



2021

# Voting Annual Review

**CANDRIAM**   
A NEW YORK LIFE INVESTMENTS COMPANY



# Inside

## 2021 Voting Annual Review

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# Voting year at a glance

*Candriam believes that exercising our voting rights is a core element of our Conviction and our Responsibility as an asset manager. Voting is thus fully embedded in our sustainable strategy. Candriam Stewardship plays an important role in communicating our core values to the company in which we invest on behalf of our clients. While Engagement is the key tool to advocate for sound corporate governance practices, actively Voting at the general meetings of investee companies helps signal to the companies that they fall short of our expectations. In 2021, we continued our journey to foster shareholder value through stewardship and to safeguard the interests of all Candriam clients, in line with our investment philosophy. When casting our votes, we respect our fiduciary duty to our clients and we assess whether companies comply with the internally recognized corporate governance standards.*

*Our 16th annual report details our voting activities in 2021', which is a core competent of our global Active Ownership approach. We also outline some priorities for the upcoming season.*

## The Long Haul Pandemic: 2021

**The new virtual meeting system continued to be the new 'default' general meeting format in 2021.** Criticisms have included the inability to ask questions during the meetings, and some weaknesses in the tools to guarantee shareholder rights during meetings. Although some improvements have been noted, they have been driven by local market regulations, for example, the safeguards for virtual meetings now available in Spain. We systematically supported all virtual meeting-related proposals in Spain given the solid guarantees and controls provided by the regulators there.

**Over the last two years the pandemic has exacerbated challenges linked to both Social and Environmental topics.** Candriam has been continuously responsive to addressing those issues through engagement and voting. Our votes have reflected the companies' financial performance, as well as overall business performance including their efforts in pandemic management, employee protection, suitable executive compensation packages and the rights of minority shareholders.

As the impacts of the pandemic continue, modifications to executive remuneration to minimize the negative effects of Covid-19 also continue. Companies have learned since the first year of the pandemic, and disclosure levels surrounding remuneration modifications have increased in 2021 compared to 2020. Still, in 2021, we believe the disclosures and rationales provided have not always fully reflected the

business challenges and achievements in the executive remuneration, raising concerns on the alignment of pay and performance. While issuers drastically increased the level of disclosure around their remuneration practices in Europe following the implementation of the second Shareholder Rights Directive (SRD II), companies there continued to have difficulties to explain the impact of the pandemic-related challenges on their executive remuneration packages. We continue applying our existing approach; that is, we do not support the modification of multi-year performance-based compensation plans if the sole reason is to grant long-term compensation during an unfavourable year. Except for Europe, we have not seen significant changes in the disclosure practices in 2021. Concerns over the modification of pandemic remuneration practices without justified rationale remained the main trigger for our adverse votes this year.

One of our observations made is that corporate disclosure of the targets and level of achievements required by their variable remuneration plans remains 'limited'. For the upcoming season, we expect some relative improvement in disclosure, and anticipate that the alignment of pay-for-performance will be clearer and more comprehensive, as shareholders continue their focus.

Another area of shareholder demand is non-financial metrics. In response, we have already seen the number of companies including non-financial metrics in executive remuneration rise in 2021. Company performance is not limited to financial measures, and these cannot be the only criteria to attract investment. Our approach to this new pattern is pragmatic, and aligns with our analysis of purely financial metrics. That is, we seek transparent, meaningful, material and measurable targets that enable us to make an informed voting decision.

Perhaps accelerated by the pandemic, in 2021, we have seen a new trend of shareholder resolutions emphasizing the clarification of corporate purpose and asking companies to integrate their purpose into their business framework. This

season, we applied a case-by-case approach, analysing the social outreach of the company targeted by the resolution, the activity, and the current corporate purpose. Our analysis focused mainly on the question of whether the company's management was ready to take such a step, considering its current sustainability awareness. Exchanges with the co-filer who brought the majority of these resolutions to the agenda in 2021, led us to strengthen our approach for the upcoming season<sup>2</sup> with a more proactive approach to our votes, indeed public benefit corporation status *allow managers & entrepreneurs to expand fiduciary duties towards all stakeholders and address their needs*.

Again in 2021, the number of shareholder resolutions submitted in North America remains significantly higher than in the rest of the world and the topics of racial equity, political lobbying, the public benefit corporation, employee representation and diversity and inclusion all grew in frequency. As the pandemic sparks discussions concerning human capital management, we have seen a number of resolutions demanding more and deeper disclosure from companies on employee turnover rates, gender and/or racial pay gaps, health and safety measures, etc. Low wages, inequality, sick leave policy and the representation of employees at the Board level were a point of debate at general meetings held during 2021, as employees vocalized their interests during the pandemic. The pandemic has also triggered the inclusion of social metrics in executive remuneration packages. Candriam, and all responsible investors, expected companies in at-risk sectors to reflect these business realities in determination of management compensation.

