

2023 Mid-year Voting Report



JULY 2023

Mid-year **Contents.** Voting Report



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Introduction: Jumping through hoops.

While for the most part, the 2023 proxy season unfolded as expected, we did witness a few surprises.

We had expected to see an increased use of the tools of active ownership, anticipating more voices to be raised on fundamental issues. The surprise was the *limitations* on the ability of shareholders to co-file ESG resolutions, and on the ability of owners to oppose managements and/or open debates on strategic issues. While institutional shareholders commonly use now co-filings or AGM (Annual General Meeting) questions to further underscore their expectations, regulation continues to make these avenues cumbersome, and regulation lags the expectations of shareholders to exercise their rights.

The number of anti-ESG conversations at AGMs has risen as predicted, with social topics attracting the most interest from anti-ESG groups.

Other voices are being raised.. Human capital-related issues continued to be raised by investors, both through engagement and voting. *How much are the executives paid at companies undertaking high-profile layoffs? And with or without layoffs, Are executive and workforce remuneration aligned?* Investor expectations echo the challenges of talent recruitment and retention and employee engagement faced by many companies. Talent retention and employee engagement are widely-used metrics for during a labour shortage, and should be incorporated in executive remuneration.

Overall, the 2023 voting season demonstrated that the discussion on ESG and its relevance to the business remains centre stage.

† For further understanding of the use of non-financial metrics in executive remuneration, please refer to The State of pay: [ESG metrics in executive remuneration](#)

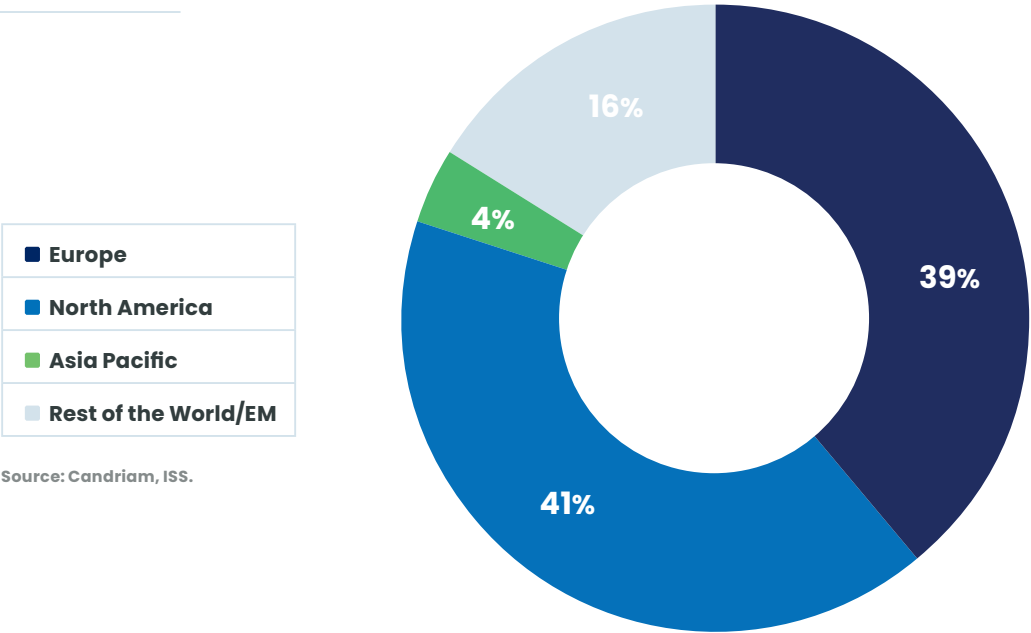


2023 voting so far: This season in numbers.

In the first half of 2023^[1], we voted on 1,305 meetings^[2] (vs 1,236 meetings voted between 1 January and 15 June in 2022, and 1,939 for the full year 2022.)

Figure 1:
Regional breakdown of 2023 votes through 15 June

Geographical Distribution of Meetings Voted



Source: Candriam, ISS.

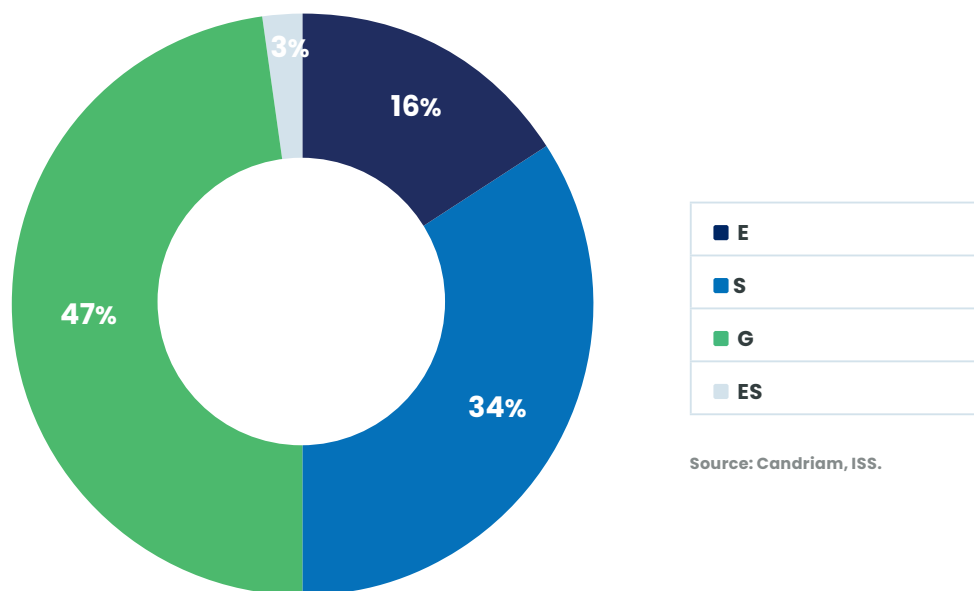
Environmental, Social, and Governance topics remain at the centre of the general meeting discussions. Beyond the traditional topics, the growing number of shareholder proposals on the agendas confirms that shareholders are increasingly active voters, communicating their expectations to the managements of their companies, and ESG concerns continue to influence the votes of many owners.

