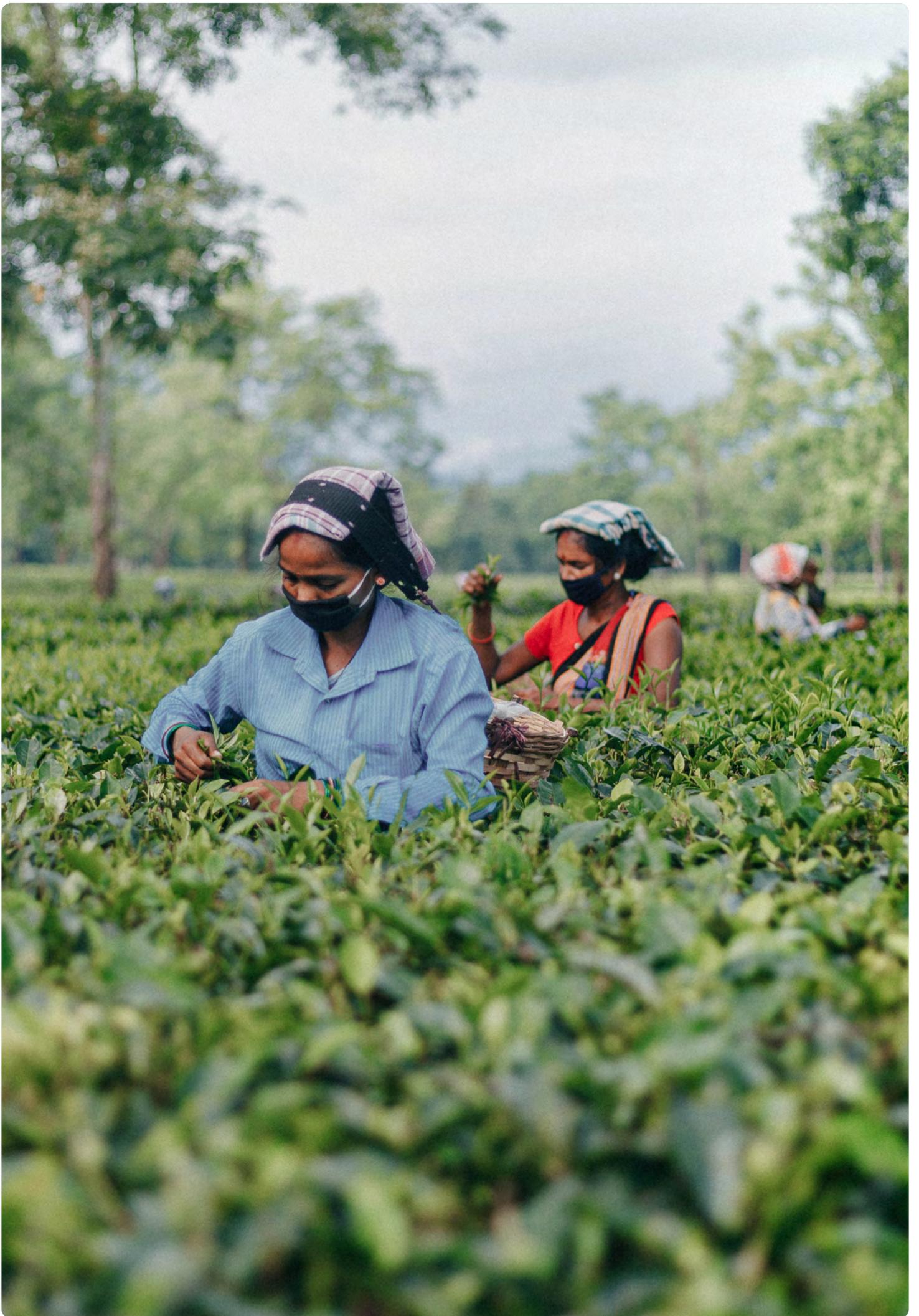
Thematic	2022	2021	2020
■ Environment	14%	12%	27%
■ Social	27%	52%	44%
■ Governance	17%	18%	15%
■ Overlapping ESG issues	42%	18%	14%

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

Share of Direct Dialogues related to our Conviction topics

Of a total of 427 dialogues in 2022





Sustainable Development Goals and Principal Adverse Impacts.

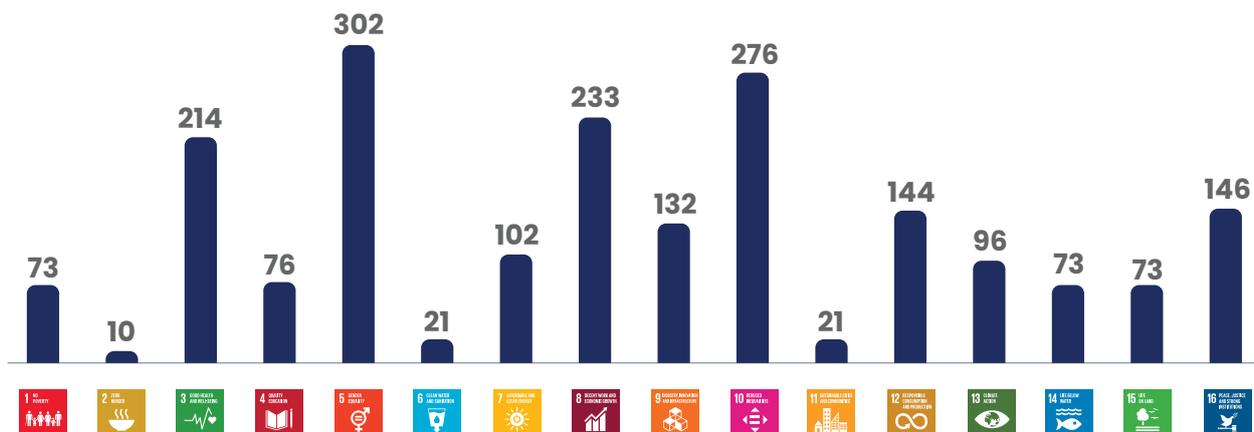
Listening to our clients, as well as closely following regulatory developments, notably in Europe, we have tried to better describe the link between our dialogues and United Nations Sustainable Development Goals³ as well as with Principal Adverse Impacts on sustainability factors caused by security issuers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

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

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

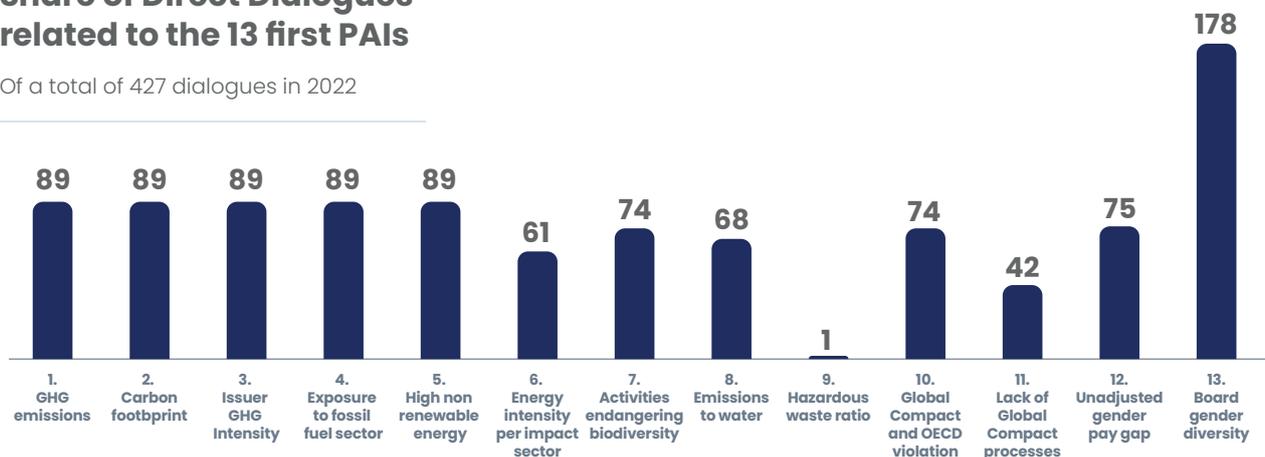
Share of Direct Dialogues related to 16 of the UN SDGs

Of a total of 427 dialogues in 2022



Share of Direct Dialogues related to the 13 first PAIs

Of a total of 427 dialogues in 2022



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

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

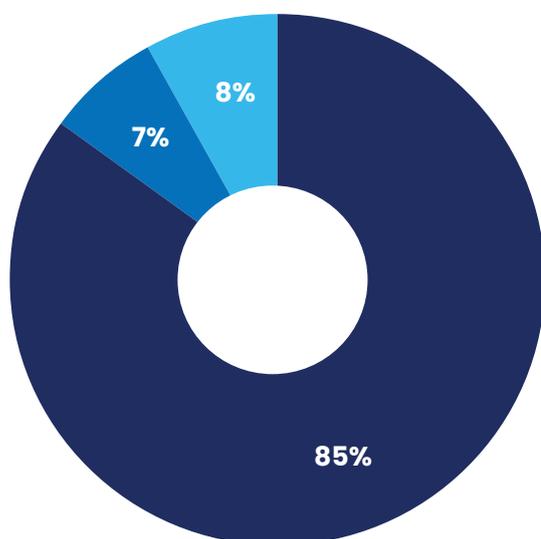
The way in which engagement is integrated in the investment process is also of importance, as it helps to better understand our investment process and how engagement feeds it and supports it. At Candriam, the most direct link is via the ESG opinion expressed about the issuer.

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

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

Impact of Direct Dialogues on Candriam ESG opinion

Of a total of 230 closed dialogues in 2022



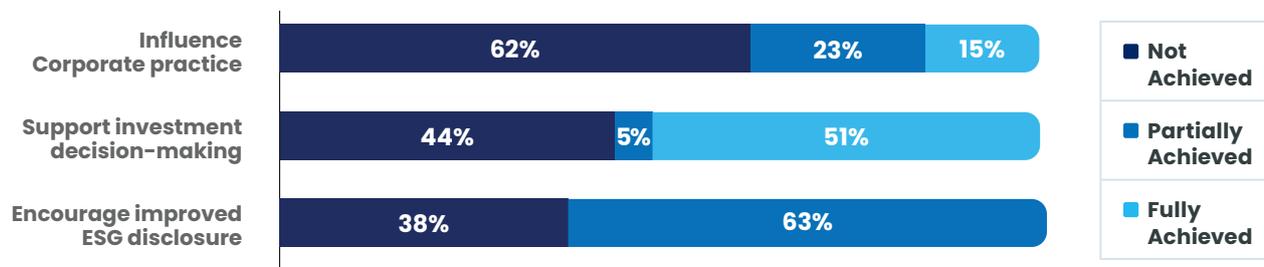
Impact on opinion 2022

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

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

Primary objective achievement level

Of a total of 230 closed dialogues in 2022



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

Direct dialogue case studies: Active investors making a difference.

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

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

Net Zero Engagement

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



Alix Chosson
Lead ESG Analyst for
High-Emitting Sectors



Luc Riols
ESG Analyst
Environmental Specialist
Engagement and Voting

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

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

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

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

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

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

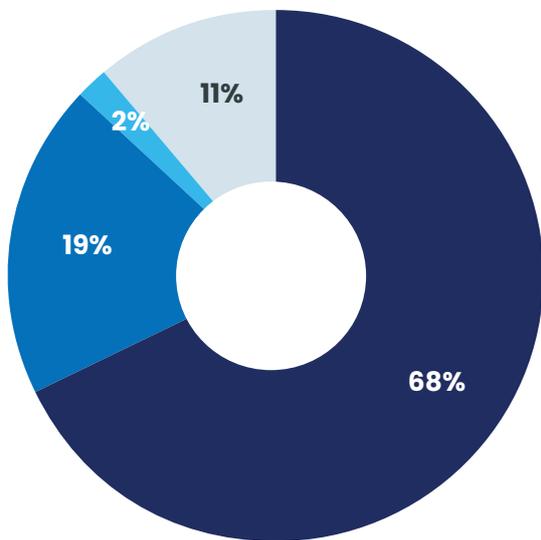
We have developed a clear multi-step engagement programme focusing on accompanying our investee companies on their decarbonization journey. This has been validated by our Stewardship workstream and presented to our Global Strategic Committee.