Lastly and importantly, 2021 definitively moved Climate to the top of the voting agenda. The headline example was the dissident proxy card at Exxon, which we supported. Say-on-climate votes increased significantly, sponsored by both shareholders and managements, making AGMs the legitimate forum for the discussion of corporate transition strategies.

## Focus on Climate

Say-on-Climate has enriched the range of subjects submitted by managements during 2021. Indeed, a significant number of annual meetings have requested shareholder approval for climate transition plans. This makes 2021 a key year in the fight against climate change, and an important milestone in the path to align corporate activities with the Paris Agreement emissions reduction objective. We welcome 'Say-on-Climate' resolutions. But details count. 2021 showed us that responsible shareholders must carefully examine the indicators chosen for reporting, to determine whether chosen measurements are relevant.

### Say-on-Climate Resolutions -- The Detail is Critical

Times change. Climate resolutions have long been the preserve of shareholder resolutions, not management resolutions. The year 2020 marked only the first management-sponsored 'Say-on-Climate' (SoC) resolution. That is, after setting ambitious emission reduction targets, a company commits to submit its climate action plan to an annual vote. This arose after pressure on Aena, the Spanish airport operator, from The Children's Investment Fund. Aena management responded with its own resolution. The following year, the number of management-sponsored Say-on Climate resolutions is growing exponentially.

In 2021, Candriam voted on 79 climate resolutions



### Climate Resolutions – Summary of Candriam Votes

	Resolutions submitted by Managements		Resolutions submitted by Shareholders	
Votes For	14	74%	41	68%
Votes Against	5	26%	19	32%
Total	19		60	

Notes: Management resolutions include only "Say-on-Climate". Shareholder resolutions include both "Say-on-Climate" and other climate resolutions.





## When to Vote Against a Climate Resolution?

The Say-on-Climate trend arises naturally from increased pressure by investors and other stakeholders who have targeted dozens of big carbon emitters over the past five years. Emitters have been asked to develop climate action plans, to align lobbying activities with the Paris Agreement, and/or to adopt annual advisory votes allowing shareholders to judge whether the company's climate action plan is sufficiently ambitious. Introducing Say-on-Climate to the agenda has been an objective for numerous investors, including Candriam, through the Climate Action 100+ investors initiative, and through dedicated investor working groups within the Institutional Investors Group on Climate Change (IIGCC). The first step of this campaign was to engage with targeted companies sufficiently in advance of their 2021 annual meetings, to convince them to submit these management resolutions. Not all agreed, but a majority of the Boards at least made positive recommendations. Some proxy statements now provide investors with structured data concerning climate strategy and performance, and this trend is only increasing. Companies dedicated a greater share of their General Meetings to explain these to shareholders, putting climate on an equal footing with other important strategic issues.

**Voting on these climate proposals requires in-depth analysis of management commitments. It also requires analysing whether the resources and targets are consistent with the stated goals.** Results must be monitored, and changing circumstances must be considered.

At Candriam, we want our approach to be as consistent and unbiased as possible. We believe that as a Responsible Investor, systematic support of a Climate Action is not an option. The stated goals must be consistent with the underlying strategies put in place by the companies. **Well-meaning but unachievable intentions could even delay constructive action.** Therefore, and in full alignment with the July 2021 IIGCC Investor statement<sup>3</sup> Candriam supported, we built a detailed framework to apply to every Say-on-Climate resolution, assessing the stringency and the alignment of company transition strategy with a 2050 net zero emissions pathway. We set criteria based on both each company and its sector. Our criteria for a Yes vote are stricter for sectors which are key to the energy transition.

- Effective 2050 net zero commitment -- 2050 at the latest, but sooner for power producers, for instance.
- Alignment of targets with International Energy Agency scenario -- a minimum Sustainable Development Scenario, but stricter scenarios preferred, Science-based Targets also preferred. Scope 3 emissions should be included in the plan when relevant; the plan should be credible and in line with relevant sector decarbonisation pathways.
- Capital spending (capex) plans and accounting practices should align with the commitments.
- Lobbying practices to be considered.
- Linkage between transition targets and executive remuneration.
- *Just Transition* aspects should be included in the company strategy.
- Frequency of the Say-on-Climate vote -- the vote on strategy should be followed by periodic votes on implementation and results.

Our framework is not static. For the new voting season ahead, we plan for instance to add new considerations into this framework, such as the fair allocation of the added value.