Shareholder Resolutions on the Rise

Overall, we voted on 579 shareholder proposals (vs 634 proposals voted during the first half of 2022) An increasing proportion of shareholder proposals related to Environmental and Social topics, rising to 52% of the shareholder proposals

in the first half of 2023 versus 41% for the full year of 2022. This trend was actually reflected in our **2023 Candriam proxy voting policy**, better detailing our approach towards these environmental and social resolutions.

Figure 2:
Topical breakdown of 2023 votes through 15 June



Source: Candriam, ISS.

Regulatory changes in 2022 are making the no-action process² more difficult for companies. That is, while we bemoan the slow pace of regulatory improvement for shareholder participation in the management of the companies they own, there are some positive changes. Climate change and environmental management remain the main topics put forward by shareholders in 2023 under the Environmental pillar. The Social topic highlights were resolutions related to diversity & inclusion in the workplace, human rights and tax transparency. Since the 2022 ruling by the US Supreme Court upending reproductive rights in that country, related resolutions are on the rise – during 2023, filers

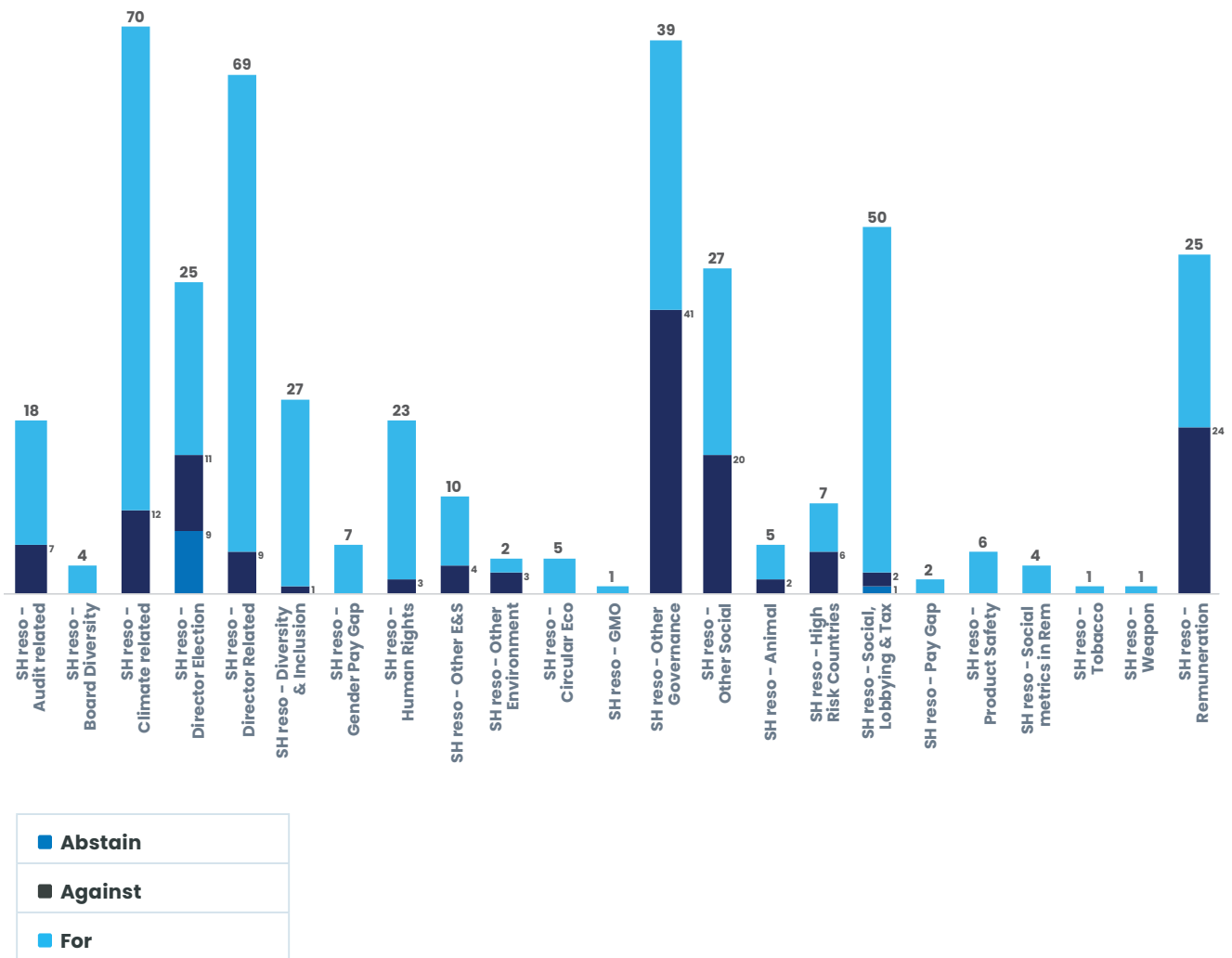
sought to define the cooperation of companies in their cooperation with law enforcement agencies in states which ban abortion.