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

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

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

Net Zero Engagement



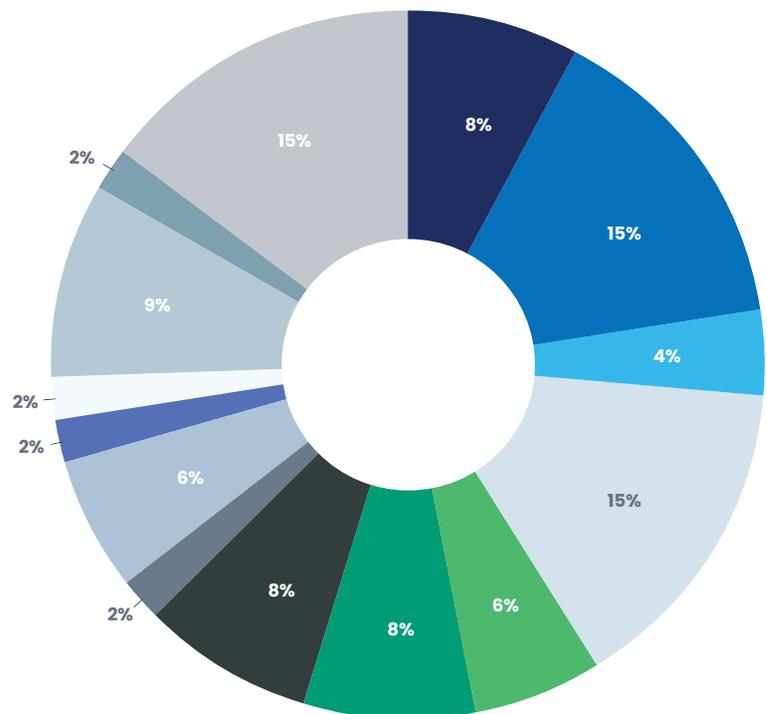
Regional breakdown of targets

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

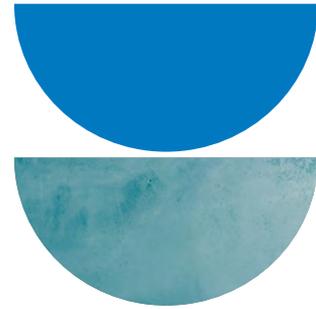
Sector breakdown of targets

Sector breakdown 2022

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



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



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

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

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

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

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

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

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

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

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

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

NatWest Group

Social Bond Engagement

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

Context

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

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

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

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

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

Achievements

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

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

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

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

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

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

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

Results/Impact

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

We informed the company of our decision.

Next Steps

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



Impact One Engagement

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



Maïa Ferrand
Co-Head - External Multi-Management

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

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



Yasmina Saradar
Investment Analyst, External Multi-Management Team

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

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

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

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

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

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

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

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

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

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

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

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

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

Oppressive Regime Campaign

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

Context

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

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

In our sustainable strategies this policy applies as follows:

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

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

Engagement Objective

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

Our engagement objective is to understand:

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

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

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

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

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



Myanmar

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

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

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

Russia/Ukraine

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

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

Next Steps

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

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

Human Capital in Small and Mid-Sized Firms

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



Christian Solé
Deputy Head of Fundamental European Equity

Christian, what triggered your request for this campaign?

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

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

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

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

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

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

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

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

Two years later, what have you achieved so far?

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

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

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

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

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

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

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

How do you see this campaign evolving?

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

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

Diversity

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



Theany Bazel
Fund Manager – Thematic Global Equities

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

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

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

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

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

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

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

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

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

How did you approach your direct diversity engagements?

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

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

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

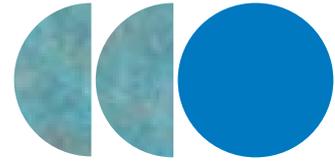
During our engagements, we had the chance to speak both with top managers and with human resources and diversity and inclusion professionals, the latter being enthusiastic to exchange with us on this constantly-evolving topic. In addition to the knowledge gained, our conversations have improved the way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

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

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

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

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



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

These simple efforts should become standard practices.

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

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

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

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

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

¹⁴ A French stock market index.

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

Kingspan Group Plc.

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

Context

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

Engagement Objective

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

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

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

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

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

Achievements

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

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

Next Steps

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

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

Employee Representatives Engagement Campaign

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



Cemre Aksu
 ESG Analyst
 Governance Specialist
 Voting and Engagement

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

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

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

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

How many issuers were contacted and how were they selected?

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

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

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

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

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

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

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

What are our findings?

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

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

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

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

What are the next steps?

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

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

Post-Covid Engagement Campaign

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

Context

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

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

Engagement Objective

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

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

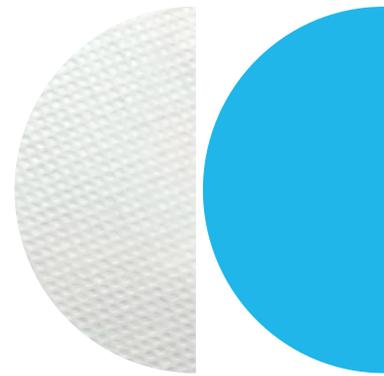
analysts and portfolio managers from a wide range of our investment strategies -- European and Emerging Markets fundamental equity strategies, Thematic Investments, and Global Credit strategies. The information gathered in this campaign feeds the ESG analysis framework used by our sector analysts adapting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

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

Achievements

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

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



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

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

Next Steps

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

More details about this campaign available under

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

Collaborative Engagements.

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

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

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



Candriam's Sustainable Commitments.

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

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

Collaborative initiatives both new and ongoing.

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

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

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

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

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

Source: Candriam, and individual initiative websites

New initiatives – summaries.

Initiatives we joined in 2022 for first time.

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

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

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

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

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

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

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

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

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

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

The following expectations are set for companies:

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

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

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

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

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

Forty companies from the Extractive and Utilities sectors

will be targeted by this initiative.

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

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

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

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

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



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

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

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

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

Some of the areas include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement will cover three areas:

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

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

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

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

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

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

PAI 8. Emissions to water

PAI 9. Hazardous waste ratio

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

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

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

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

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

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

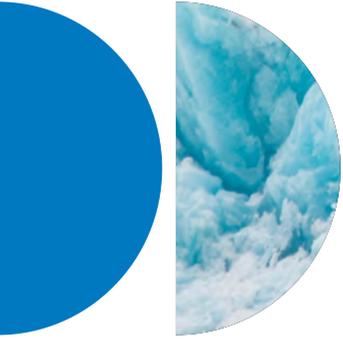
This collaborative group also provides an opportunity to meet interested parties, participants, and policymakers, and to express and be exposed to different viewpoints. Taxes are approached in very different manners, depending on the ‘background’. Such sharing of both knowledge and of the difficulties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

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

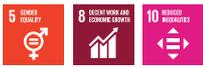
Our participation should also enable us to strengthen our investment analysis of corporate tax disclosures and to better assess any impacts, risks and opportunities surrounding company tax practices globally. Over time, it should also provide us with increased knowledge and ability to incorporate tax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

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

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



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

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

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

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

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

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

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

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

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

²² Based on the SBF 120 French stock market index.

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

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

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

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

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

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

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

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

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

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

Statistics.

Selected statistics for collaborative dialogues.

Focus on corporate issuers

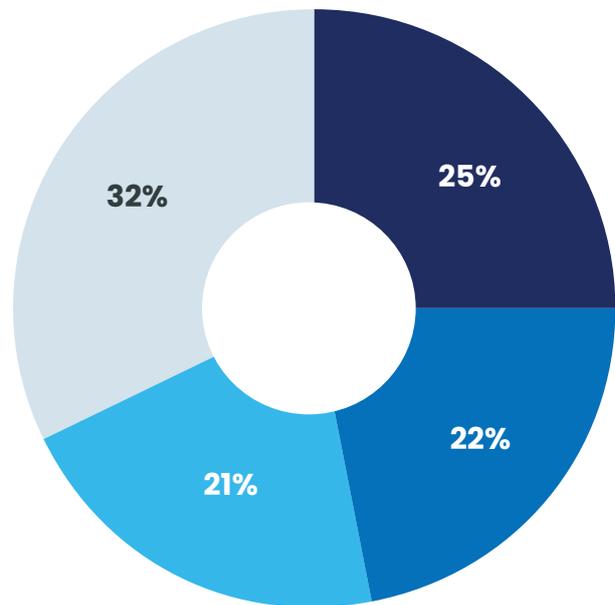
During 2022, a total of 7,539 issuers were targeted by collaborative initiatives we support (7,530 when not considering collaborative statements, but only collaborative dialogue).

Issuer by Region

■ Europe	■ Asia Pacific
■ North America	■ Emerging Markets

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

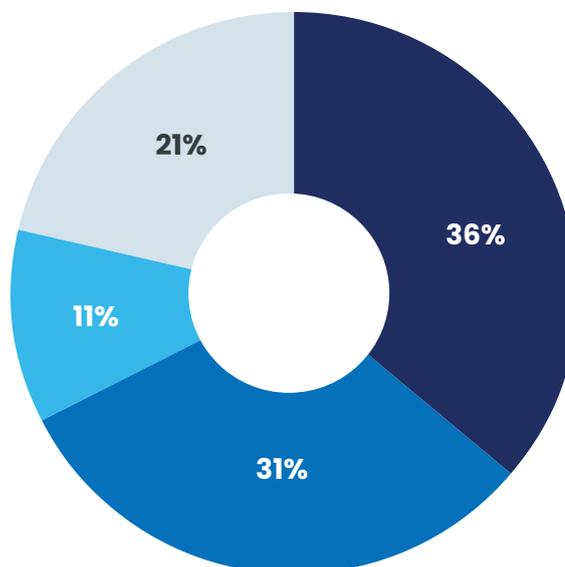
(The CDP organization was previously known as the Carbon Disclosure Project; its large size may skew the data.)



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

Issuer by Region

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

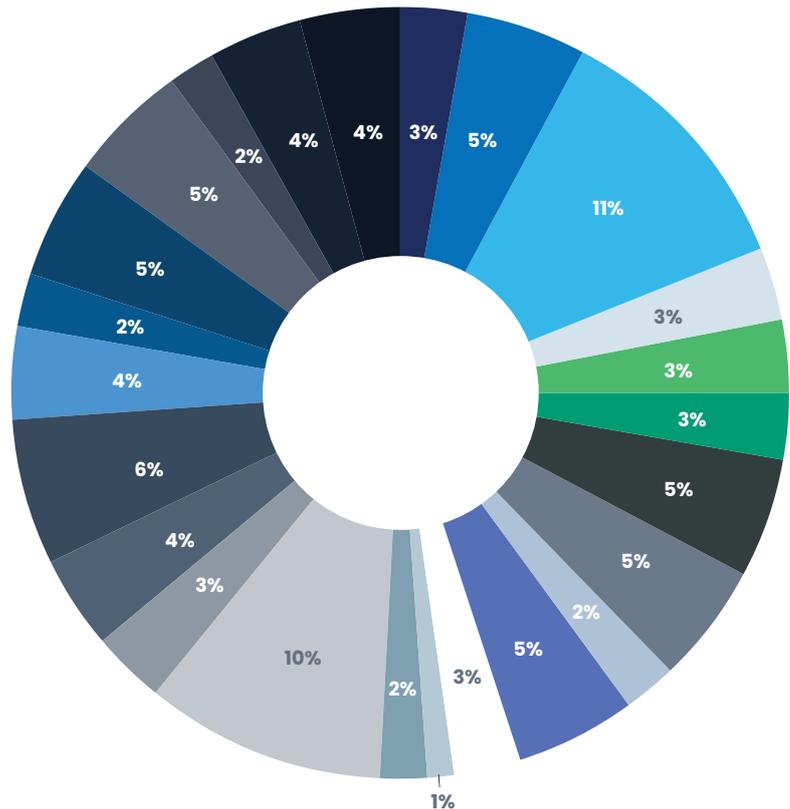


Sector Breakdown

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

Sector breakdown

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



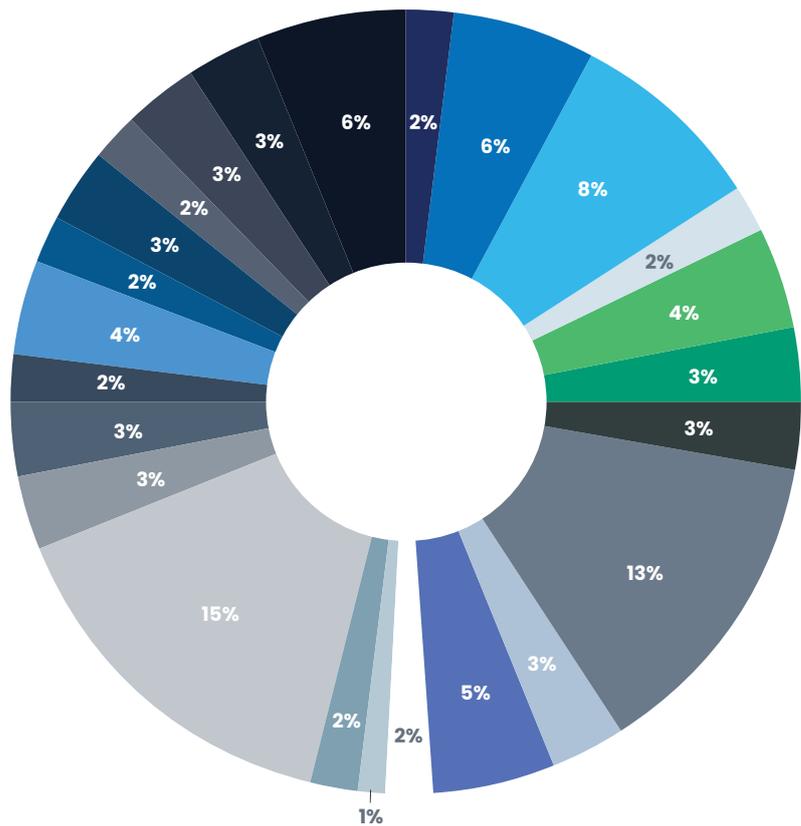
■ Real Estate	6%
■ Retailing	4%
■ Semiconductors & Equipment	2%
■ Software & Services	5%
■ Technology Hardware & Equipment	5%
■ Telecommunications Services	2%
■ Transportation	4%
■ Utilities	4%

