

# 2022 Voting Annual Review



**MARCH 2023**

# Voting **Inside.** Annual Review



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***As responsible stewards for our clients, actively and carefully exercising our voting rights is a core element of the Candriam belief in 'Conviction and Responsibility'.***

***Candriam stewardship plays an important role in maintaining and strengthening corporate governance, in exercising shareholder rights and receiving transparency, and in communicating our values to the companies in which we invest of behalf of our clients. Together with our strategic engagement programmes, when necessary, voting can help us voice our opinions or signal our lack of agreement on specific issues to the investee companies.***

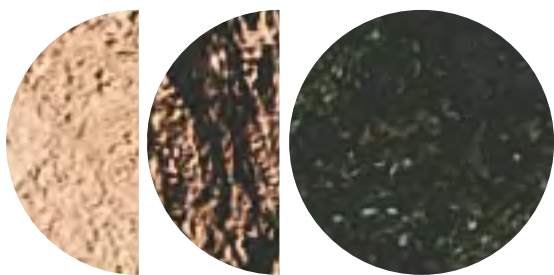
***Voting and its related activities are embedded in our sustainability philosophy. Our voting policy, is designed and updated to encompass emerging issues not only in corporate governance but also in environmental and social topics. Accountability and transparency are the backbone of our voting policy, as our 2022 voting results demonstrate. When casting our votes, we respect our fiduciary duty to our clients and we assess whether companies comply with internationally-recognized standards of corporate governance.***

***The 17<sup>th</sup> annual voting report details our voting activities in 2022, which are an important part of our role as an active and responsible shareholder.***





# What did we see in 2022?



## Shareholder Resolutions on the Rise

The number of resolutions filed by shareholders rose, making 2022 *'the year of discussions'*.

**Human capital** and **climate** issues drove the increase. In total, we voted 732 *shareholder* resolutions, a 25% increase over 2021. Social-related proposals constituted two-thirds of this increase (186 proposals in 2022 vs 99 proposals in 2021). The year also brought new topics to the conversation -- including racial equity, civil rights, gender pay equity, tax transparency, and reproductive rights.

Actionable environmental issues have also taken the stage in general meetings, including topics such as the adoption of specific targets for Scope 3 emission reductions, net-zero scenario alignments, and banning of fossil fuel financing. Governance-related proposals in 2022 included rising pressure from shareholders to disclose the ratio of CEO compensation to median worker pay. The aim is to increase clarity on the alignment between the compensation of the CEO and the workforce, and to provide an understanding of human capital management strategies -- and potentially

to influence how other stakeholders perceive the business. It is worth mentioning that without detailed context, comparisons of this ratio across companies might be misleading as the structure and type of the business, geographical presence, etc. may affect the overall ratio. What is expected from companies is to report on the parameters used in the calculation of the pay ratio, and ideally reflect the pay differences across regions.

While shareholders are increasingly focused on a wide range of Social and Environmental topics, we are also seeing more proposals which touch one more than one pillar of ESG (Environmental, Social, and Governance factors). Examples during the 2022 voting season include proposals to amend company bylaws to become public benefit corporations, to set up climate/ESG committees, to include ESG metrics in executive remuneration policies, and to increase employee representation at the Board level.

## Say on pay has become more critical

Among management-sponsored resolutions, shareholder support for company say-on-pay resolutions has declined, while shareholder expectations for compensation disclosure have significantly increased. While new regulation has provided momentum in Europe, companies are still struggling to provide sufficient information for investors to assess whether remuneration is justified by performance, especially non-financial elements. Ex post disclosure has been preferred by managements to preserve confidential information; however, we still see that ex post disclosure on targets and achievement levels is incomplete.



This has been problematic, especially when the remuneration includes non-financial metrics which, in theory, should support pay-for-performance. Investors expected that inclusion of ESG metrics would link the overall corporate performance with executive pay. However, without sufficient information on the actual KPIs used, along with target and achievement levels, inclusion of ESG metrics risks being considered as ‘tick-the-box’ actions. During our engagements, we strongly encourage companies to include non-financial metrics which are *transparent, relevant, challenging* and *measurable*. In other words, relevant KPIs.