Resolutions on Governance were led by requests for Boards to take related actions to achieve better outcomes under their E and S pillars. Board diversity proposals (disclosure of skills matrices), requests for sustainability reports and the inclusion of ESG metrics in executive remuneration were the main highlights.

² No-action requests are mechanisms through which companies notify the SEC of their intention to avoid a shareholder resolution at their annual general meetings.

Figure 3:
Shareholder resolutions

Main areas of concern, and Candriam votes year to date



Source: Candriam, ISS.

Despite the increased number of shareholder-sponsored proposals submitted in 2023, overall support continued its downward trend. The first reason behind this decline is due to the prescriptive nature of some shareholder proposals because of the new approach to no-action requests. Also, in the difficult economic and geopolitical context, these dissenting investors fear adding too much burden to

company managements – and some of those investors feel Environmental and Social issues are expendable or can wait for better times. In the meantime, the sophistication of ESG continues to increase as shareholders increasingly evaluate the specifics requested in shareholder proposals relative to the ESG progress and reporting of individual companies. These dialogues are reflected in voting practices.

Just Say No campaign: Anti-ESG shareholder proposals from shareholders

The increasing number of shareholder proposals on Social and Environmental topics shows the desire of many shareholders for their companies to secure long-term value for all stakeholders and to improve business practices. However, this view is not shared by all investors. Anti-ESG groups now aim to hindering the efforts of pro-ESG groups, using the same proxy voting tools. We see mainly two motivations behind their proposals, to date seen mostly at North American companies :

- Opposing existing and proposed ESG initiatives at companies, or
- Submitting a pro-ESG proposal in appearance to intentionally generate low support so that a similar proposal can not be submitted by a pro-ESG group this year or in the future³.

The latter motive is harder to identify, as both proposals use similar language in resolved clauses that may appear to support sustainability objectives while the remaining parts may include clues suggesting that the goal of the proposal is actually counter to the E and S initiative(s) in the subject.

The main focus for anti-ESG groups has been racial and ethnic diversity on Boards, accompanied by politicized supporting statements arguing that the company Diversity, Equity, and Inclusion programs discriminate against a group of people at the company.

³ [Shareholder Proposals §240.14a-8 \(sec.gov\)](#)



Apple Inc, Item 5 (AGM on 10 March 2023): Civil Rights and Non-Discrimination Audit Proposal

“Resolved: Shareholders of Apple Inc. (“the Company”) request that the Board of Directors commission an audit analysing the Company’s impacts on civil rights and non-discrimination, and the impacts of those issues on the Company’s business. The audit may, at the Board’s discretion, be conducted by an independent and unbiased third party with input from civil rights organizations, public-interest litigation groups, employees and other stakeholders – of a wide spectrum of viewpoints and perspectives. A report on the audit, prepared at a reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on the Company’s website.

“Supporting Statement: Tremendous public attention has focused recently on workplace and employment practices. All agree that employee success should be fostered and that no employee should face discrimination, but there is much disagreement about what non-discrimination means. ...

...In developing the audit and report, the Company should consult civil-rights and public-interest law groups – but *it must not compound error with bias by relying only on left-leaning organizations.* [emphasis added] Rather, it must consult groups across the spectrum of viewpoints.

Candriam vote & rationale: A vote AGAINST this resolution is warranted as the company has adequate disclosures related to its DEI initiatives and commitments, and it has already committed to conducting a civil rights audit.

While this year’s anti-ESG focus was mainly on Social topics, Environmental topics have also received their share, such as pro-Oil & Gas proposals.

An example is the proposal submitted by InvestNow, a not-for-profit that challenges the divestment movement and advocates for investment in Canada’s oil and gas sector.



This year, InvestNow targeted five top Canadian Banks, asking the banks to clarify their commitment to continue to invest in, and finance, the Canadian Oil & Gas sector, and to conduct a review of their policies to ensure that none have the effect of encouraging divestment from the sector.

Canadian Imperial Bank of Commerce, Item 6 (AGM on 4 April 2023): “Invest in and Finance the Canadian Oil & Gas Sector”

The main arguments used in the supporting statements were:

- The risk of rising energy costs in the context of a cost-of-living crisis with escalating inflation
- The Oil & Gas sector is a major employer and contributor to Canada’s GDP;

- The largest companies within the Oil & Gas industry contribute to the economy through billions in taxes and royalties.

The proposed resolutions to **RBC & Bank of Nova Scotia** AGM did not proceed to the company agendas due to technicalities, whereas three others were included on the agendas but did not succeed

- **Canadian Imperial Bank of Commerce:** 0.9% support, *failed*
- **The Toronto-Dominion Bank:** 1.0% support, *failed*
- **Bank of Montreal:** 1.3% support, *failed*

The question of how investors easily detect the motives of such proposals is not fully clear. Researching the track record of the filer and analysing not only the resolved clause, but also the supporting statement, could be helpful. Seeing that backlash from anti-ESG groups is indeed disappointing to a sustainable investor, but that the low level of support received by such actions from investors and companies is still a promising sign. Given the rise of the “anti-woke” movement in North America, combined with confirmation from some anti-ESG proposals filers that they will continue their campaigns next year, this is a trend which Candriam will follow closely.