Sector Breakdown, without CDP

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

Sector breakdown

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



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

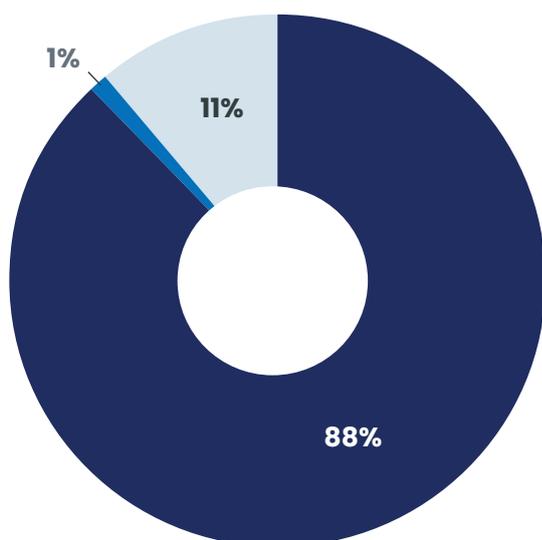
For any collaborative initiative, investors can opt for different roles :

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

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

Thematic breakdown of collaborative dialogues (not including statements)

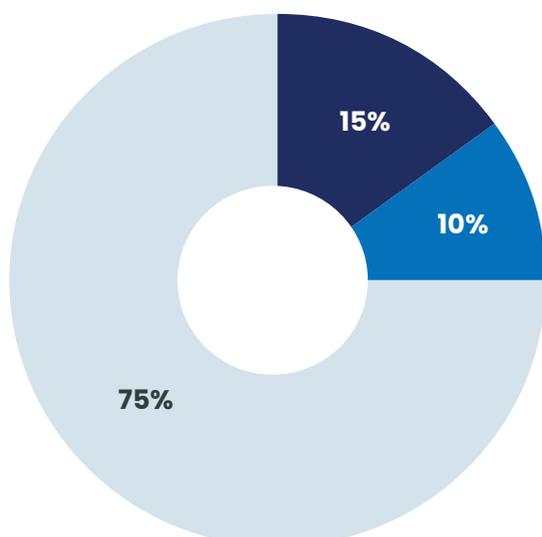
Of a total of 14,334 dialogues in 2022 with corporate issuers



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

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

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



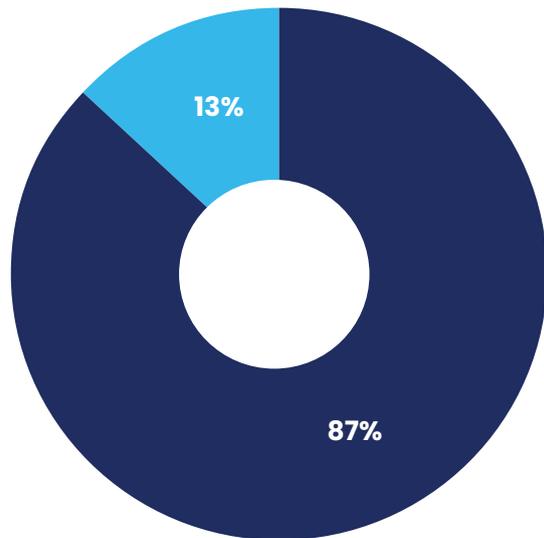
Thematic	%
Environment	15%
Social	10%
Governance	0%
Overlapping ESG issues	75%



Dialogue Primary Objectives

Of a total of 14,334 collaborative dialogues in 2022

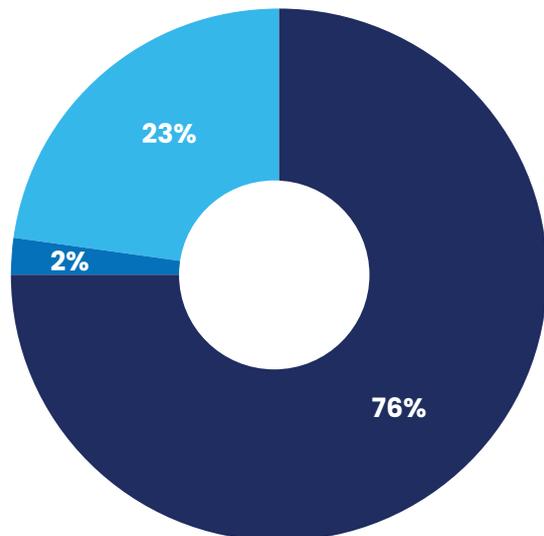
	%
■ Encourage improved ESG disclosure	87%
■ Support investment decision-making	NM
■ Influence Corporate Practice (inter alia, AGMs related letters)	13%



Dialogue Primary Objectives, without CDP

Of a total of 2,074 collaborative dialogues in 2022

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



Share of collaborative dialogues related to our Conviction topics

Of a total of 14,334 dialogues in 2022

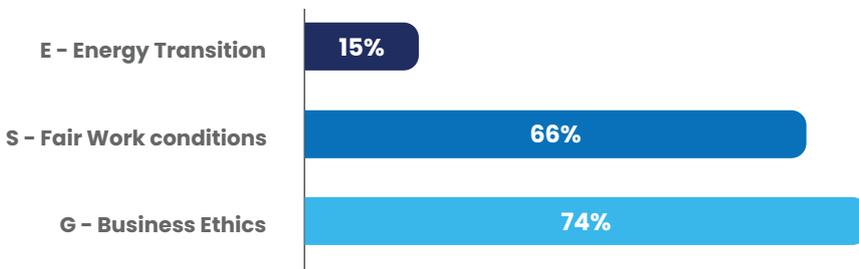


Conviction topics %

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

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

Of a total of 2,074 dialogues in 2022



Conviction topics %

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



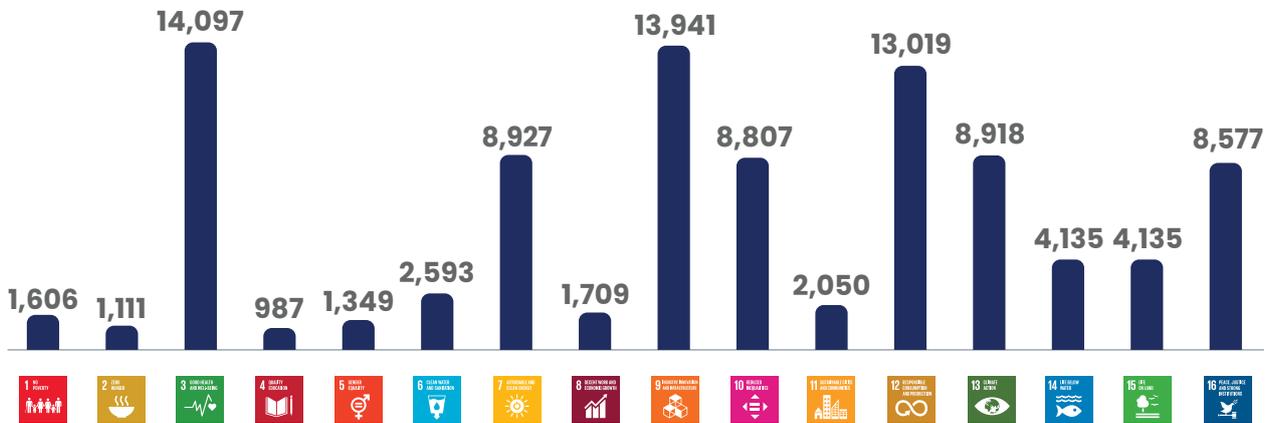
Considering all collaborative dialogues with corporate issuers, we can also display further statistic comparable to what we provided for direct dialogues.

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

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

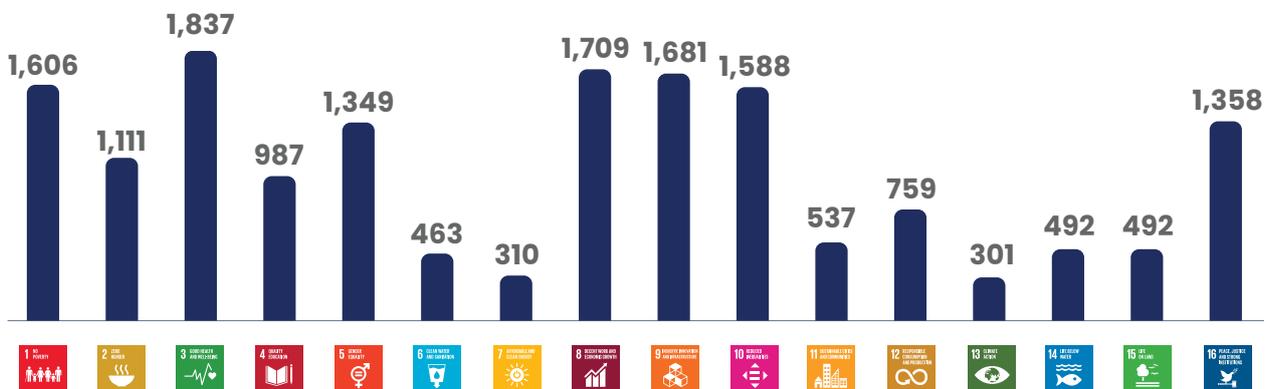
Share of Collaborative Dialogues related to 16 of the UN SDGs

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



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

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



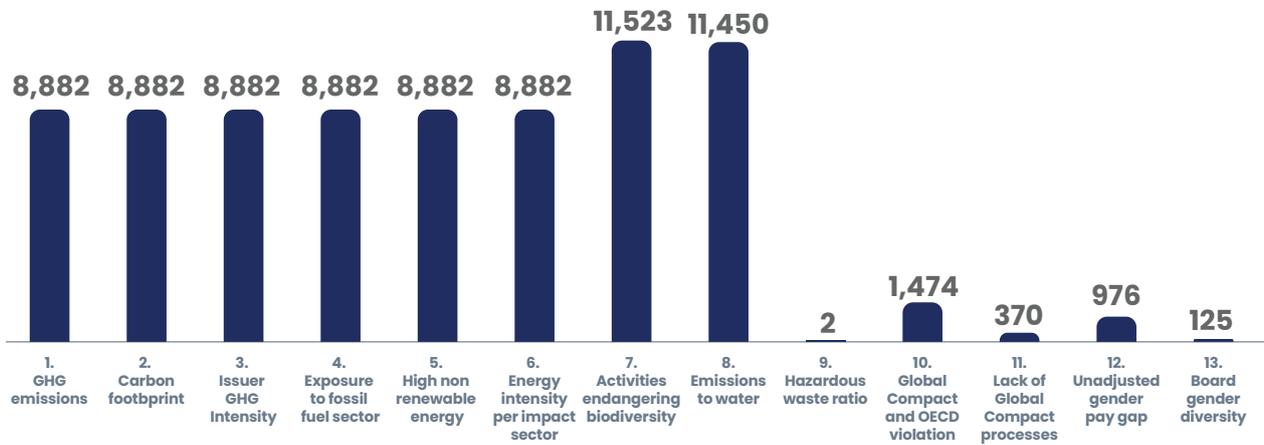
²³ For more background information about the United Nations Sustainable Development Goals, please refer to the UN official website under <https://sdgs.un.org/goals>