While it is unusual among investors, including Candriam, to sanction companies based on a lack of ESG metrics in remuneration plans, the lack of relevant metrics (including, but not only, ESG metrics) are made known to corporates through the concerns we voice over the lack of pay-for-performance alignment during our dialogues with managements. To reflect the outcomes of our engagements, ESG metrics that do not demonstrate a clear link with the company’s strategy are scrutinized through our votes on the remuneration-related items on the agenda.

## Electing Directors: Has there been progress on diversity?

When we opposed elections of directors, it was mainly due to the lack of Board diversity, oversight failures, lack of climate risk management, ‘over-boarding’<sup>1</sup> and lack of responsiveness to engagement activities. Board diversity is not only gender or ethnic diversity of Board members, but also diversity of *skills* to enable the Board to better identify key business challenges and to provide a more qualified approach for oversight.

Skills diversity includes the growing demand by investors to include directors with the skill sets and qualifications needed to address corporate climate challenges and to oversee material ESG factors. Because one of the most powerful tools for driving change is to hold directors accountable through the vote on director elections, we increasingly signal our concerns through this voting item. During 2022, we voted against the election of 16 directors at 13 companies specifically for failure to effectively supervise the management of ESG risks to the company and its shareholders.

We also expect companies to seriously address the concerns raised by investors on say-on-pay resolutions, and to take into account any dissent previously recorded on these topics. In 2022, we opposed or sanctioned 15 directors at 11 companies where the Board failed to provide details on actions taken to address dissent on last year’s remuneration-related proposals.

## Do shareholders have more say on climate strategies?

‘Say on climate’ is incontestably a rising topic, progressing from a ‘simple’ environmental corner to a governance issue in itself. As a result we are dedicating a full section of our new [2023 Voting policy](#) to ‘Climate Voting’, and publishing more ‘climate’ details on the 2022 voting season (see next section).

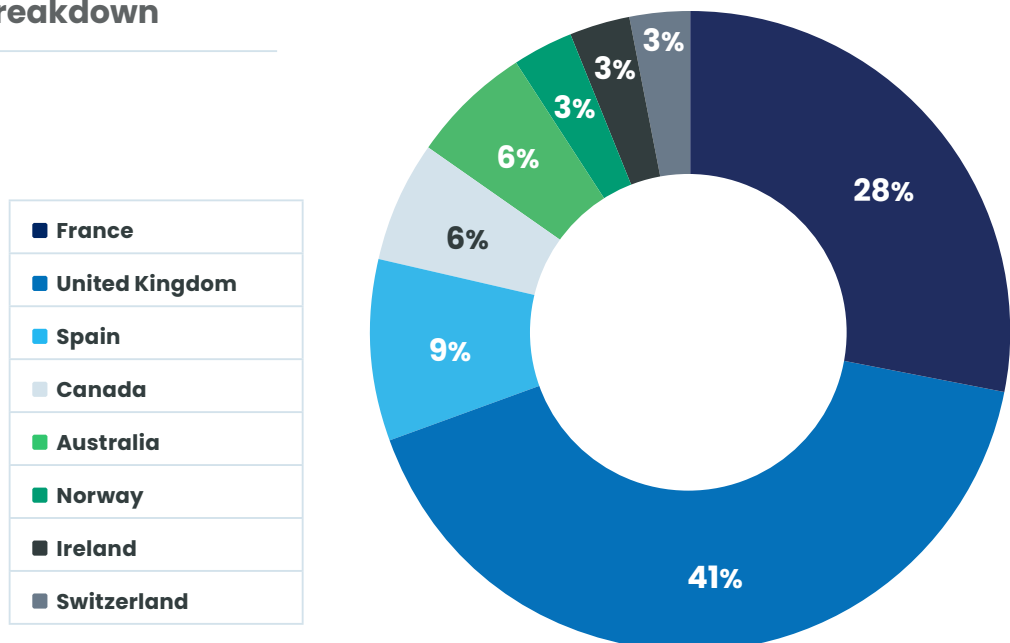
<sup>1</sup> Directors potentially over-stretched by sitting on too many Boards.