An interesting argument brought by investors is that this is an opportunity to communicate their message on ESG integration. These investors believe that the criticism by anti-ESG groups could bring more clarity and transparency to the ESG dialogue, and refine the discussion on the materiality of Environmental and Social factors for each company individually. Without being clear about what would be the final impact of such proposals, it does appear that these proposals have helped investors to prioritize the thorough analysis of shareholder proposals included on the AGM agendas. However, with the question of the investors’ ability to identify such proposals and cast an informed vote still unanswered, it might still be difficult to use such proposals to bring awareness about the ESG discussion. There is more work to be done on this topic.

Tax transparency

Shareholder proposals requesting tax transparency emerged in the context of increased global disparities, while inflation is widening existing social inequalities. This question of value sharing has reinforced the demand for improved tax transparency and fairness.

This type of proposal has flourished in the US as the 2023 voting season progressed. In April 2022, the US Securities and Exchange Commission set a precedent by supporting a shareholder tax transparency resolution at Amazon.com, Inc., stating that the proposal to disclose country-by-country tax reports "*transcends ordinary business matters*".

Candriam supported shareholder proposals asking for country-by-country tax reports, as we believe this transparency helps us to determine whether our investee companies pay their fair amount of tax and to assess whether they are involved in over-aggressive tax planning.

Furthermore, contrary to the opposing argument raised by companies, we believe that reporting on tax practices and providing stakeholders with more granularity on the company's tax strategies should not be seen as a competitive disadvantage. We see among companies reporting in line with the Global Reporting Initiative Tax Standard that their transparency reinforced their credibility and trust with stakeholders⁴. Consequently, we supported the filed proposals at four companies, ConocoPhillips, Exxon Mobil Corp. Amazon.com, Inc and Brookfield Corp.

Biodiversity

Until recently, Biodiversity and Nature topics have been quite absent from company general meeting agendas. Between 2018 and 2022, Planet Tracker found only 15 biodiversity-related resolutions, compared, for example, to 174 resolutions calling for climate change reports⁵.

During the last two seasons, Candriam has had the opportunity to vote on 21 biodiversity-related shareholder resolutions, and we supported 20 of those.

Following the 2022 agreement of 188 countries at COP15 United Nations Convention on Biological Diversity in Montréal to establish a Global Biodiversity Framework (GBF)⁶, and the 2022 political agreement of the European Council and the European Parliament to ban the sale of products linked to deforestation within the EU⁷, we expect Biodiversity to become an important topic in the coming years. We expect Biodiversity will gain the attention of both investors and issuers, and likely generate increasing numbers of shareholder resolutions.

Say-on-Biodiversity? -- Recently, the Biodiversity plans entered the agendas alongside Say-on-Climate resolutions at two meetings, the Icade SA AGM in 2022, and the Nexity SA AGM in 2023. Both proposals carried the same wording "Approve Company's Climate and Biodiversity Transition Plan."

Aware that observers consider the Asset Management industry's "response to the biodiversity crisis remains considerably weaker than their responses to climate change"⁸, Biodiversity⁹, is one of the topics we introduced in our [2023 Voting Policy](#).

⁴ <https://www.newmont.com/investors/news-release/news-details/2022/Newmont-Publishes-Inaugural-Taxes-and-Royalties-Contribution-Report/default.aspx>

⁵ [Biodiversity proposals - a rare species - Planet Tracker \(planet-tracker.org\)](#):

⁶ [COP15: Nations Adopt Four Goals, 23 Targets for 2030 In Landmark UN Biodiversity Agreement | Convention on Biological Diversity \(cbd.int\)](#)

⁷ [Law to fight global deforestation and forest degradation \(europa.eu\)](#)

⁸ ShareAction, Point of No Returns 2023, Part IV: Climate and Biodiversity

⁹ ShareAction, Point of No Returns 2023, Part IV: Climate and Biodiversity: [Point-of-No>Returns-2023-General-Findings_2023-03-01-115320_htgw.pdf \(assets-servd.host\)](#)

Figure 4:

Biodiversity and Nature voting examples

Company Name	Meeting Date	Proposal Number	Proposal Text	Candriam Rationale
The Home Depot	May 19, 2022	9	Report on Efforts to Eliminate Deforestation in Supply Chain	A vote FOR this resolution is warranted, as shareholders would benefit from additional information on the company's strategy to manage its supply chain's impact on deforestation.
Kraft Heinz	May 5, 2023	5	Report on Supply Chain Water Risk Exposure	A vote FOR this resolution is warranted. Shareholders would benefit from the requested report as it would provide additional information on the company's water supply and conservation practices, particularly in its supply chains, thereby accounting for water risk throughout the entire value chain. Furthermore, the disclosure would allow the company to better manage water-related risks and align company commitment to long-term shareholder value.

Source: Candriam.