²⁴ You will find more information about how Candriam answers to the European Sustainable Financial Disclosure Regulation under our dedicated webpage <https://www.candriam.com/en-be/professional/stdr/>



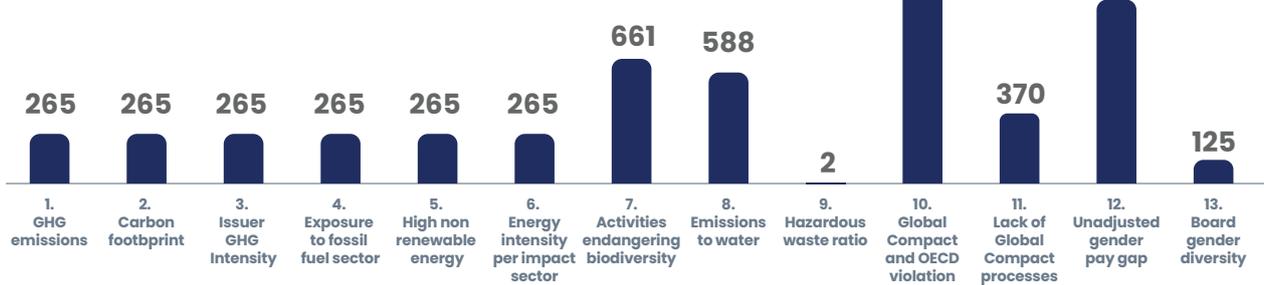
Share of Collaborative Dialogues related to the 13 first PAIs

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



Share of Collaborative Dialogues related to the 13 first PAIs, without CDP

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



It is difficult to quantify the impact of the engagement, given both the diversity of topics and the latency of engagement results. There is a time lag time between the start of engagement and the effective change at issuer level (if change, rather than info or some other purpose, was primary objective).

The way engagement is integrated in the investment process is also of importance as it helps to better understand our process of investment and how engagement feeds it, support it. At Candriam, the most direct link between engagement and the investment process is through ESG opinion, or ranking, expressed over the considered issuer. Of course best practice ideas, and nuances of risks, flow through other companies,

through the analysis of the portfolio managers, and other immeasurable ways.

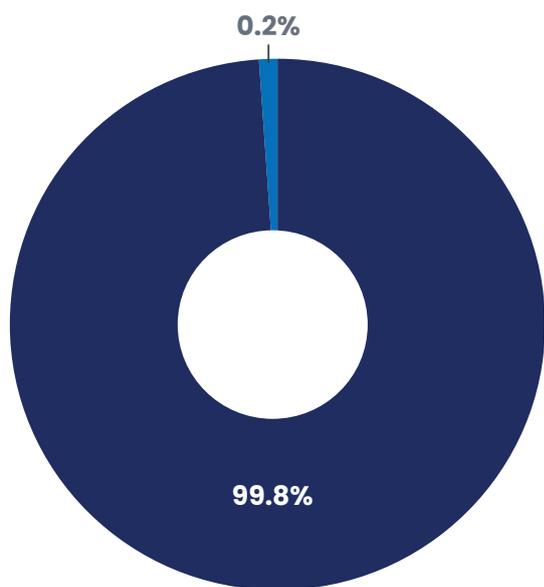
As a result, we have chosen to measure our impact in two different ways :

- Highlight the respective influence of dialogues on the opinion of the ESG analyst in charge, for every dialogue closed during the year under review.
- Measure the level of achievement of primary objectives for every dialogue, both closed and ongoing, during the year under review.

These two measurements are illustrated in the charts.

Impact of collaborative dialogues on Candriam ESG opinion

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

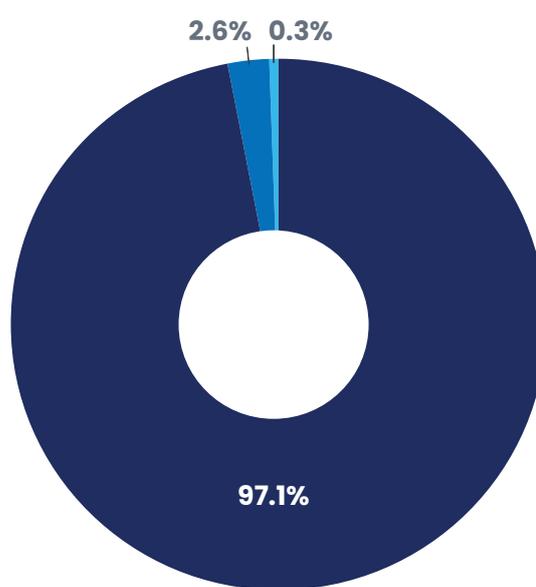


Impact on opinion	%
■ Reinforced existing opinion of analyst	99.8%
■ Positive impact on opinion of analyst	0.2%
■ Negative impact on opinion of analyst	NM

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

Impact of collaborative dialogues on Candriam ESG opinion, without CDP

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



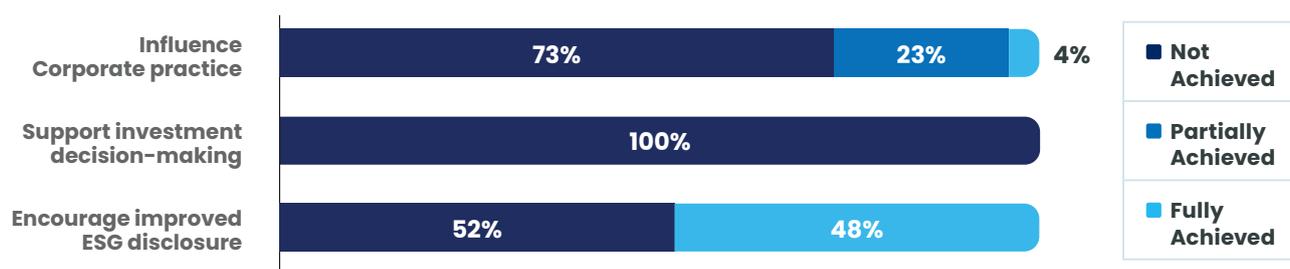
Impact on opinion	%
■ Reinforced existing opinion of analyst	97.1%
■ Positive impact on opinion of analyst	2.6%
■ Negative impact on opinion of analyst	0.3%

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



Primary objective achievement level

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



Primary objective achievement level, Without CDP

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



Collaborative initiative case studies: Acting together.

Facial Recognition Initiative.

Thematic	UNGC -Human Rights Tech & Democracy Tech & Data Privacy Social License to operate Oppressive Regimes	Influence Issuer Practice	Lead and Coordinator	SG	
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PAI 10. Global Compact and OECD violation
PAI 11. Lack of Global Compact processes



Benjamin Chekroun
 ESG Analyst
 Social/Human rights Specialist
 Engagement and Voting

Benjamin, as our point person for Social and Human Rights engagement, can you tell us why and when you launched this engagement on Facial Recognition?

We started working on the risks posed by Facial Recognition Technology (FRT) back in 2020. But we could already see significant markers of change:

- Companies were starting to put in place moratoriums on the sale of FRT,
- Authorities were beginning to regulate, and even ban, certain use of the technology,
- Public opinion across western democracies was shifting from a desire safer use to an outright ban of the technology.

As a responsible investor in technology, we felt a deeper understanding was needed, so we began by contacting experts, academics, journalist and NGOs. We published our findings in a white paper, because we felt it was important to share with the investor community. In March 2021, we published our [investor guidance on the risk of Facial Recognition Technology](#). We gathered 55 of our asset management peers, representing over \$5trillion of AUM, to sign an [investor statement on facial recognition](#).

What were your expectations for this investor statement?

Well, we had three 'asks'. First that companies improve disclosure in what is considered a very black box technology. Where are databases coming from? How accurate are the algorithms? How much bias do they produce? Then, we are calling on companies to improve practices, such as performing extended impact assessment and due diligence ahead of product development and sales. And finally, we are calling for proper regulation as this technology is far ahead of regulation and actors need a level playing field.

And was that enough to get things moving?

An investor statement, in itself, has limited impact and only a handful of issuer companies reacted to the statement. So, in 2022, we acted on our joint intent and, with a smaller group of 20 investors ready to go the extra mile, we engaged with 30 companies involved in FRT.

Of these, 15 companies responded. That includes 13 public and 2 private companies, and 5 of this total are companies based in Asia. Most of the responders are software companies. We were able

to hold useful discussions on what procedures these firms had already put in place to ensure a safe and ethical use of FRT. The result was informative enough that we decided to publish an [interim engagement report](#) to gather and share the best practices observed so far. In our report we (that is, the engagement group) highlight examples of governance, principles, and procedures.

Can you highlight some of the practices that you feel are important?

Absolutely, I think four observations are worth highlighting:

- Those companies that were closer to writing the algorithms, were those most concerned with the human rights risk, and had the best procedures in place. Hardware and semiconductor companies were less concerned with the end use of their products.
- Publicly disclosure of principles, discussions with external experts and NGOs about the risks of FRT in particular, and of Artificial Intelligence in general, together provide a great starting point.
- Ensuring human oversight of machine decisions is a must. Human monitoring, supervision of the algorithms and ultimate decision making is clearly crucial. This we learned from companies which put this in place, and we share their conclusions with others in the industry.
- The 'acceptable' level of the risks to FRT varies dramatically by culture and region.

Three companies with strong procedures in place agreed to be identified and presented in our report, to help the industry advance to a higher standard. These three are Microsoft Corporation, Motorola Solutions, Inc. and Thales.

Now that you have defined these good practices, what do you plan to do?

We will engage with each of these 30 companies in 2023, after conducting a gap analysis for each of them. We will discuss procedures we believe are missing, and how they might apply to and be implemented in each situation.



Access to Medicine Index (AtMi).

Thematic	Health Wellness Access to products & services	Influence Issuer Practice	Mix of Support	s	
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The mission of the *Access to Medicine Foundation* is to stimulate and guide pharmaceutical companies to do more for the populations of low- and middle-income countries which may be lacking access to medicine. The Access to Medicine Index analyses 20 of the world's largest research-based pharmaceutical companies with products for high-burden diseases in low- and middle-income countries.

The Foundation ranks pharmaceutical companies on their efforts to improve access to medicine across seven areas of corporate behaviour, while identifying best practices. It highlights where progress is being made, and identifies where critical action is required.

Candriam has chosen to dialogue with the companies we invest in to encourage them to:

Integrate these issues into executive compensation;

- Boost their research efforts, alone or in collaboration with other actors, on emerging diseases or those for which no scientific treatment exists;
- Communicate on their anti-corruption efforts more transparently;
- Measure the impact of their access initiatives, whether through the adoption of differential pricing, donation strategies to control or eradicate certain diseases, or initiatives to strengthen health systems.

The Access to Medicine Foundation offers us privileged access to companies and their top management to discuss these issues, and to engage constructively on improvement of practices in the field.

The 2022 Access to Medicine Index since that since the Covid-19 pandemic, more pharmaceutical companies have

stepped up to make some products more widely accessible in low- and middle-income countries (LMICs). If the pandemic is to be a turning point in the fight for equitable access to medicine, companies must now scale their efforts to cover more products in their portfolios, and across a greater number of countries.

For the first time, all 20 companies in our scope report an access-to-medicine strategy, with 19 integrating this into their overall corporate strategy. The Index also outlines examples of companies that are increasing access and strengthening delivery of their products in LMICs, with GSK plc, Pfizer and Takeda standing out. In addition, more companies have engaged in voluntary licensing agreements, making their still-patented products available for generic manufacturing.

We are co-leading the engagement with Merck KGaA, who moved from the 8th rank in 2021 index to the 5th rank in the 2022 AtM Index. The company excels in R&D access planning and performs well in its approach to patent transparency. It has embarked on high-quality capacity building initiatives across all fields and has an average performance²⁵ in Governance of Access. Areas for improvement remain, notably on improving the quality of access plans for R&D projects for cancer and expanding access to cancer treatment.

We will continue to support this initiative in 2023 and beyond, as well as 'sister initiatives' such as inclusion of access-related metrics into executive compensation, or on anti-microbial resistance.