## Climate Resolutions – Voting Details for Management *Say on Climate Resolutions*

Company Name	Country	AGM Date	CANDRIAM Vote [main reasons for voting against]	Final Outcome
VINCI SA	France	08-Apr-21	Against [Scope 3 reduction target, 2050 net zero objective]	98.1% For
Ferrovial SA	Spain	08-Apr-21	For	97% For
Nestle SA	Switzerland	15-Apr-21	For	95% For
Moody's Corporation	USA	20-Apr-21	For	93.3% For
Canadian National Railway Company	Canada	27-Apr-21	For	92.1% For
Aena S.M.E. SA	Spain	27-Apr-21	For	95.7% For
S&P Global Inc.	USA	05-May-21	For	99.5% For
Unilever Plc	United Kingdom	05-May-21	For	99.6% For
Aviva Plc	United Kingdom	06-May-21	For	99.95% For
ATOS SE	France	12-May-21	For	97.1% For
Royal Dutch Shell Plc	United Kingdom	18-May-21	Against [Alignment with Paris Goal, CAPEX plan]	88.7% For
Total SE	France	28-May-21	Against [Alignment with Paris Goal, CAPEX plan]	91.9% For
HSBC Holdings Plc	United Kingdom	28-May-21	For	99.7% For
Iberdrola SA	Spain	17-Jun-21	For	97.3% For
Severn Trent Plc	United Kingdom	08-Jul-21	For	99.4% For
SSE Plc	United Kingdom	22-Jul-21	For	100% For
National Grid Plc	United Kingdom	26-Jul-21	For	99% For
BHP Group Plc	United Kingdom	14-Oct-21	Against [Scope 3 reduction target, SBTi]	84.9% For
BHP Group Limited	Australia	11-Nov-21	Against [Scope 3 reduction target, SBTi]	84.9% For.

## Looking Ahead

We had mixed feelings following the 2021 voting season. Some of the voting outcomes, and especially the *level* of support, made us question the process. Were the shareholders and proxy advisors ready to make an informed vote? Seeing the high level of support for some Say-on-Climate which our analysis showed to have poor ambition, we have a sense of the answer.

**And the downside?** Might there be a risk that some companies will use this high level of vote For their proposals, to avoid any further climate-related ask from stakeholders in the coming years? Will this pre-emptive setting of targets allow companies to argue that shareholder already gave their agreement on the climate strategy? From the 2022 pre AGM season discussions we have already had with companies, it seems already a reality.

We are all learning from the 2021 Say-on-Climate campaign. On their side, **proxy advisors are strengthening their analysis**, while investors like Candriam are reinforcing their framework of analysis.

As companies had set more conservative management performance targets for 2021, and 2022 may provide some rooms for strong performance for some sectors, we expect that executive payouts will increase compared to the levels in 2020. Again, and also given current times of economic and political uncertainties, our approach to these votes will be cautious.

As the emphasis on Board diversity from regulators and others steadily increases, we expect that the disclosure surrounding gender and racial diversity will improve. Diversity remains a key topic of Board composition discussion and companies are expected to increase the representation of minority groups at the Board level. On the other hand, racial equity audits will continue to be requested, as failing to assess the risks of racial inequity may cause numerous negative consequences such as reputational risk, regulatory fines, and high attrition rates.

Similar to 2021, we expect the upcoming season will witness a number of resolutions on the tech sector risks and algorithmic systems. Companies in the at-risk sectors such as Alphabet and Meta will continue to receive questions on their use of algorithmic systems and the auditing mechanism for the discriminatory impact. With new zones of conflicts and tensions, we also expect an increase in shareholder resolutions asking for more scrutiny on human rights when operating in some countries.

## **On climate, pressure from investors should not stop, and Candriam will make sure it shall not.**

Through our numerous collaborative initiatives, we expect 2022 will see climate even more at the centre of company general meetings. Several climate-related resolutions are expected, even **for companies that already saw management resolutions passed with large majorities in 2021.**

If, as in 2021, transition plans and lobbying activities are at the centre of the discussions, a new theme is likely to come to the fore in 2022 – Paris-aligned accounting. As a Responsible Investor, we believe it is legitimate to ask for **Paris-aligned accounting** so that companies take into account decarbonisation or the physical impacts from climate change as they draw up their financial statements. However, a recent Carbon Tracker report<sup>4</sup> highlighted the failure of 107 publicly-listed carbon-intensive firms (and their auditors) to consider material climate-related risks in their financial reporting.

Based on our three years of Engagement efforts in Paris-aligned accounting, combined with increased pressure from regulators, and concrete demonstrations by some companies and their auditors that this accounting is already feasible in a short period of time, Candriam is convinced accounting firms should ensure material climate risks associated with the transition to a 2050 net zero carbon pathway are fully incorporated into financial statements. We are even more convinced in this requirement for sectors key to energy transition, or which are among the s worst GHG (Greenhouse Gas) emitters.