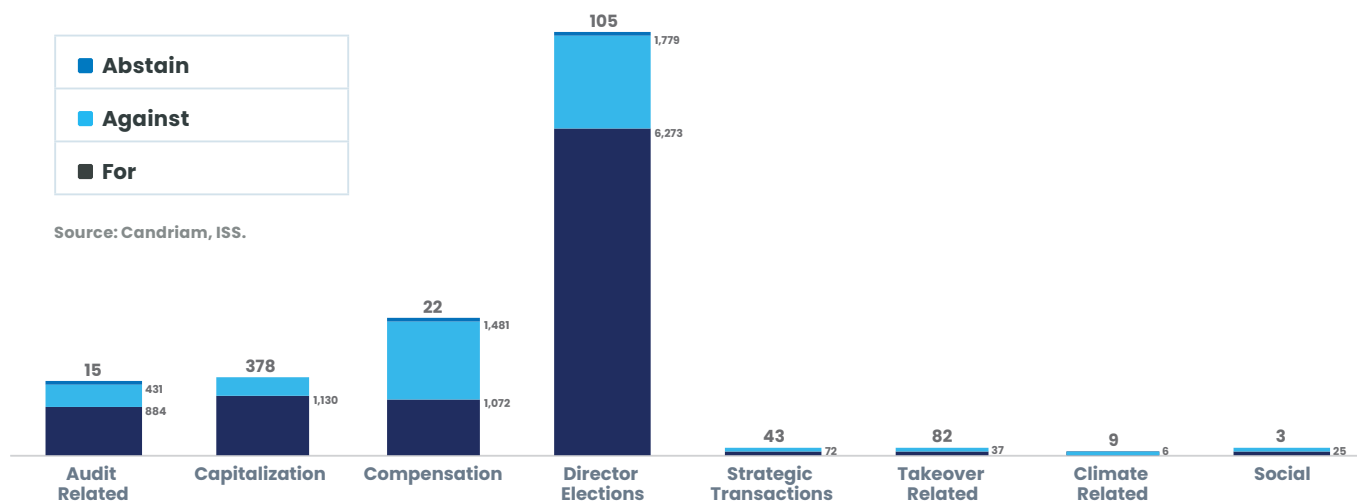
Management resolutions: Declining support

Again in 2023, E and S topics and questions are being brought to annual meetings not only through shareholder resolutions but also through management resolutions. In line with the general trend observed among investors, Candriam does not wait for a shareholder proposal to signal our ESG-related concerns. Director accountability for ESG performance, auditing practices and remuneration that are not linked to the overall business performance were the main proposals targeted in 2023.

Of course, there are many other types of proposals made by managements. Taking all concerns together, the below graph summarizes Candriam’s votes on management proposals in 2023 to date.

Figure 5:
Management resolutions

Main areas of concern, and Candriam votes year to date



Among the common, and growing, concerns prompting votes against management on say-on-pay proposals, was the specifics of including ESG metrics in executive remuneration. Special attention has been given to the non-financial metrics included in the variable pay plans. We particularly scrutinize the materiality, relevance, robustness and weight of ESG and non-financial indicators in the plans.

We continue to analyse CEO pay ratios for the alignment of executive compensation with that of the general workforce. In 2023, we voted against five remuneration-related proposals due to the lack of a clear CEO pay ratio methodology. We believe that the well-being of the company's human capital – its future ability to generate profits – as well as the company's business performance – should be considered in executive compensation. CEO pay ratio is the main tool we use to assess whether executive pay contributes to the general trend of rising inequality.

Non-financial metrics in compensation –

Candriam did not support Item 9 at Danone's AGM as none of the non-financial metrics reflects the company's plastic management, an issue recently taken to the courts by an NGO. As this is one of the key sustainability challenges that the company faces, the CEO's remuneration should in part reflect the progress of the company in decreasing plastic pollution.

We do acknowledge that the company has integrated new criteria on Health, Nature, and Employee Engagement and that their achievement levels are incorporated into compensation. We also welcome the inclusion of a new environmental metric, the reduction of greenhouse gas emissions

across the entire value chain (Scopes 1, 2, and 3) to complement the company's own GHG emission reduction progress. However, we raised some concern about the alignment of the targets in the long-term incentive plan and the non-disclosed targets for short-term incentive pay. One might argue that the executives may be rewarded annually for their yearly targets for GHG emissions reductions yet the long-term target for this metric might still not be achieved at the end of the cycle. As such, more granular disclosure should be provided to enable shareholders to assess whether the targets for STI and LTI are aligned and are sufficiently challenging.