²⁵ Rankings from AtMi, <https://accesstomedicinefoundation.org/medialibrary/2022-access-to-medicine-index-1668514482.pdf>

Access to Nutrition Initiative (ATNI).

Thematic	Health Wellness Access to products/services - Food Product / Service Quality Product / Service Safety	Influence Issuer Practice	Mix of Support	S	
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PAI 11. Lack of Global Compact processes

The aim of the Access to Nutrition Initiative (ATNI) is to drive change by tracking and driving the food industry’s attempts to tackle undernutrition, obesity and diet-related chronic diseases at the local and global levels.

Every action taken by ATNI is intended to encourage businesses to promote good health through improved diets and nutrition. ATNI focuses on developing tools and initiatives that track and drive the contribution made by the food and beverage sector to address the world’s global nutrition challenges. The Initiative is also establishing partnerships with other organizations committed to solving the world’s nutrition challenges by working with food and beverage companies to improve their business practices. ATNI collaborates with investors, academics, not-for-profits and foundations.

ATNI works extensively with the investment community to ensure that its tools are designed to provide investors with the in-depth information they need, which may not be available from any other source. Investors can use indices and reports in their ESG research, integration and engagement.

As the efforts of food companies to fight chronic diseases is central to our ESG analysis of the sector, Candriam has been active for years in this initiative, actively supporting the lead investors for several target companies and co-leading the engagement with Ajinomoto.

The [ATNI independent impact review](#) was released in July 2022. ATNI was found to be the most in-depth corporate accountability mechanism for the private sector’s role in global nutrition and health objectives (SDGs 2 and 3). Importantly, the report indicated that there is ample evidence of change in companies that ATNI assesses; that is, positive impact. Further, the changes generated at the company level over the past eight years and their positive impact on health and nutrition are judged to be permanent. The investor group in particular has proven to be an effective entry point and a lever to generate change at companies. ATNI launched 2022 its UK Retailer index and US Index in 2022.

Now completing its tenth year, the Access to Nutrition Initiative (ATNI) is rolling out a new five-year strategy (2023-2027) focused on transforming markets -- food markets must be transformed so that equitable access to healthier, affordable products becomes the norm. Candriam plans to support the initiative in its journey.

Corporate Human Rights Benchmark Engagement.

Thematic	Human Rights Forced Labour	Influence Issuer Practice	Mix of Support	SG	
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PAI 10. Global Compact and OECD violation

During the 2022 engagement phase, the *Corporate Human Rights Benchmark Engagement* (CHRB) received feedback from 84 out of 129 companies, meaning an engagement rate of 65%. Most of the increased responsiveness versus 2021 was because of significantly higher engagement in the automotive sector, which was being assessed for the second time. In the automotive sector, 52 companies (40%) scheduled a 2022 engagement call with the CHRB.

Thirteen new companies which had never previously engaged with the CHRB agreed to in 2022, six of which were in the automotive sector. This is consistent with a trend that we have seen with other sectors in the past, where engagement numbers rise significantly for the second iteration of a benchmark (for example, the engagement rate for Information & Communication Technology companies rose from 67% in 2019 to 76% in 2020).

This year, the investor engagement coordinated by the *Investor Alliance for Human Rights* (IAHR) also proved useful for engaging with previously hesitant companies. Four companies -- Subaru Corporation, Falabella S.A., Kyocera Corporation and Inner Mongolia Yili Industrial Group Company Limited -- reached out to the CHRB and submitted feedback after receiving an email from an investor(s) urging them to do so.

The CHRB team has felt that engagement with companies was generally positive. In most cases, companies focused on better understanding the requirements in the methodology rather than challenging the contents of the draft assessment. Several companies also pointed out that they value the quality and detail of the assessment, as this helps them to improve their own disclosures. While there were some more difficult engagement instances, these usually ended on a positive note.

We have seen a 10% reduction of companies scoring zero on human rights due diligence (HRDD) compared to 2020, progress could be faster, which is why the need for investor and legislative action continues. Across the three sectors, companies which improved their scores on HRDD did so following an initial step of a due diligence process, namely identifying, assessing, integrating, and taking action on human rights risks and impacts.

Candriam is lead investor for two semiconductor companies



CA100+ (end of Phase 1) including the Paris Accounting sub-initiative.

Thematic	Climate Change Thermal Coal NZ GHG Emission by 2050 (or sooner) Ambition LT targets ST/MT targets Decarbonisation strategy	Encourage More Info Disclosure	Mix of Support	E	
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PAI 1. GHG emissions
PAI 2. Carbon footprint
PAI 3. Issuer GHG Intensity
PAI 4. Exposure to fossil fuel sector

PAI 5. High non renewable energy
PAI 6. Energy intensity per impact sector

The CA100+ collaborative engagement is a five-year initiative launched by the *UN PRI* in collaboration with several other networks – *Asia Investor Group on Climate Change* (Asia), *Ceres Investor Network on Climate Risk and Sustainability* (North America), *Investor Group on Climate Change* (Australia/New Zealand) and the *Institutional Investor Group on Climate Change* (Europe).

By engaging with more than 100 companies (166 in 2022), responsible for over 80% of global industrial greenhouse gas (GHG) emissions, the aim is to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risks.

When launched at the end of 2017, the objective was to see how focus companies were doing against three ‘asks’. As we conclude the, it is time to evaluate progress against these markers.

- **First Ask: Improve Board-level oversight of material climate-related issues.** When Climate Action 100+ launched at the end of 2017, only five focus companies had set net zero commitments, while today, 92% of them now have some level of executive oversight, and 75% of companies have committed to net zero by 2050.
- **Second Ask: Make absolute emissions reductions in the real economy.** Progress against this needs to be accomplished quickly if we want to halve emissions by 2030 and keep 1.5°C goal within reach. Therefore, we will continue to engage with companies through CA100+, as well as through other direct and collaborative initiatives, to push companies to develop and implement a credible transition strategy aligned with the goals of the Paris Agreement.

- **Third Ask: Improve corporate climate-related disclosures. Substantial progress has been achieved.** As of December 2022, 91% of the 166 focus companies are now aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), either by supporting the TCFD principles or by adopting climate scenario planning.

It is worth noting as well that CDP reporting (a separate disclosure initiative from CA100+, of which Candriam is also a member) has substantially contributed to improving the climate-related disclosures of corporates.

As stated in the most recent [CA100+ progress report](#), significant progress has been seen across a range of industries, many of which are among the most challenging businesses to decarbonize.

Examples of substantial improvement made by some focus companies include:

Enel SpA: Only one year ago this Italian energy company disclosed only six indicators. This year saw the company score all nine assessed indicators, making it the first company to fulfil all the disclosure indicators of the Net Zero Company Benchmark.

While investors still want to see further improvement from Enel on the alignment indicators, the benchmark has proven to be an invaluable engagement tool, clarifying both the progress, and the areas for further improvement.

Formosa Petrochemical: Following continuous investor engagement from CA100+, the Taiwanese oil and gas company announced its commitment to achieve carbon neutrality by 2050, with short-term and medium-term targets to reduce GHG emissions by 22% and 28% by 2025 and 2030, respectively. The company also published its first standalone TCFD report in 2022 and plans to update the report annually. In October 2021, Formosa Petrochemical's parent company, Formosa Plastics Group, announced its commitment to achieve carbon neutrality by 2050 covering Scope 1 and 2 emissions. Despite Formosa Plastic Group claiming that this commitment applies to all its affiliate companies, there was no formal announcement of carbon neutrality at the individual company level, such as Formosa Petrochemical. After continuous private dialogues between the Climate Action 100+ investor group and the company, the chairman of Formosa Petrochemical announced the commitment at its company level, in addition to the group-level target, at the Annual General Meeting in May 2022.

Dominion Energy: Important progress made after continued dialogue and multiple shareholder proposals. Dominion now issues a *climate lobbying report*, disclosing the company's direct and indirect lobbying activities. Management now expressly supports the goals of the Paris Agreement. In line with best practice, investors hope to see the company's reporting continue to evolve as they now intend to release reports on an annual basis.

Dominion joins Duke Energy and Xcel Energy Inc as early movers in *setting comprehensive Scope 3 GHG targets*. Recognizing this important progress, this target should be matched with interim targets and a robust decarbonization strategy.

Dominion has *explicitly linked its capital investment plan and net zero goal*. In addition, the company identified a \$73Bn investment opportunity by 2035, focused on building zero-carbon generation, energy storage and upgrading the electric grid. Based on its key resource plans, the company estimates its zero-carbon generation will increase to 69% in 2035, alongside a near complete phase-out of coal generation.

A sub initiative, led by IIGCC (*Institutional Investors Group on Climate Change*, the European coordinator of CA100+), is focusing on accounting practices. Indeed, we believe company accounts should address the financial implications of climate risks in their audits wherever material.

As part of this engagement, we targeted the UK and French operations of the 'Big Four' global accounting firms, requesting

that they alert shareholders to instances where company accounts are not considering the financial implications of the current decarbonization pathway, the physical impacts from climate change, or the global transition onto a 1.5°C pathway. Candriam led the dialogue with French branches.

We have targeted specific CA100+ companies that are lagging in terms of Climate Accounting, as per the CA100+ Climate Accounting and Audit Alignment Assessment done by Carbon Tracker. As highlighted in their last report²⁶, "*if there has been a growth in net zero pledges and other climate-related commitments and increased reporting on climate risks 'outside' the financial statements, most companies still do not appear to be including the financial impacts of such commitments, or indeed climate change risks, in their financial statements.*"

Candriam has been lead contact for the collaborative engagement with *Compagnie de Saint-Gobain SA* since 2021, and we have exchanged substantially with the company. If we have seen improvements in 2022 since 2021 in the way they incorporate Climate into their financial statements, we believe it is not sufficient, the company is aware and committed to continue to improve its disclosures. We will closely monitor Saint-Gobain's publications. We (Candriam) pre-announced our own voting intentions for the company in 2022 to better inform stakeholders of the evolution of the group engagement, and how it was impacting our voting choices.

Next Steps

The first phase of CA100+, as planned, ended on 31 December 2022. Building on the success of Phase 1 and the lessons learnt, the initiative is currently developing the strategy for Phase 2. The focus will be on ensuring effective engagement, especially in the critical years remaining before 2030. The initiative members held a consultation in the summer of 2022 on the proposed Phase 2 strategy, expected to run from 2023-2030. In total, 172 (24%) signatories responded and 78% of lead investors, with a fairly even distribution across regions and AUM range. CA100+ is currently reviewing the findings and the final Phase 2 details will be announced in 2023 when the new strategy is launched.

²⁶ Still Flying Blind: The Absence of Climate Risk in Financial Reporting - Carbon Tracker Initiative, <https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>



Investor Policy Dialogue on Deforestation (IPDD).

Thematic	Environmental preservation Environmental regulation Deforestation	Influence issuer practice	Supporting Investor	E	
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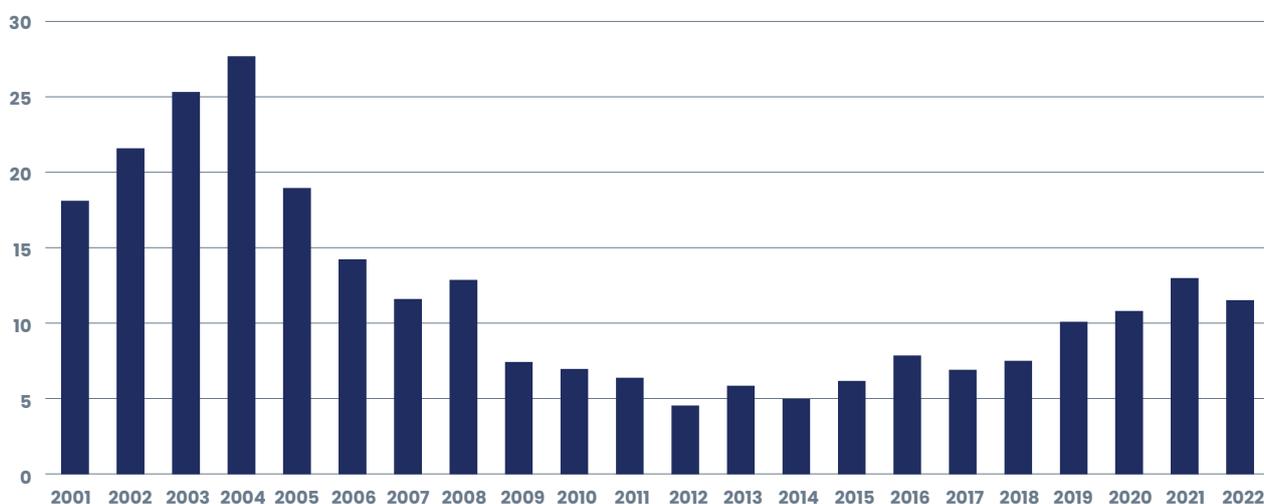
Now entering its third year, IPDD is a very active initiative, with 67 Investors from 19 countries representing over \$10 trillion in AUM. Although many investors are from the developed western countries, it is interesting that the coalition includes three investors from Brazil and two from Singapore. This should help prevent a ‘developed North vs emerging South’ dialogue. Both the Brazil and Indonesian working groups are continuing their engagement work. A third workstream has begun to target consumer countries.