We adapted our Voting Policy and associated guidelines in 2022 to be aligned with our Engagement and to reflect the growing investor expectations and regulatory requirements in this field.<sup>5</sup> Candriam will pay particular attention to the disclosure by the auditors on how they have taken climate risks into account in their review and whether the key reporting assumptions are aligned with Paris COP 21 Agreement of 2015. A vote Against the auditor reappointment (or auditor remuneration if first item not available), as well as against the annual report may be cast if the reporting falls short of our minimum expectations.

More generally, and as a part of our yearly update process, we further strengthened our stewardship in our voting policy for 2022. Visible changes in market trends, regulatory amendments, or need to further materialize ESG (Environmental, Social, and Governance) risks in voting as well as lessons learned from the past voting season have steered us to further enhance our voting policy. For further details we invite you to consult the latest version on our website.<sup>6</sup>

### **Notes and Sources**

<sup>1</sup> Candriam formalized our voting policies in 2003 and has published annual transparency reports since 2006.

<sup>2</sup> Please refer to our 2022 Voting policy under [https://www.candriam.com/48f4fo/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy\\_voting\\_policy\\_en\\_web.pdf](https://www.candriam.com/48f4fo/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en_web.pdf)

<sup>3</sup> <https://www.iigcc.org/download/investor-position-statement-vote-on-transition-planning/?wpdmdl=4798&refresh=6103b7c61998f1627633606>

<sup>4</sup> Flying blind: The glaring absence of climate risks in financial reporting, Carbon Tracker, September 2021 ; <https://carbontracker.org/reports/flying-blind-the-glaring-absence-of-climate-risks-in-financial-reporting/>

<sup>5</sup> Please refer to our 2022 Voting policy under [https://www.candriam.com/48f4fo/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy\\_voting\\_policy\\_en\\_web.pdf](https://www.candriam.com/48f4fo/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy_voting_policy_en_web.pdf)

<sup>6</sup> Ibid.

# The Year in Figures

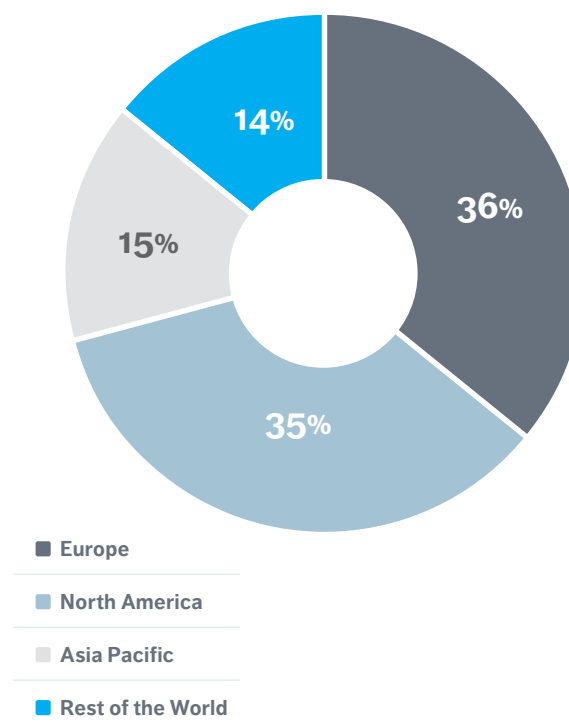
In 2021, we participated in 2,060 ordinary and extraordinary meetings in total and voted 26,605 resolutions for our open-end equity funds, dedicated funds and mandates under our Candriam [Voting Policy](#).

Candriam approved 74% of the resolutions proposed by managements. The rights and equal treatment of shareholders, the accuracy of financial information, and the accountability and independence of the Board are the three cornerstones of Candriam's Voting Policy.

Candriam's proxy voting policy applies to the open-ended funds which are managed by an entity of the group Candriam<sup>7</sup>. This policy also applies to dedicated funds and mandates if the underlying client has given his agreement to the application of such policy.

Here below a global overview of our full voting scope.

## Geographical split of meetings



Voting Funds	Candriam Policy		Client custom Policy
	Open Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo) (**)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo) (**)
No. Voting portfolios at end 2021	32	26	16
No. Voted Meetings at end 2021	2003	736	343
% voting portfolios (in number) vs total eligible of the category, at end 2021	76%	Not Relevant (**)	Not Relevant (**)
% voting portfolios (in AUM) vs total eligible of the category, at end 2021	92% (*)	Not Relevant (**)	Not Relevant (**)

(\*) Difference 2021 versus 2020, when considering the % AUM of Candriam's Equity open ended funds covered by voting, results from changes in funds' eligibility to voting, change in funds classification (from open ended funds to Dedicated funds), closure/absorption of some funds, changes in AUM of the voting funds.