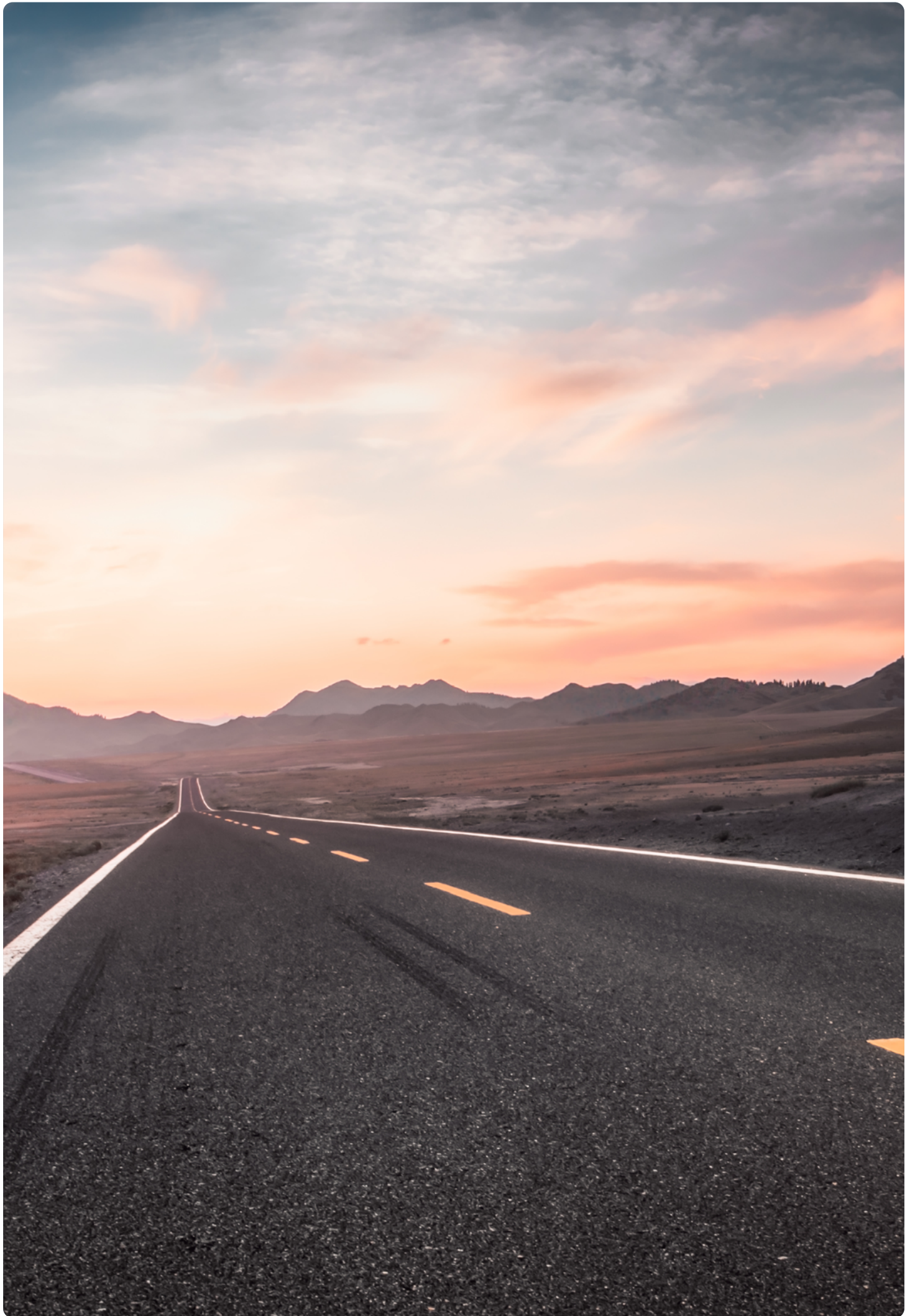


Implementing the active ownership tools available to shareholders is not always easy or smooth. The complexity of filing a shareholder resolution, and the differences among jurisdictions, create an extra burden for shareholders who wish to add material issues to the meeting agendas. This year, Candriam's filing attempt at Stellantis NV fell short of the required ownership threshold¹⁰. Another example was the co-filing process for the Engie SA meeting, which required investors to complete lengthy paperwork to add a proposal to the agenda. Despite high support from shareholders (24.4%), the difficulties in the filing process underscored the need for a more harmonized approach at the European level, discussed later.

Difficulties in filing shareholder proposals were not the only challenges faced by active investors in 2023. Due to the legal requirements of submitting and voting on counterproposal in Germany and the limitations to voting on the counterproposals through voting platforms, Candriam, among other investors, could not vote on the counterproposals at the AGM of Brenntag SE. Some operational delays were observed in obtaining attendance cards, along with the grouping of multiple mandates under one card. Such limitations, as well as 'share-blocking'¹¹ general meetings prevented shareholders - the owners of the company - from effectively voicing their opinion through their voting.

¹⁰ In the Netherlands: 3 percent of the issued capital - In the UK: At least 5% of the total voting rights of eligible members, or at least 100 members
In France: 4% of the share capital for the portion below EUR€750,000 & 2.5% of the share capital for the portion between EUR€750,000 and EUR€7.5m & 1% of the share capital for the portion between EUR€7.5m and EUR€15m; and 0.5% for the portion of the share capital above EUR€15m.

¹¹ Share-blocking refers to types of requirements that investors may not dispose of their shares for a period of time around the AGM, if they wish to vote. As active managers may wish to retain their rights to sell at any time, this may discourage voting.



Is climate awareness increasing?

Dedicating a full section of the voting report to climate voting had become the new normal, especially for the management-sponsored climate-related resolution (also known as Say-on-Climate, or SOC).

It had also become a habit in recent years to remark that the SOC dynamic is increasing.

But 2023 shows a reversal to this trend. At this mid-year point in 2020, we had voted on one SOC (Aena). By mid-year 2021, the count was 15. Last year, 2022, we had voted on 29 SOC votes by mid-year. So far in 2023, and on a comparable voting scope, Candriam has encountered only 16 SOC proposals.

Strikingly, most of the companies which put their climate transition strategic plans up for shareholder approval in 2022 are not seeking approval of their progress report this year.