Brazil: Throughout 2022, many discussions took place with members of government and regional governments, national agencies, the central bank, legislative representatives, and other stakeholders. It is also worth mentioning that, in May 2022, the IPDD co-chair participated in the National Carbon Market Congress in Rio de Janeiro.

With a presidential and legislative election taking place in 2022, the political agenda was a central issue, and the election of President Lula is an encouraging sign for the protection of the Amazon rainforest.

Deforestation slowed in the 12 months through July 2022, down 11% from the previous 12 months. Nevertheless, it was the second-highest level of deforestation in 13 years.

Deforestation rate in Brazil’s Legal Amazon (km2)



Source: IPDD, and http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates



Indonesia: The Indonesia working group has held numerous engagements with government officials, government agencies, a foreign embassy as well as various other stakeholders including the stock exchange, financial regulator, chamber of commerce, and NGOs. Four of the investor coalition members visited Jakarta, meeting with various government agencies as well as other stakeholders. This on-the-ground engagement led to the signing of a memorandum of understanding with the Indonesian Business Council and the Indonesian Stock Exchange IDX, as well as another memorandum with the Indonesian Chamber of Commerce KADIN. Discussions were centred around Green Financing.

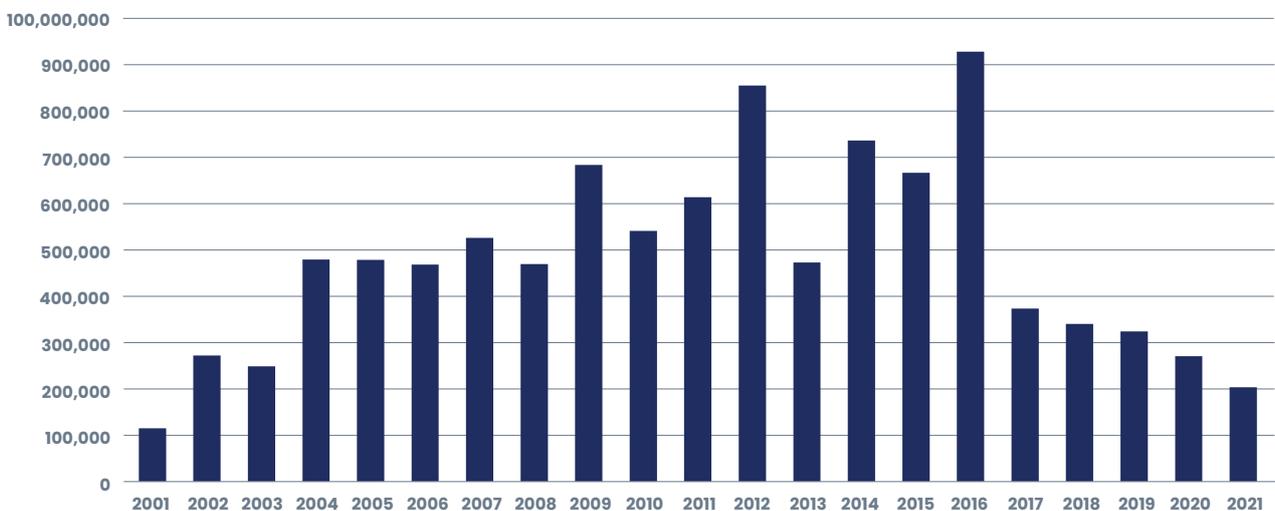
Despite the recent passing of the so-called “Omnibus law”, which IPDD member investors feared would endanger the Indonesian rainforest, the recent trend in deforestation remains positive.

We are also concerned by government plans to make the country a leader in sourcing of Electric Vehicle Batteries. Indonesia holds the world’s largest reserves of nickel. In some regions, nickel mining is already causing more deforestation than Palm Oil farming. *#Nickel is the new Palm Oil*

Consumer Countries: To complement the engagement campaigns with Brazil and Indonesia, a third workstream was launched in July 2022. The objective is to target the ‘demand side’ of deforestation – the most prevalent of these nations include the US, the UK, the EU, and China. The focus will be on deforestation-related regulation such as the recent December 2022 EU agreement to prevent companies from importing commodities linked with deforestation and forest degradation into the EU market, or exporting them from the EU.

The IPDD has published a comprehensive [report](#) of its work.

Primary Forest Loss in Indonesia (Ha)



Source: IPDD, and <https://www.globalforestwatch.org>

Investor Alliance Ranking Digital Rights.

Thematic	Human Rights	Influence Issuer Practice	Lead on 2 issuers	SG	
	Tech and Democracy				
	Tech and Data Privacy				
	Social License to operate				



PAI 10. Global Compact and OECD violation

Investor Signatories

Signatories and their representatives now number 176, representing over \$9.2 trillion in assets under management.

Ranking Universe

Now 26 companies are now included in the ranking: 12 Telecom Companies and 14 Internet Platforms.

The index is available at: <https://rankingdigitalrights.org/>

On the [telco](#) side, RDR's findings show that, year after year, telcos perpetuate the same digital rights harm, while facing far less scrutiny. And yet, despite being less visible than their 'Big Tech' counterparts, telcos wield far more power. This is especially true where telcos are government-owned, in part or whole, and where they operate in authoritarian or authoritarian-trending regimes. To develop a global internet that is more accessible, inclusive, and supportive of human rights, these companies must also be held accountable. Freedom of expression remains a serious weak spot for all telecoms, and yet they still fail to improve on transparency.

The step forward for 2022 was that for the first time, all 12 ranked telecom companies have published a general commitment to both freedom of expression and privacy in their operations. The majority of companies evaluated have also established Board-level oversight of these commitments and provided relevant training for staff.

Candriam is lead investor for engagement for two major European telecom operators.

Key findings in 2022

Ranking Digital Rights updated both their Internet Platform and their Telecom [indices](#) in 2022. None of the 14 internet platforms evaluated earned a passing grade. On a more positive note, 2022 marks the first time all 12 ranked telecom companies have published a general commitment to both freedom of expression and privacy in their operations.

While the overall average of scores for internet platforms ticked up slightly this year, such incremental progress is far from enough. The RDR Engagement had hoped for more, given the widespread recognition of how the governance and operations of these companies, and particularly their business models, are corrupting our information environments, compromising human rights, and undermining our democracies.



Companies are content to conduct business as usual when the state of the world demands anything but.

– Ranking Digital Rights, 2022 Big Tech Scorecard

Engagements on Plastic and on Microplastic Plastic Solutions Investor Alliance.

Thematic	Product / Service Quality Resource Depletion Raw materials & waste, Plastics Land use & biodiversity Product disposal and recycling	Influence Issuer Practice	Mix of Support	ES	
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PAI 7. Activities endangering biodiversity

PAI 8. Emissions to water

PAI 9. Hazardous waste ratio

PAI 11. Lack of Global Compact processes

Summary

This *Plastic Solutions Investor Alliance* initiative (PSIA), launched in 2018 by As You Sow, calls for a reduced use of plastics, improved collection and recycling channels, and for the development of sustainable alternatives to plastic packaging. Plastic remains essential to our society and, in some cases, irreplaceable. However, the unprecedented growth in the production and use of plastics, especially for single-use packaging, has led to excesses. Plastic production now accounts for 20% of oil consumption. Plastic pollution is now a threat not only to biodiversity, with hundreds of species endangered, but also to human health. For businesses, and especially consumer brands, plastic is fast becoming a reputational and regulatory risk that should compel them to rethink product packaging, with impacts at supply, production, and consumer-relationship levels.

In 2022, out of 11 resolution co-filed by PSIA:

- Four were withdrawn after reaching agreements -- specifically, the four companies above.
- Four gathered a substantial support ranging from 36% to 49% (Amazon.com Inc 48.9%, ExxonMobil Corp 36.5%, McDonald's Corp 41.9% and The Kroger Company 38.4%);
- One succeeded passed (Phillips66 with 50.4% of the vote);
- Two were either withdrawn (Restaurant Brands International Inc.) or blocked by company at SEC (Dow Inc.).

Achievements

Continued engagement with 16 food and beverages companies, plus three European based retailers.

Achievements in 2022 for decreasing single use packaging.

- **The Coca-Cola Company** agreed to increase use of refillable containers to 25% of total sales by 2030.
- **PepsiCo Inc** agreed to increase sales in refillable containers to 20% of all beverage servings it sells delivered.
- **Church & Dwight Co Inc** and **The Kraft Heinz Company** agreed to set new plastic packaging reduction goals.

Next Steps

Focus on European companies: *As You Sow* has an historical North American bias. But with what is currently happening on the French market, i.e. with the demand letters addressed to nine companies over their duty of care on excessive use of plastic, and companies being sued, Candriam intends, through *As You Sow*, to play an even more active role in the coming years.

Engagements on Plastic and on Microplastic Marine Microplastic Pollution Engagement.

Thematic	Resource Depletion Water consumption & emissions Land use & biodiversity	Influence Issuer Practice	Mix of Support	E	
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PAI 7. Activities endangering biodiversity

PAI 8. Emissions to water

Summary

The Marine Microplastic Pollution Engagement (MMPE) aims to push the manufacturers of domestic and commercial washing machines to fit all their products with filters to prevent plastic microfibres from entering the world’s marine ecosystems. Filter technology is currently available but is not systematically used across the industry.

Scientific evidence of the significant harm to marine biodiversity and ecosystems is emerging, as well as widespread public awareness and support for action in tackling plastic pollution in the marine environment. Synthetic fibres - a type of microplastic - make up 14% of global plastics production and generate synthetic microfibres through fragmentation and degradation. Microfibres constitute a significant fraction of microplastics accumulating in freshwater, marine, coastal, terrestrial, and Arctic ecosystems, where they pose risks to aquatic organisms and terrestrial biodiversity.

Microfibre filters on washing machines have been shown to be the most effective solution to reducing the flow of microfibres into the ocean. Only few companies are currently offering washing machines with a built-in internal filter. (For example, Koç Holdings’ Arçelik A.S. brand advertised the availability of such a machine in 2020.) Internal filters are commercially available, and research found an internal filter was the most effective, removing 78% of microfibres.

Achievements

In January 2023, Samsung, one of the target companies, announced a collaboration with clothing company Patagonia to develop a new machine with a microfibre filter. This is another positive development for us following Arçelik’s “Grundig Fibrecatcher” machine launched in late 2021. Samsung Electronics Co Ltd machines are the third most popular brand in France, where a new law will come into force in two years time which will prohibit sale of washing machines without a microplastic filter.

In 2022, Electrolux launched an external microplastic filter that works with its Electrolux, AEG and Zanussi washing machine brands.

Next Steps

The group will continue engaging with companies who have business interests in France relating to their plans for that market post January 2025. Candriam will request updates from the companies for which we are lead.

On the secondary objective of the engagement to influence policymakers to push legislation requiring that new machines have filter mechanisms, the UK “Microplastic Filters (Washing Machines) Bill 2021” is currently being given a second reading at the House of Commons.

Workforce Disclosure Initiative.

Thematic	Recruitment and Retention Equal Pay Diversity and Inclusion Fair remuneration, living wage Health and safety Pace & Hours of work	Encourage more information disclosure	Mix of Support	SG	
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PAI 10. Global Compact and OECD violation
PAI 12. Unadjusted gender pay gap

2022 Summary

- The initiative now counts 68 investors representing over \$10.5 trillion in AUM.
- We saw a small decrease in the number of issuers responding, for the first time since the survey was launched in year. In 2022, there were 167 responders, from 24 countries.
- The retention rate decreased from 85% to 81%, suggesting some form of responder fatigue.
- Financials and Consumer Discretionary are the best represented responders, Energy companies showed a growing interest in the survey and companies in the materials sector remained the worst responders.