# Focus on Climate.

## The Say-on-Climate trend: Have the limits of the mechanism been reached ?

After an explosion in Say-on-Climate resolutions (SOC) in 2021, where management-sponsored advisory resolutions asked shareholders to approve the companies' climate transition plans and progress, the trend continued in 2022. Candriam had the opportunity to vote on 32 of these in 2022 (compared to 19 in 2021), and we analysed and voted on each of the 32.

## Say-on-Climate 2022\* Geographical Breakdown



(\* ) Except where otherwise mentioned, the source is Candriam.

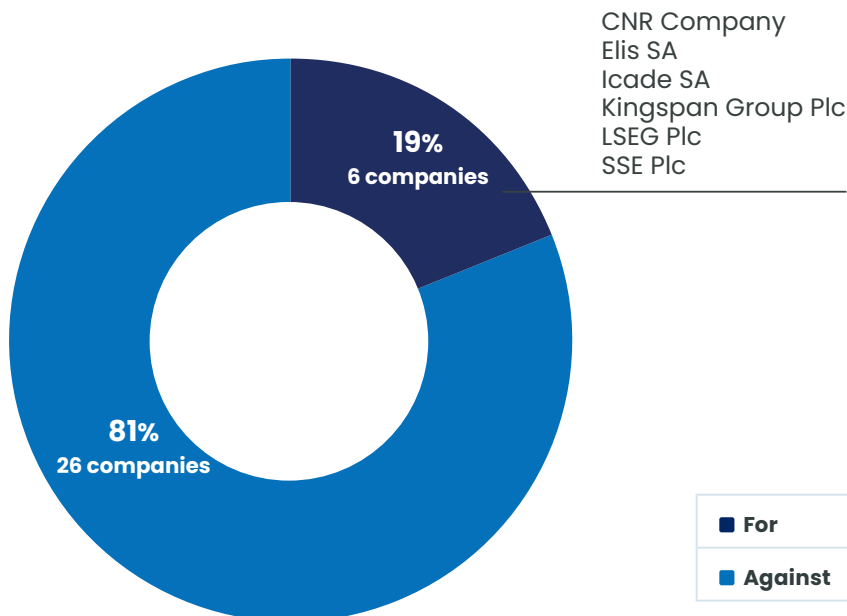




Two-thirds of the SOCs Candriam voted in 2022 were general meetings of issuers based in the UK or France.

## Say-on-Climate 2022

### Vote Instruction Breakdown



However, the level of Candriam support in 2022 differed substantially relative to that of 2021, with only 19% of votes 'For' in 2022, versus 74% in 2021. The reason is twofold:

- We strengthened our SOC analysis framework by adding criteria and increasing the weight of certain elements, such as a clear capital spending (capex) plan and target covering all scopes (see the Net Zero Engagement section of our [2022 Engagement Report](#));
- An increasing number of SOC resolutions are from companies in carbon-intensive industries, for which we have higher expectations for disclosure, targets, and actual emissions reduction.