The community of responsible investors advocates¹² for an annual vote on progress, and a vote on the overall climate strategy every three years.

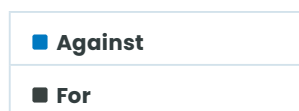
While we see a declining number of management-sponsored SOC proposals, we also note that the relative share of progress-related proposals versus strategic plan proposals has reversed. Whereas Progress Reports represented only 23% of the SOC issues voted last year, progress represents 44% of the SOC voting decisions put to Candriam so far in 2023.

Interestingly, there is a clear difference in our approval rate of proposed plants, and our approval – or lack thereof – of the follow-up reports.

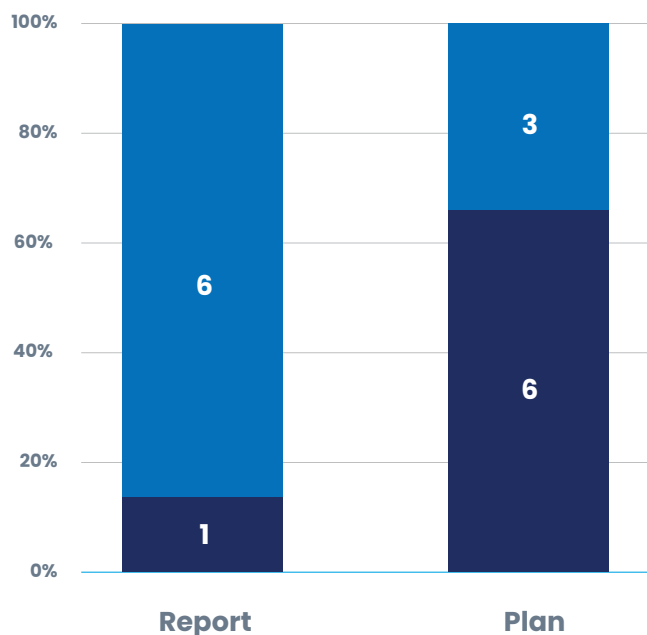
Figure 6:

Plans are approved, results are not

Candriam SOC – Vote comparison between Report & Plan



Source: Candriam, ISS.



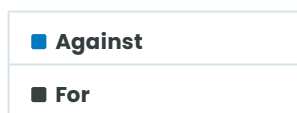
¹² FIR – Note Say on Climate & dépôt de résolution – 021222 (frenchsif.org).

France is at the forefront of the SOC trend. France represented 50% of Candriam’s opportunities to vote on SOC (9 out of 23 SOC globally, making France the leading market by number of SOC so far in 2023¹³). The quantity is supported, in our analysis, by quality from French companies. France received 57% (4 out of 7) of our votes supporting Say-on-Climate so far this year.

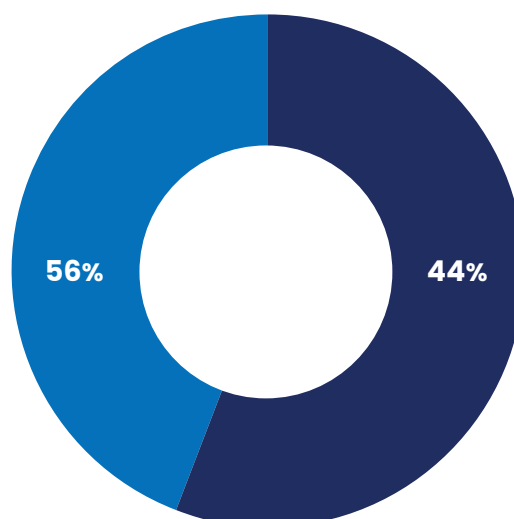
Candriam has supported 44% of management-sponsored SOC proposals so far in 2023, up from only 17% positive votes last year at this time. The industry average support is 89.2% so far, compared to 86.9% in 2022.

Figure 7:

Say-on-Climate Vote breakdown



Source: Candriam, ISS.



Indeed, high-impact sectors for which climate is material, did not apply to shareholders for climate plan approvals this year. The energy sector, with six SOC proposed in 2022, has offered only two SOC so far this year, one of which was a report (TotalEnergies SE, Candriam voted Against¹⁴). The other was a strategic climate plan from Shell Plc (Candriam voted Against)¹⁵.

The utilities sector was also less active, with six SOC last year, but only three so far this year. Financial companies proposed eight SOC last year, but only four this year, of which two were resolutions for approving this year’s report, after having put their energy transition plans to shareholder vote in 2022.

¹³ Source: French SIF, [Bilan Say on Climate 2023 - FIR ADEME \(frenchsif.org\)](https://www.frenchsif.org/)

¹⁴ Main drivers to our decision:

- The company still plans a growth of production of hydrocarbons by developing oil and relying heavily on gas, still a fossil product, in contradiction with IPCC and IEA Paris aligned trajectory.
- There is a lack of rigor of the plan, notably with regards to the 2030 worldwide objective related to Scope 3 emissions.
- The absolute Scope 3 emissions reduction target (30 percent) and the absolute scope 1,2 and 3 emissions reduction target (30 percent) by 2030 both for Europe that were announced in the climate strategy in 2021 have been removed without any rationale.
- The reliance on offset technology instead of emissions reduction levers.
- The company’s capex plans are not clear enough when it comes to the growth of its gas business, which represents the largest strategic driver on the short and mid-term. The company’s capex plan are not aligned with a science-based Paris aligned trajectory, with still the vast majority of capex budget being invested in oil and gas related activities up until 2030. While TE states its ambitions to become net zero by 2050, the company fails to demonstrate to what extent its climate plan is aligned with the IEA 1.5°C scenario.