Additional information -- Out of the 11 Candriam open ended equity funds not part of the voting funds at end 2021, 8 have been included in the voting scope since January. 2022. Which means that, at end Feb2022, 93% of our open-ended Equity Funds were included in our voting scope, accounting for 98% of total AUM from Candriam Open ended Equity funds.

(\*\*) Mandates or Dedicated funds can only be included in the voting perimeter if the client grants us a voting delegation. It is client's decision not Candriam's.

### Notes and Sources

<sup>7</sup> Ibid.



For the equity open-ended funds segment of our voting scope, we voted in 97.4% of the meetings where we were eligible to vote in 2021.

Non-voted meetings resulted from :

1. Delay in receiving power of attorney;
2. Change in (sub)custodian occurring during the voting period;
3. Positions acquired after cut-off date, or after share registration meeting and before actual meeting;
4. Positions sold before meeting date.

On average in 2021, for every position we voted under Candriam Voting policy, we exercised our vote on more than 90% of the associated voting rights.

For more information on our voting process, please refer to our voting policy.

Detail of our votes for Candriam open-ended funds, including explanations of 'Against' votes, are publicly available at <https://www.candriam.com/en/professional/market-insights/sri-publications>.

For dedicated funds voting under Candriam policy, information is available in their annual reports.

For mandates, information is provided to the client in the form of a dedicated report.

No conflict of interest situations were encountered during the year.

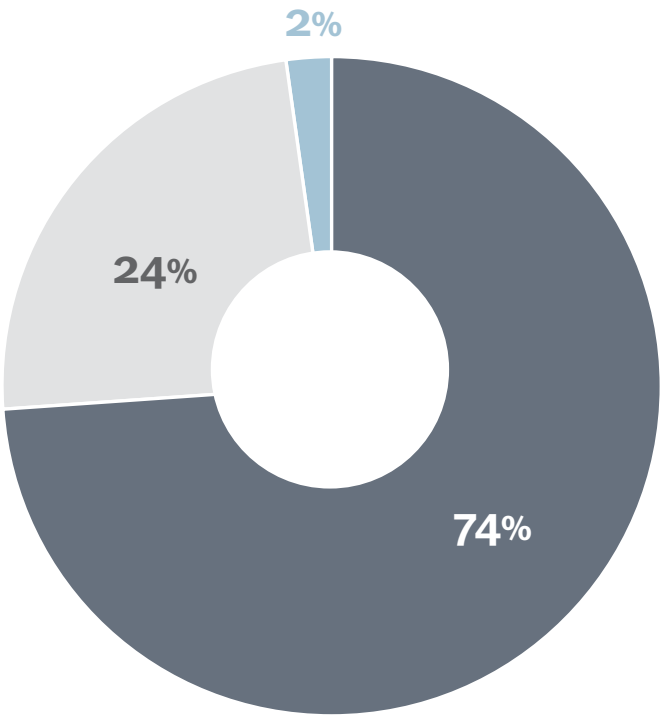
Candriam uses the service provider ISS to exercise voting rights, as detailed in Candriam's voting rights policy.

Any confirmed breach of our voting principles is communicated in funds' annual reports when relevant. This year (2021), non-voted Meetings were the sole reported breaches.

# Management Resolutions

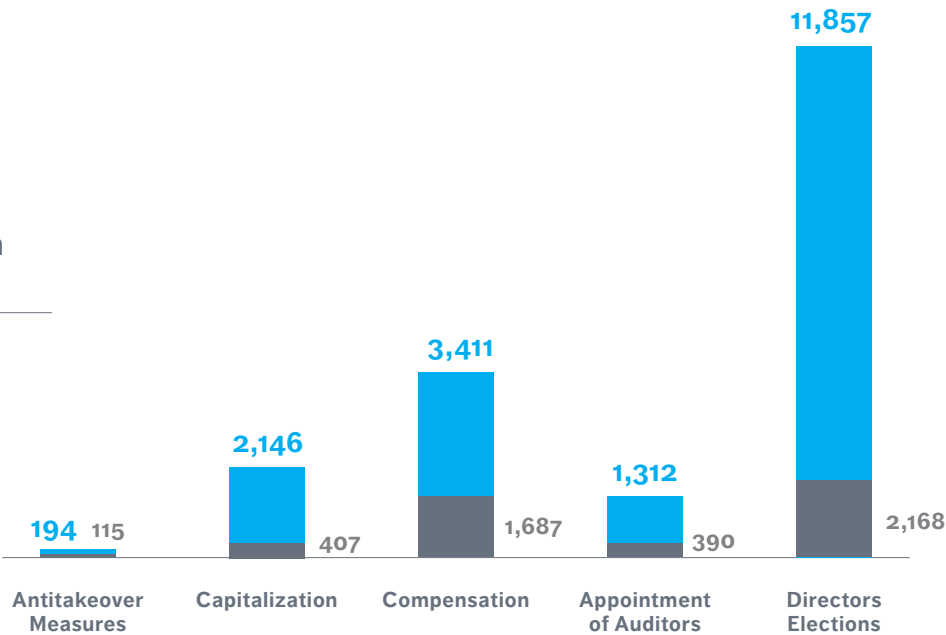
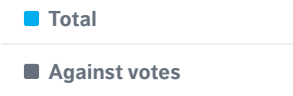
## Overall Approval Rate