# Say-on-Climate 2022

## Resolutions voted, Candriam decision, overall outcome

Company Name	Country	Meeting Date	Candriam Vote	Final Outcome
<b>Aena S.M.E. SA</b>	Spain	31 Mar 22	Against	Passed, 94.4%
<b>Amundi SA</b>	France	18 May 22	Against	Passed, 97.7%
<b>Anglo American Plc</b>	United Kingdom	19 Apr 22	Against	Passed, 94.2%
<b>Aviva Plc</b>	United Kingdom	09 May 22	Against	Passed, 97.9%
<b>Barclays Plc</b>	United Kingdom	04 May 22	Against	Passed, 80.8%
<b>BP Plc</b>	United Kingdom	12 May 22	Against	Passed, 88.5%
<b>Canadian National Railway Company</b>	Canada	20 May 22	For	Passed, 98.5%
<b>Canadian Pacific Railway Limited</b>	Canada	27 Apr 22	Against	Passed, 86.9%
<b>Carrefour SA</b>	France	03 Jun 22	Against	Passed, 87.4%
<b>Electricite de France SA</b>	France	12 May 22	Against	Passed, 99.9%
<b>Elis SA</b>	France	19 May 22	For	Passed, 87.9%
<b>ENGIE SA</b>	France	21 Apr 22	Against	Passed, 96.7%
<b>Equinor ASA</b>	Norway	11 May 22	Against	Passed, 96.6%
<b>Ferrovial SA</b>	Spain	06 Apr 22	Against	Passed, 92.5%
<b>Getlink SE</b>	France	27 Apr 22	Against	Passed, 97.3%
<b>Icade SA</b>	France	22 Apr 22	For	Passed, 99.3%
<b>Kingspan Group Plc</b>	Ireland	29 Apr 22	For	Passed, 96.1%
<b>London Stock Exchange Group Plc</b>	United Kingdom	27 Apr 22	For	Passed, 98.6%
<b>M&amp;G Plc</b>	United Kingdom	25 May 22	Against	Passed, 79.6%
<b>National Grid Plc</b>	United Kingdom	11 Jul 22	Against	Passed, 98.4%
<b>NatWest Group Plc</b>	United Kingdom	28 Apr 22	Against	Passed, 92.6%
<b>Nexity SA</b>	France	18 May 22	Against	Passed, 87.9%
<b>Repsol SA</b>	Spain	05 May 22	Against	Passed, 83.0%
<b>Rio Tinto Limited</b>	Australia	05 May 22	Against	Passed, 84.3%
<b>Rio Tinto Plc</b>	United Kingdom	08 Apr 22	Against	Passed, 84.3%
<b>Royal Dutch Shell Plc</b>	United Kingdom	24 May 22	Against	Passed, 79.9%
<b>Santos Limited</b>	Australia	03 May 22	Against	Passed, 63.1%
<b>SSE Plc</b>	United Kingdom	21 Jul 22	For	Passed, 98.9%
<b>Standard Chartered Plc</b>	United Kingdom	04 May 22	Against	Passed, 83.0%
<b>TotalEnergies SE</b>	France	25 May 22	Against	Passed, 88.9%
<b>UBS Group AG</b>	Switzerland	06 Apr 22	Against	Passed, 77.7%
<b>United Utilities Group Plc</b>	United Kingdom	22 Jul 22	Against	Passed, 80.6%

Source: Candriam, and individual company reports.

In the previous voting season, 2021, we grew increasingly concerned that some companies would use the high level of support gathered for their first SOC as a shield to avoid any additional climate-related resolutions in the future, and to avoid responding to shareholder requests for additional transparency. Our one hope was that shareholders, notably with the help of proxy advisors and the global rise of climate awareness, would be more careful and pay attention to details of the climate strategies of companies before giving their support.

Unfortunately, 2022 confirmed our concern and crushed the hope.

Only seven of the 19 companies that submitted a SOC last year put it on the agenda again this year (Canadian National Railway Company, Aena S.M.E. SA, Aviva Plc, Shell Plc, TotalEnergies SE, SSE Plc, and National Grid Plc).

Moreover, in our view, the average very high level of support (90.3%) for the Climate plans on which Candriam had the opportunity to vote this year contrasts sadly with the disappointing level of disclosure and ambition regarding the transition towards a 1.5°C climate and economy. This support, averaging 88%, is shown on page 10. (Please also refer to the extensive and consistent engagement and voting activities undertaken by Candriam in 2022 on our website.)

It is time to ask ourselves if the SOC mechanism has not reached its limits. Please refer to our section on [What will 2023 bring?](#) to understand the next steps Candriam is considering for advancing on this topic.

## More to read under

[Key Voting Takeaways in 2021: Climate Resolutions from Managements?](#) – September 2021

[Why Would Investors Vote Against a Climate Resolution?](#) – June 2022

[2022 Mid Year Voting Report](#) – September 2022

[Candriam Proxy Voting](#) – January 2023 voting policy revisions, see particularly section 3.8

## Deep dive into Climate Accounting

During this 2022 voting seasons, ten European companies, flagged by CA100+ and its partner Carbon Tracker, were more specifically under our scrutiny. We had engaged with them on this topic and were expecting substantial progress in their 2021 Financial Statements, compared to prior years. Of these ten priority companies, *eight made little or no progress*.