Given that a large number of companies refuse to respond (the survey was sent to over 1000 issuers for 167 responses), and that the number of responders decreased in 2022, ShareAction performed a wide analysis to understand these shortcomings.

The main reasons cited for the decline in responses is *insufficient internal resources* to be able to take part, or the feeling from they company that it already publishes sufficient information on company website, in annual/sustainability report, etc.

This has led to an overhaul of the initiative. These are the main steps taken going forward:

- ShareAction/WDI will question companies at AGMs and publish a 'name and shame' list of non-responders.
- The required section of the survey will be shortened significantly.
- Performance scores will be given to companies that complete the full survey.



Candriam walks the walk.



Nadia Tortel
Global Head of Human
Resources, Candriam

Nadia why did you find it important to fill out the Workforce Disclosure Initiative survey?

Candriam has made a name for ourselves in the field of Responsible investments. But it is also important that we apply to ourselves what we would like to see from our investee companies. The WDI survey is important to our ESG research and much of the data is used in the analysis of our investments. So, when the Engagement Team asked us in 2022 if we were ready to fill out the survey, we were keen to accept the challenge.

Challenge? Was it that hard?

Well, yes. The survey does require a fair amount of work, and we had to coordinate the responses of our Corporate Social Responsibility, Risk, Procurement, ESG Research and Human Resource Departments in order to complete it.

What is the main advantages of filling out the survey for a firm like Candriam?

I see three very clear advantages.

- First, it helps us identify new indicators and areas where we can improve on reporting and disclosure.
- Secondly, it allows us to benchmark our human capital management performance and disclosure versus our peers in the asset management industry and address differences early on. It's a fact that WDI respondents tend to improve their performance when they start. We have already started on making improvements to some of our practices and policies covered by the WDI survey.
- Thirdly, it shows that Candriam leads by example, as we are one of only 167 global companies (and only a handful of asset managers) to have filled out the survey so far.

We hope to influence both our investee companies and our peers by walking the talk.

Collaborative engagement on Uyghur slave labour in the supply chain (coordinated by Investor Alliance for Human Rights).

Controversy	Human Rights	Influence Issuer Practice	Mix of Lead and Supportive	S	
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PAI 10. Global Compact and OECD violation

Summary

The 51 investors in the collaborative engagement group on the Xinjiang Uyghur Autonomous Region (XUAR) target companies involved in this human rights crisis. An estimated 1.8 million Uyghur, Turkic, and Muslim peoples have been subject to extrajudicial detention in internment camps, prisons, and factories. This human rights crisis in the XUAR is considered a wide-spread, government-sponsored system of forced labour, consisting of people in and from the Uyghur Region who have been made to work in factories across China as part of global supply chains, and mass surveillance of people in and from the Uyghur Region.

The UN Guiding Principles on Business and Human Rights forms the underpinning of this engagement. Global companies across multiple sectors have operations, investments, partnerships, and other business relationships in the Uyghur Region, as well as in other parts of China and across the world that are connected to the violations in the Uyghur Region. The group seeks to engage with at least 79 large international corporations which have been identified as potentially employing forced labour of Uyghurs somewhere within their supply chain.

Investors are asking these companies to fully map their supply chains to identify direct and indirect business relationships connected to the Uyghur Region, to demonstrate steps to disengage from suppliers connected with forced labour, and to publicly disclose efforts and progress on how they are working with affected rightsholders in determining remedies.

Achievements

In 2021, 61 companies were sent letters outlining investor expectations, 41 responded, leading to engagements. During 2022, the group extended the list of target issuers to those mentioned in [‘Driving Force – Automotive Supply Chains and Forced Labor in the Uyghur Region’](#), a new report on from Hallam Sheffield University. The group now targets 79 issuers.

Numerous countries have enacted legislation to prevent Uyghur forced labour, the most notable being the Uyghur Forced Labour Prevention Act in the US. Legislation has also been enacted in Australia, Japan and France.

Candriam is lead investor for engaging with a Chinese solar module manufacturer which was highlighted in the Hallam Sheffield report. There is potential presence of forced labour at this company both within their direct operations as well as in their supply chain, as some of their listed suppliers publicly support the Chinese governments ‘XUAR poverty alleviation programs’. These programs are criticised for harbouring some forms of forced labour. After discussions in 2021, we organised a call in May 2022 with the officer in charge of legal and compliance to gain insight into the company’s efforts to tackle the potential presence of forced labour.

Challenges

It is particularly difficult to obtain clear reporting and impact for this collaborative engagement, for several reasons. The coordinator is currently drafting the report on the 2022 activities of the full engagement group. It has been hard for the Investor Alliance on Human Rights to coordinate 59 investors with varying levels of motivation, resources, and experience and convince all of them to report on their engagement efforts in a consistent fashion. Further, because the subject is highly political, it is also difficult for investors and investee companies to be seen to be acting together on this issue which is so sensitive to such a top global economy.

Next Steps

- Continue monitoring the company’s efforts to mitigate forced labour risk within their own operations and supply chain.
- Provide the head of compliance with examples of best practice by early 2023.

Teleperformance SE.

Controversy	Staff Relations	Influence Issuer Practice	Active Support	SG	
	Labour rights, freedom of association				
	Worker's safety				
	Fair remuneration, Living Wage, Pace & Hours of work				



PAI 10. Global Compact and OECD violation

Context

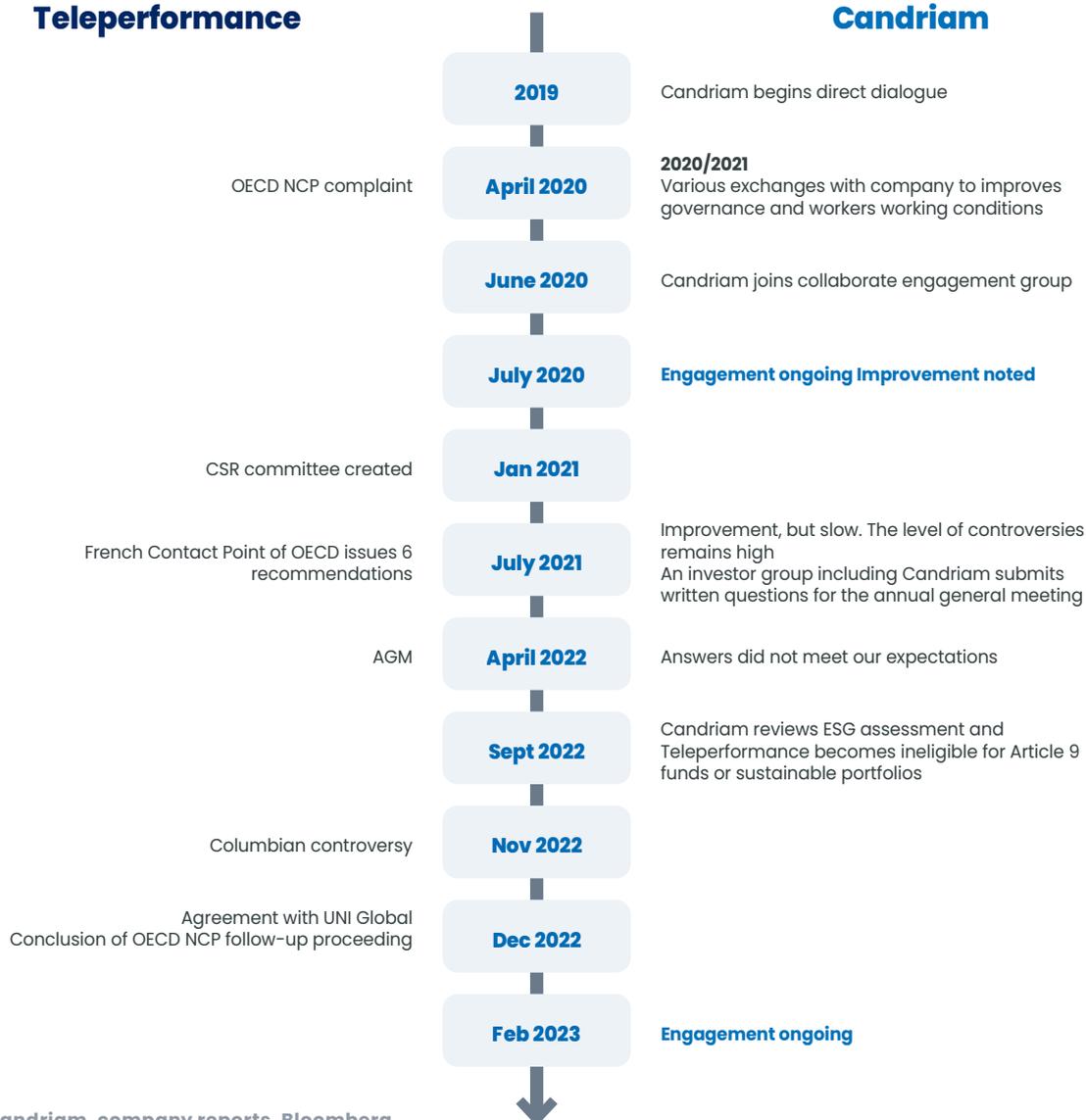
Candriam joined this collaborative initiative in 2020 as an escalation of a direct engagement struggling to achieve its goals.

Teleperformance is a global digitally-integrated services and customer call centre business, which has both won workforce awards and yet generated workforce controversy. In service

businesses, the quality of the employee is central to the quality of the product. It is also the main expense. At Teleperformance, we identified a risk, and we engaged with the company and external stakeholders such as global unions, both individually and collectively.

Teleperformance

Candriam



Source: Candriam, company reports, Bloomberg.

Our engagement work, along with our ESG analysis, continued throughout 2022.

We paid particular attention to the significant annual employee turnover, estimated to exceed 90%. While the company did not publish its voluntary turnover rate, in 2021 over three quarters of the workforce (301,673) left the company for reasons other than layoffs and transfers, which suggests a high number of employees that leave voluntarily. A high voluntary turnover rate raises questions on the effectiveness of the measures that a company puts in place to retain employees and ensure good working conditions. Even if common in this sector, there is a strong dichotomy between such a high turnover and Teleperformance turning towards more expert services committing to deliver high quality client experience. Capacity to retain employees after six months is of particular importance, because in the first six months Teleperformance actually invests considerable resources to train new employees, but the company has always refused to disclose publicly this KPI so far.

Impact

Considering these weaknesses, followed by the insufficient answers to our concerns at the April 2022 AGM, we performed a thorough review and update of our ESG analysis and in September, we removed Teleperformance from our ESG-eligible universe for Article 9 funds and sustainable portfolios.

During this process, starting from August 2022, new allegations about poor working conditions in the Colombia operations were published by the business media, including Forbes and Time magazines. In November, the Colombian Ministry of Labour announced that it had opened an investigation into Teleperformance.

Following the announcement by the Colombian government, in December 2022 Teleperformance signed an agreement with UNI Global Union, a global union federation for the services sectors, aimed at strengthening shared commitments to workers' rights to form trade unions and engage in collective bargaining. Also in December, the OECD NCP specific instance on Teleperformance's management of the Covid-19 epidemic was formally closed based on the company's estimated adequate response to its recommendations. While the level of controversy is still high, we see the recent developments as positive steps towards increased social dialogue: we are now waiting for tangible improvements in working conditions and overall human capital management, including better disclosure.

Next Steps

Throughout this multi-year engagement program, our ESG Research Analysts and investment teams worked hand-in-hand to understand and evaluate the progress and outlook for the company and its transparency. So far, we perceive the company's progress to be too slow while significant concerns remain. We continue to closely monitor developments at Teleperformance, to engage directly with the company, and to remain active within the collaborative investor group. The group will continue to focus on the progress of social dialogue at the company, notably on the implementation of the new agreement with unions, and on the effectiveness of TP's governance structures overseeing ESG risks. Individually, Candriam will closely monitor the changes and developments within the company's governance structure and any remaining concerns will be targeted through our vote at the upcoming general meetings as our active ownership requires. Based on the outcomes, our ESG opinion will be adapted if needed.

Vaccine Access & Remuneration.