(Management resolutions only)



## Main Areas of Concern

(Management resolutions only)



Note: In 2021, we saw an increase versus 2020 in our votes *Against* auditor appointments. This was due to a tightening in our voting policy regarding the tenure of auditors for non-European regions. We vote *Against* the appointment of an auditor if the tenure exceeds 10 years in Europe, and 20 years in all regions of the world.

# Statistics: Our Votes by Topic

## Management Resolutions

For company-specific and resolution-specific detail, please see [our website](#).

### Election of Directors

	No.	%
Related resolutions	11857	100%
Votes For	9559	80.6%
Votes Against	2168	18.3%
Abstentions	130	11.1%

### Appointment of Auditors

	No.	%
Related resolutions	1312	100%
Votes For	915	69.7%
Votes Against	390	29.7%
Abstentions	7	0.6%

### Compensation of Management and Directors

	No.	%
Related resolutions	3411	100%
Votes For	1682	49.3%
Votes Against	1687	49.5%
Abstentions	42	1.2%

### Capitalization

	No.	%
Related resolutions	2146	100%
Votes For	1739	81.0%
Votes Against	407	19.0%
Abstentions	0	0.0%

### Anti-takeover Measures

	No.	%
Related resolutions	194	100%
Votes For	79	40.7%
Votes Against	115	59.3%
Abstentions	0	0.0%

# Shareholder Resolutions

## Proportion of resolutions by topic:

	No.	%
Grand total	583	100%
Governance	398	68%
Social	99	17%
Environment	86	15%

## Governance Resolutions

	No.	%
Governance resolutions	398	100%
Votes For	297	75%
Votes Against	92	23%
Abstentions	9	2%

## Environmental Resolutions

	Climate-related		Not Climate-related		Total	
	No.	%	No.	%	No.	%
Total Environmental resolutions	60	100%	26	100%	86	100%
Votes For	41	68%	15	58%	56	65%
Votes Against	19	32%	11	42%	30	35%
Abstentions	0	0%	0	0%	0	0%

## Social Resolutions

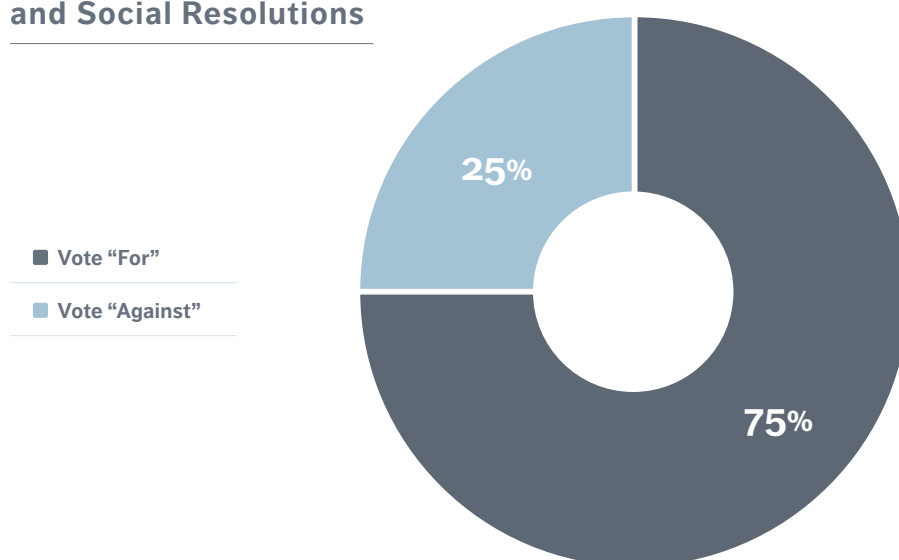
	Diversity-Related		Human Rights-related		Others		Total	
	No.	%	No.	%	No.	%	No.	%
Total Social resolutions	30	100%	11	100%	58	100%	99	100%
Votes For	29	97%	8	73%	43	78%	82	83%
Votes Against	1	3%	3	27%	13	22%	17	17%
Abstentions	0	0%	0	0%	0	0%	0	0%



## Combined: Votes on Environmental plus Social Resolutions

	Environmental	Social	Total	
	No.	No.	No.	%
Total E & S resolutions	86	99	185	100%
Votes For	56	82	138	74.6%
Votes Against	30	17	47	25.4%
Abstentions	0	0	0	0%

## Votes on Environmental and Social Resolutions



## In 2021, Candriam co-filed two resolutions

AGM	Topic	Outcomes
BFF Bank SpA	Nomination Slate Filed by Institutional Investors	Supported by 21.8% of the voting shareholders
European Utility company *	Climate resolution	Withdrawn after new commitments from the issuer

\*anonymized as the resolution has never been made public.