This was also the first season for which we implemented new voting guidelines on this matter, where Candriam considers sanctions by voting against specific items, companies and auditors which fail to sufficiently incorporate climate reporting information when preparing and auditing financial statements. Following our new voting guidelines, we sanctioned these eight companies by voting 'Against' financial statements and statutory reports, and/or 'Against' reappointment of auditors and/or auditors' remuneration.

The two remaining companies, Volkswagen AG and Compagnie de Saint-Gobain SA, while not fulfilling all our expectations, were commended for their efforts and/or commitments in integrating climate into their financial statements<sup>2</sup>.

<sup>2</sup> For Volkswagen AG, on the sole basis of Climate Accounting, we would have Abstained on the reappointment of auditors to encourage progress made last year, which was the first year of the new auditor. But as per Candriam policy, we were already voting Against this resolution due to the non-audit fees being as high as 70% of the average group audit fees over the previous 3 years.

# Analysing 2022 by the numbers . . . and what is *behind* those numbers.

**In 2022, we participated in 1,939 equity meetings and voted on 25,715 resolutions for our open funds, dedicated funds and mandates we manage under our Candriam voting policy.**

An effective voting process requires a well-structured and efficient organization. Several teams are involved in this process, the ESG Voting Team and the Middle Office being the most involved.

For the funds part of our voting scope, Candriam reconciles the Listed Equity/Bond Assets positions and cash balances as well as the transaction movements with the involved custodian on a daily basis. The Listed Equity/Bond Assets positions are sent by the custodian to our Proxy Voting provider (ISS) who, in turn, sends the vote to the sub-custodian according to the Listed Equity Assets positions reported by the custodian and reconciled by Candriam.

The funds element of our voting scope consists predominantly of equity funds, plus some balanced funds or pure fixed income funds. In 2022 we were not invited to vote any bondholder meetings.

All funds which fall under the Candriam Voting Policy are voted the same way. The [policy](#) we applied to our 2022 votes is available on our website, as is our updated [policy for 2023](#).

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

For dedicated funds and mandates (segregated accounts), Candriam's clients determine whether to delegate voting decisions to Candriam. Conditions of (non-)delegation are contractual. When a client does not delegate voting decisions to Candriam, the client may choose to vote directly, or may choose not to vote. Delegated voting for segregated client accounts can take one of two forms:

- The client requires Candriam to apply the Candriam Voting Policy to its segregated account.
- The client requires Candriam to apply a custom voting policy which could take the form of:
  - The Candriam voting policy with contractually-specified exceptions (eg, for particular companies or particular voting topics), or
  - The client instructs Candriam to apply the client's own specific voting policy. In such cases, the client may also ask to be informed of our voting intentions in advance, and may amend them.

As of this date, Candriam does not allow clients to direct voting in pooled accounts.





**Pedro Oliveira**  
Proxy Voting Officer,  
Middle Office, Candriam

**Pedro, what is the role of the Middle Office in Proxy Voting, and why is it crucial?**

The Middle Office is the ‘secret sauce’ in exercising voting rights. For Candriam to have a voice and an impact in the General and Extraordinary Meetings of the companies in which we invest, the Middle Office must ensure the securities positions are accurate. Any mistake, and we will not be able to exercise our votes. The Middle Office supports the ESG team with daily data on votable positions. We ensure the set up of voting portfolios are aligned with the requirements of both internal and external clients.

**How many people in your team are involved?**

We have five people involved in voting -- Wendy Bora, Karine Brelot, David Drappier, Stéphanie Quibel, and myself, the latest ‘acquisition’ in this talented and expert team. I handle the daily operations of Proxy Voting, with the reliable back-up of Karine and Wendy.