Thematic	Non-financial Metrics in Executive Remuneration	Encourage More Info Disclosure	Mix of Support	SG	
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Initiated in 2022 by *Achmea Investment Management*, a large and diverse group of investors called on pharmaceutical companies to include vaccines, medicines, diagnostics and healthcare in their strategy plans and related remuneration policies. As stated in our common letter²⁷, alongside an assessment of traditional financial risks and opportunities, there is growing recognition among the investment community of the potential for environmental, social and governance (ESG) factors to impact financial performance. Given that the issue of access to medicine in developing countries presents significant business impacts for companies in the pharmaceutical sector, we have been seeking assurances from our investee companies that the management considers the risk and opportunities of the issue and has effective policies and processes in place to deal with the challenge. This is in line with the approach that Candriam adopts in our voting policy, that scorecards shall include material factors covering the challenges the company should meet including those in the financial, economic, social, environmental and technological spheres, to anticipate, prevent and manage risks which would otherwise weigh on the business.

During the first phase of engagement in the first half of 2022, several pharmaceutical companies were contacted, and the requests were made on that that integrate the [WHO goals](#) into their executive remuneration policies in a meaningful, material, measurable and transparent way. On the basis of our discussions and our research, we have learnt that, at present, compensation and nominations committees in the pharmaceutical sector broadly fail to integrate Access to Medicine considerations, targets, and metrics into remuneration and incentive plans.

The overall findings of the first engagement phase were:

- Compensation committees have limited experience with ESG topics in general.

- While companies may report on Access, it does not have a place in the company's governance practices, targets, and metrics.
- The metrics chosen by compensation committees to measure ESG performance and Access are insufficient.
- There are limitations on gathering externally verifiable data on Access, and limitations to ensuring external reporting on the topic.

At the end of 2022, a second letter was sent to the engaged companies as well as to a new group of issuers. During the engagement calls, companies are being provided with a set of guidelines for formulating clear KPIs for the Access to Medicine topic:

- There must be a clear link between actions taken and positive social impact. This applies to the (emerging) markets where the company operates and where Access to Medicine is most critical.
- The metrics should be clearly linked to the business strategy and, if possible, should link to existing business goals.
- The chosen goals and standards must be publicly reported and be verifiable.
- The chosen objectives and benchmarks must be sufficiently ambitious.
- Embedding Access to Medicines and Healthcare in the strategy should not lead to disproportionate expansion of compensation packages. That is, adding new ESG factors involved/covered should be *offset* by *reducing* the weight of existing compensation metrics.
- The remuneration and appointments committee should have sufficient knowledge and insight into the subject, for example by consulting experts and stakeholders.

The second phase is ongoing.

²⁷ <https://news.achmea.nl/download/1125576/letterexecutiveremunerationpharma-4-1-2022-def.pdf>

ShareAction Investor Letter to Global Banks on Climate Change and biodiversity.

Thematic	Climate Change NZ GHG Emission by 2050 (or sooner) Ambition LT targets ST/MT targets Governance & Disclosure Resource Depletion	Influence Issuer Practice	Mix of Support	E	
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- PAI 1. GHG emissions
- PAI 2. Carbon footprint
- PAI 3. Issuer GHG Intensity
- PAI 4. Exposure to fossil fuel sector

- PAI 5. High non renewable energy
- PAI 6. Energy intensity per impact sector
- PAI 7. Activities endangering biodiversity
- PAI 8. Emissions to water

Summary

Major international banks with a significant geographical footprint are exposed to a range of climate and nature-related risks, including physical and transition risks that could have a significant impact on the value of the bank’s assets and liabilities. Systemic banks are in a powerful position to drive the low-carbon transition and to address the worst consequences of climate change and biodiversity loss. In 2021, ShareAction coordinated a letter to more than 45 global banks promoting this approach.

Achievements

After continued engagement from ShareAction and the group of investors throughout 2022:

HSBC Holdings plc announced in December 2022 that it will no longer finance new oil & gas fields. As the UK’s largest bank and one of the world’s biggest financers of fossil fuels, this is a significant move. HSBC’s pledge sends a strong signal that European banks are losing their appetite for new oil & gas fields.

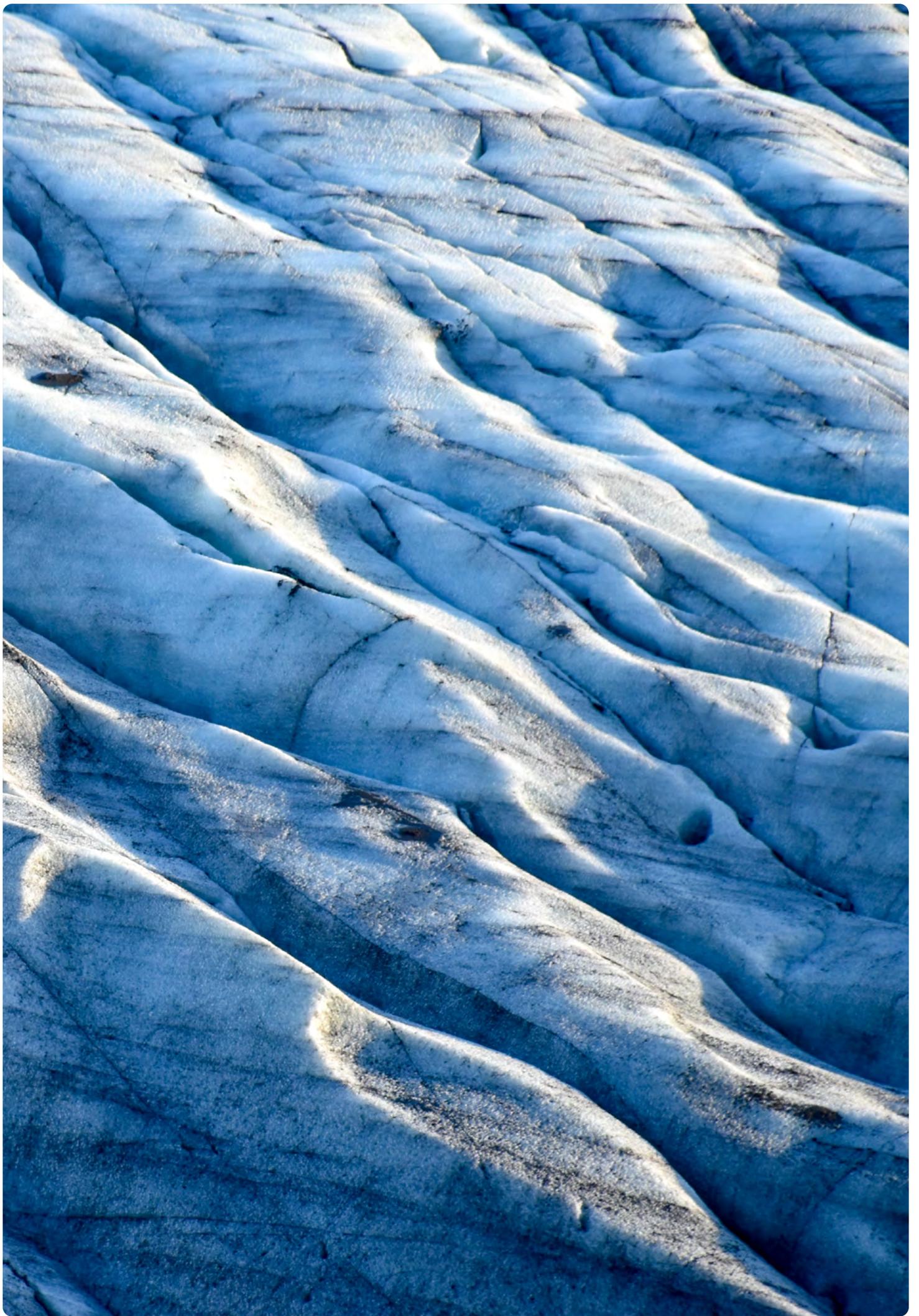
Next Steps

The group will leverage the new commitments by HSBC to persuade other targeted banks to align, and to encourage further steps. Even HSBC new policy should not be viewed as complete. The bank pledged to stop only one type of financing, which does not embed all the other types of financing that might fund oil & gas expansion plans.

In Early 2023 we wrote letters to encourage five major European banks to update and strengthen their climate and biodiversity strategies

Through this engagement, we will continue to engage with the targeted banks to encourage them to improve their climate and biodiversity policies, and to eventually align their banking practices with a Net Zero world by 2050.

See more about ShareAction’s next steps to build on the HSBC announcements [here](#).



Promoting Sustainable Development.

Industry Associations & Responsible Investment Working Groups

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

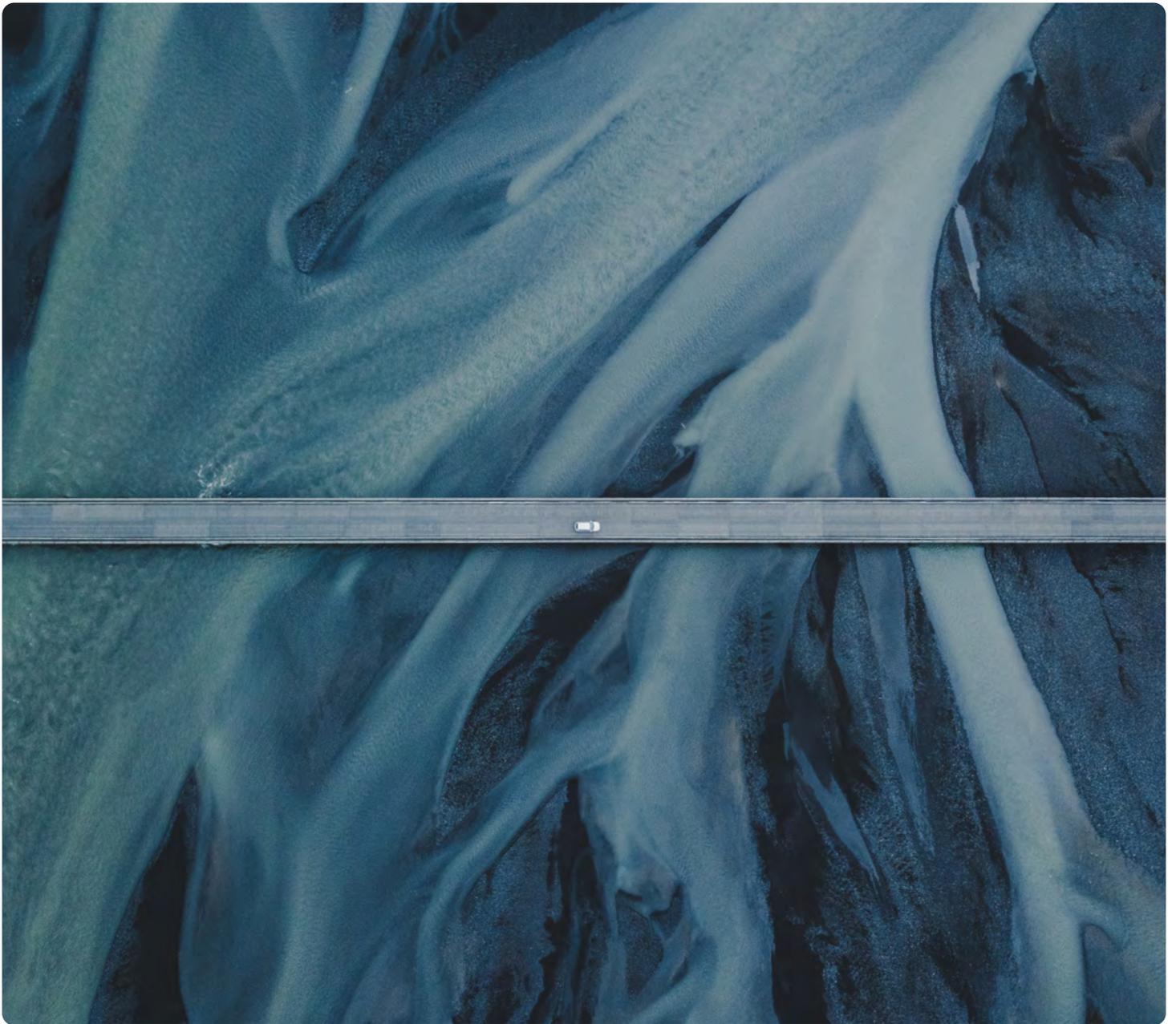
Regarding how Candriam engages with policymakers, including:

- Related governance processes in place ,
- How we ensure alignment with our position on sustainable finance,
- Candriam policy engagement activities or those conducted on our behalf,

All related information will be made available in our 2021 CSR report.

For more information on our guiding Principles on ESG

Promotion and influence, you can refer to the CSR report section on our [Publications webpage](#).



€139B

**AUM at end
December 2022***



600

**Experienced and
committed professionals**



+25 years

**Leading the way in
sustainable investing**

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



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