Candriam also co-signed Climate-related statements or questions at Air Liquide, LyondellBasell and TotalEnergies.

# Votes on Sensitive Resolutions

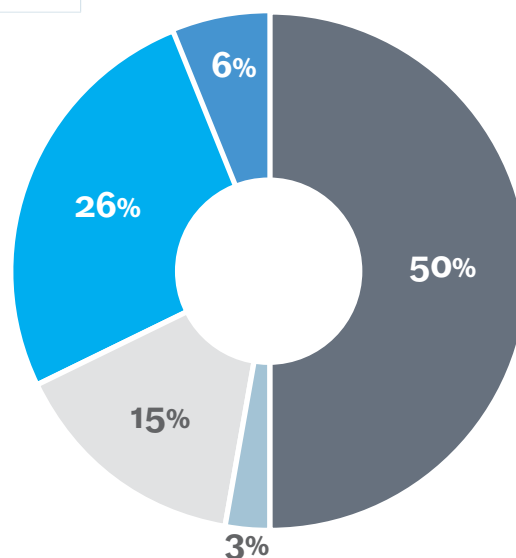
The Stewardship Team uses certain triggers to identify a meeting as sensitive during the voting season. Meetings that are classified as sensitive or including a sensitive resolution(s) are carefully analysed by the Team to ensure that Candriam exercises voting rights with the maximum possible influence.

During the year under review, we identified 72 meetings (from 64 different companies) as 'most sensitive' for to a variety of reasons such as presence of a sensitive resolution, M&A (mergers and acquisitions), climate risk or engagement history with the company. The sensitivity of these 72 special and annual meetings was assessed on a case-by-case basis.

The statistics below reflect the above-mentioned 'most sensitive' votes. On average, for these meetings and focusing on voting portfolios involved, we exercised more than 95% of our voting rights (average of the voted shares vs votable shares ratio calculated for the 72 target meetings).

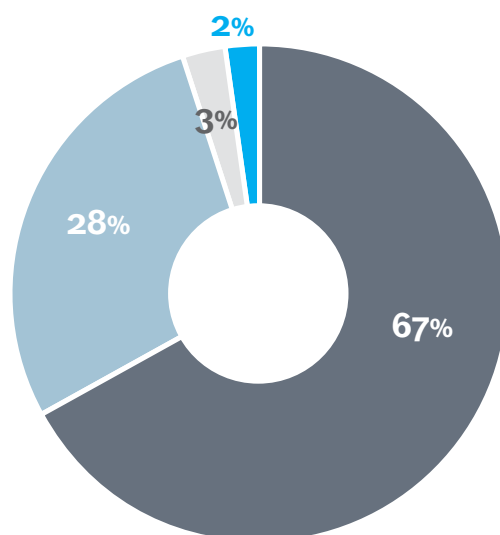
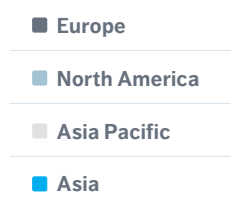
## Trigger for Classification as 'Most Sensitive' Meetings

Trigger Reason	Count of Meeting
Engagement Watchlist (including escalation)	36
M&A	2
Significant AUM and presence of year prior strong dissent vote	11
Specific Shareholder Resolution Co-filing and/or Support	19
Others	4

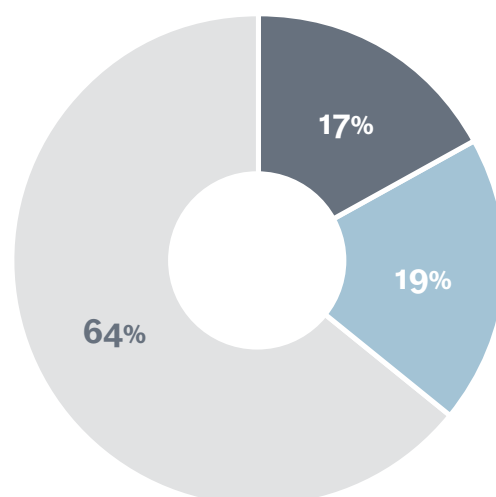
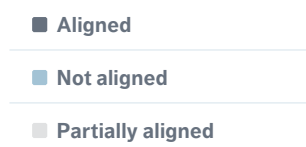