**Can you give us some examples of how you ensure efficiency in exercising voting rights?**

Candriam invests worldwide, therefore the Proxy Voting scope and activity is spread over a large number of markets, with a wide range of different rules and requirements which need to be met in order to participate in the meetings of all the companies in our voting scope. It is my responsibility to ensure all the requirements are met. That’s quite a checklist!

My role can range from setting up new funds and mandates for voting activities with all parties (our

provider ISS, the custodians and our clients), ensuring any Power of Attorney documents are in place, delivering the attestations of holdings on time wherever the investee company requires them to be delivered, share-blocking between the record date and the actual date of the annual meeting if circumstances require, ensuring the policies and the instructions defined by the Candriam Proxy Voting Committee are correctly applied, and checking our reporting portal to ensure we are publishing accurate records.

My job doesn’t end when the voting ends, either. Post-voting tasks include tracking rejected votes, monitoring securities lending, generating and delivering the proxy voting activity reports to all the relevant parties.

The active and useful day to day communication with Candriam’s ESG team, Operational Excellence team, Client Servicing team, the Reporting team and Investments team is what generates a successful activity in the Middle Office Proxy Voting team.

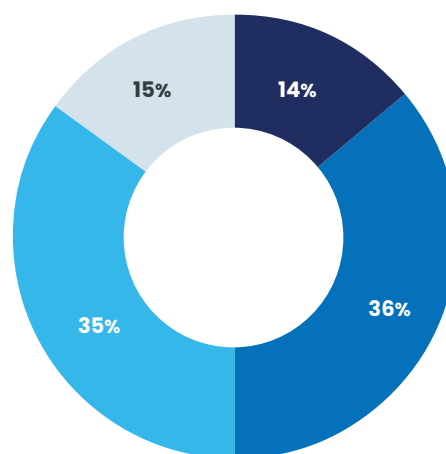
**What do you enjoy most?**

The most thrilling part of my job is the satisfaction that I am helping to making a real impact. Exercising our voting rights can ultimately result in an issuer designing stricter goals to reduce its environmental impact -- perhaps because we helped co-file a resolution, if an issuer appoints a more gender-balanced Board of Directors, or other ways in which exercising our votable shares successfully influenced positive change.

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

## Geographical distribution of Candriam Meetings

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



Candriam approved 71% 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.

The list of Candriam Equity open-ended funds can be accessed via our [Voting dashboard](#).

Names of voting mandates or dedicated funds managed by Candriam are confidential.

## Voting Scope

Voting portfolios	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)
<b>No. Voting funds at end 2022</b>	44	35	19
<b>No. Voted Meetings at end 2022</b>	1,807	811	427
<b>% Voting funds (in number) vs total eligible to vote, with the category at end 2022</b>	97.8%	Not relevant (*)	Not relevant (*)
<b>% Voting funds (in AUM) vs total eligible to vote, with the category at end 2022</b>	98.5%	Not relevant (*)	Not relevant (*)

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

For the equity open-ended funds segment of our voting scope, we voted in 98.3% of the meetings where we were eligible to vote in 2022. Non-voted meetings resulted from six types of events:

- Delay in receiving power of attorney;
- Falling below the votable share minimum;
- Positions acquired after the cut-off date, or after the share registration meeting and before actual meeting;
- Positions sold before meeting date;
- Cross-border limitations;
- Name of the fund shortened by the custodian.

On average in 2022, for every position we voted under the Candriam Voting policy, we exercised our vote on more than 97% of the associated voting rights.

For more information on our voting process, please refer to our [2022 Voting Policy](#).

Detail of our votes for Candriam open-ended funds, including explanations of 'Against' votes, are publicly available on our [Voting dashboard](#).

For mandates or dedicated funds voting under Candriam or custom voting policies, information is available to those clients in annual or in dedicated reports we deliver directly to those clients.

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

Any confirmed breach of our voting principles is communicated in the annual report(s) of the respective fund(s) when relevant. With the exception of one meeting for which one voting instruction was not well encoded, the sole breaches experienced in 2022 were non-voted meetings, and for the reasons outlined above.