¹⁵ Details over our votes and voting rationales are available under [Sustainability Overview | Candriam](#)

Active ownership.

Pre-AGM engagement is highly valued at Candriam, as the discussions with investee companies give us a chance to describe our voting approach and expectations on corporate governance practices, and to hear from investee companies and understand the challenges they may face. Company explanations of how they are addressing their challenges may mitigate our criticisms.

Over the years we have found that these conversations brought considerable advantages in our analysis of our votes and voting approach at European companies. This year, we extended our pre-AGM engagement efforts to North American and Emerging companies. In 2023, our pre-AGM voting analysis included exchanges with European, Asian (including South Korean), Brazilian, and US companies.

This year we contacted 35 companies ahead of their meeting with a response rate of 54.3%. In addition to those engagements we initiated, 14 investee companies reached out to us to organize a discussion on their ESG practices ahead of their meetings

In the USA, the majority of the companies reached out were biotech companies which showed a high level of responsiveness and willingness to engage. Discussions with those companies were very insightful as this sector has a very peculiar business model that differs in corporate governance practices from companies with a long history. Moreover, we positively note the responsiveness of companies in emerging countries. Our exchanges will be reflected in some changes we plan for the update of our voting policy.

All pre-AGM engagements are mainly focused on board composition and remuneration, but also capital structure and protection of shareholder rights. We consider that pre-AGM dialogues with companies are great opportunities to exchange different perceptions with investee companies and they allow us to explain our governance approach as well as to gather insights from companies which would potentially waive/mitigate our concerns. In the absence of a compelling rationale from companies for their weak

governance practices, we signal our concerns through our votes on their general meeting agenda. As in previous years, the conversations held with companies during the pre-AGM season have driven our votes during the 2023 AGM season.

For the first time this year, we have also more systematically redeclared both via a Candriam pre-declaration webpage and also via the UNPRI Voting dedicated webpage: it is a way to escalate our concerns before the effective voting date as well as to communicate the improvements we observed over the course of the engagement. As also explained in our policy, pre-declaration of voting intentions can be considered either as an escalation measure or when pre-declaration may answer to stakeholders' demand for improved transparency or serve an engagement objective.

In 2023, Candriam's voting intentions on several items at 13 meetings have been published on our [website](#) with accompanying rationale. These include both pre-declaring as an escalation measure (eg, BFF Bank SpA), or as an acknowledgement to company management and the investment community that we support the efforts of the company (eg, SAP SE).

Filing resolutions and/or asking questions at AGMs are standard tools of the responsible investors. We usually employ these actions to escalate an unfruitful engagement, or when we think it will serve our investment strategies and the values we stand for.

Figure 8:

Escalations, first half 2023

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

Source: Candriam.



Conclusion: Food for thought.

Is **resilience** a prerequisite for ESG success?

When the ESG acronym entered our vocabulary almost 20 years ago, Governance was already a mainstream investment topic. In recent years a consensus has developed among investors that companies must also manage risks arising from Environmental and Social issues. A large part of the investment community agrees that the ESG strategies and the financial performance of companies are intertwined, if not interdependent. Active and carefully considered voting can help hold companies accountable for their actions in their sustainability journey, especially when accompanied and reinforced by engagement on specific topics.

Companies establish strategies and objectives, including ESG strategies, with intentions and expectations that they will be achieved over a definable period – and under the circumstances forecast at the time. The challenges of recent years, such as the Covid-19 pandemic, the energy crisis, the invasion of Ukraine, and global shortages of certain products remind us that projections are not certainties.

This leads us to a new question:

How prepared and flexible are companies for potential future shocks?

And perhaps to a new metric:

Resilience.

ESG analysis examines how a company addresses and/or prepares for today's and tomorrow's (foreseen) challenges. Analysis should also include how businesses recover, stabilize and adapt their functioning in the face of external and/or internal shocks. Are we now in an environment where challenges, include Environmental and Social challenges, are multiplying? Given our collective failure to predict some of the world's recent problems, do measurements of ESG factors consider *tomorrow's* challenges and how businesses will respond to them.

When risks stemming from severe ESG controversies arise, it is considered a failure by the Board if the management fails to guard against and manage these material risks. However, it is easier for the Board to fail to see the link, when the company's resilience continues to be challenged by external factors that are beyond the control of Directors. One of our main observations during this voting season is that the scope of the Board's responsibility also includes ensuring management's preparation and flexibility to respond to surprises. The voting approaches of investors may come to be shaped by the abilities of Directors to see around corners.

The need for resilience suggests that investor emphasis on the three pillars of ESG is here to stay. And again, this 2023 season showed us that the **E** and **S** pillars cannot support the structure without sound **Governance**. Governance remains the key element we employ in trying to achieve sustainability and responsibility. There is then a good chance that investors will increase pressure on companies through their active ownership tools to make their companies understand and address such evolving roles.

[1] From 1 Jan 2023 through 15 June 2023 (both inclusive)

[2] Referring to open funds, dedicated funds and mandates applying Candriam voting policy





€139 B

**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 labelling 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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