## Geographic Breakdown of Shareholder Meetings

Region	Number of companies
Europe	43
Americas	18
Asia Pacific	2
Asia	1



## Alignment of Candriam Position (on sensitive items) vs Rest of Voting Shareholders

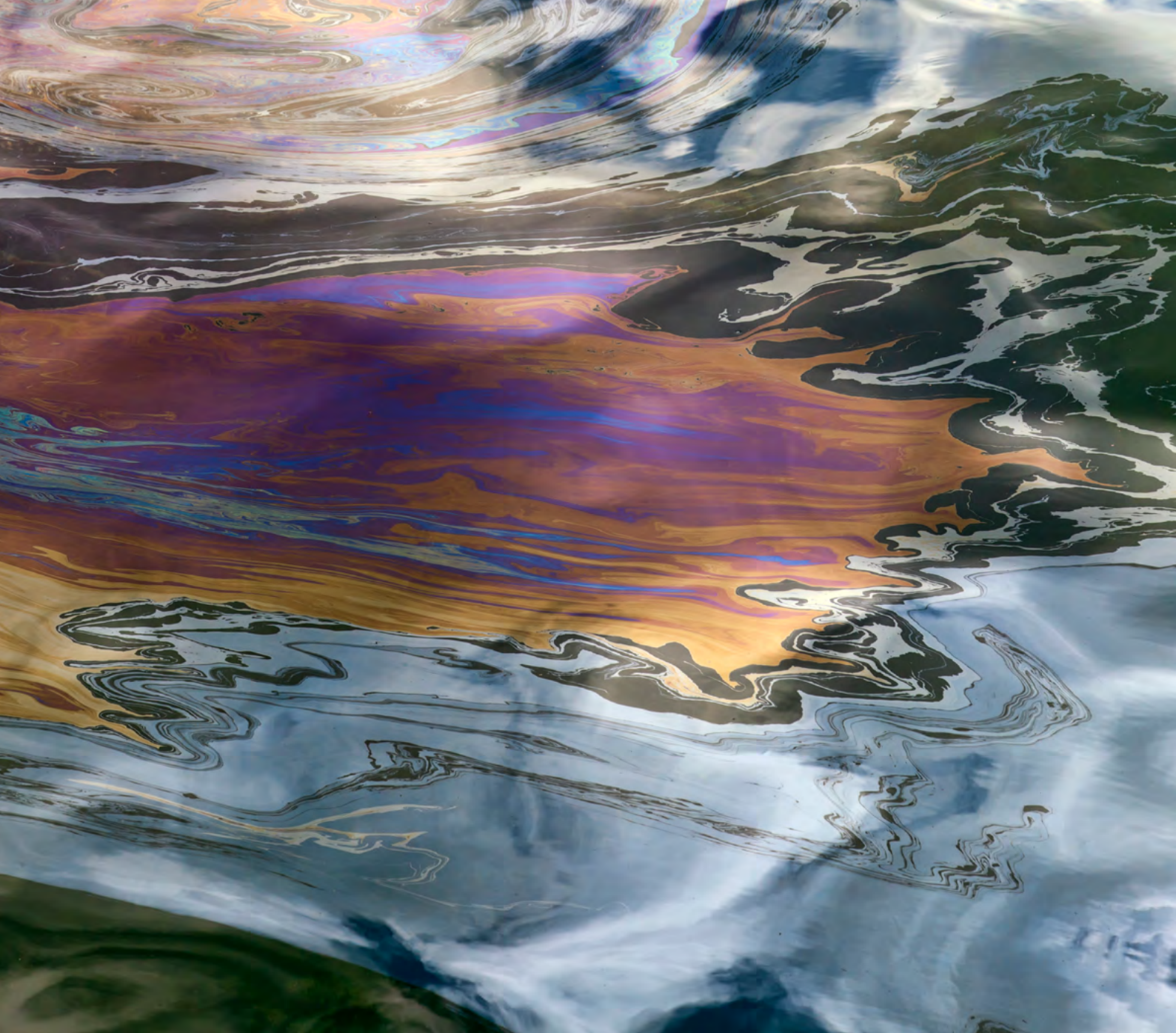


### Legend :

Aligned = Candriam's vote for all sensitive voting items of the considered meeting were aligned with the final voting outcome

Not Aligned = None of Candriam's vote for all sensitive voting items of the considered meeting was aligned with the final voting outcome

Partially aligned = Focusing on all sensitive voting items of the considered meeting, at least one Candriam vote aligned with the final vote outcome.



**€158 B**

AUM as of  
31 December 2021



**600**

Experienced and  
committed  
professionals



**25 years**

Leading the way in  
sustainable investing