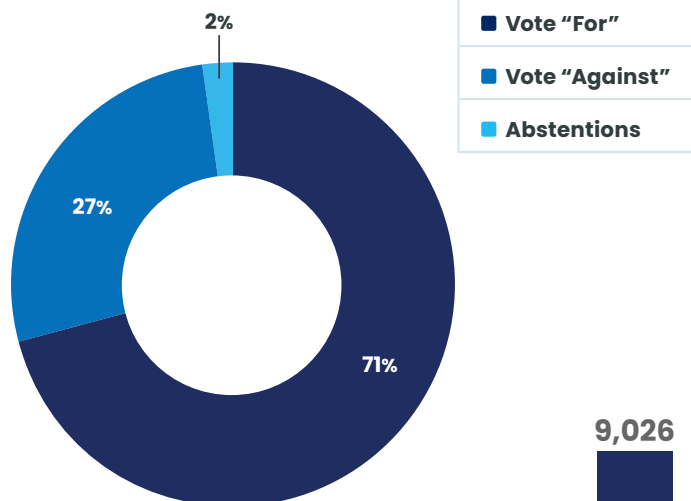
No conflict-of-interest situations were encountered during 2022.

## Management resolutions

### Overall Approval Rate

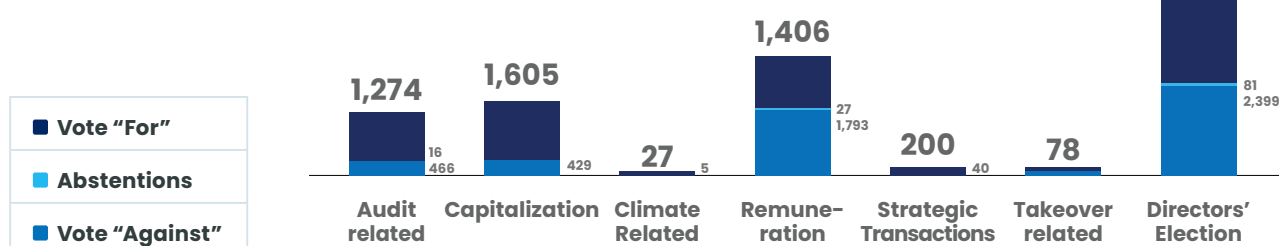
(Management resolutions only)

In 2022, we saw a decrease versus 2021 in our approval rates for the management resolutions due to the strengthening of our own guidelines for say-on-pay and say-on-climate resolutions (71% For in 2022, versus 74% For in 2021). Furthermore, we have introduced ethnic diversity requirements for four markets (UK, USA, Australia, and Canada) as well as a maximum average tenure requirement for US Boards. These changes triggered more adverse votes in 2022.



### Main areas of concern

(Management resolutions only)



# Our Votes by Topic.

*For company specific and resolution-specific detail, please see our website.*

## Management resolutions

Taking all concerns together, the graph [on the previous page](#) demonstrates the level of Candriam support for some frequent management resolution categories through 31 December 2022. Please also note that the opposition under 'director elections' and 'auditor-related' also includes situations where directors and auditors are targeted due to ESG concerns, especially where climate risks represent a material headwind to a business and the reporting of these risks is deemed inadequate or we consider financial statements to be misleading. In 2022, this applied to 16 directors at 13 companies.

Time-based grants, short vesting periods, lack of risk mitigators, and/or lack of information on the performance assessment of variable plans have contributed to our adverse votes on Say-on-Pay proposals. We voted against the executive remuneration packages and policies that provided a significant raise to the beneficiaries, senior management, or directors of companies which benefitted from public aid programmes while other stakeholders did not appear to benefit from the same level of support - e.g. employees experiencing redundancies, or shareholders not receiving dividend for several years. This was a continuation of our existing stance.

The most common response to compensate executives for a loss in performance remains to modify the 'running cycle' and/or time frame. Companies that had adopted time-based equity awards during the pandemic maintained their practices, even introducing entirely time-based awards or awards without performance requirements. The granting of discretionary payments to executives without clear, transparent, and objective performance criteria is the most common way to 'reward' the below-target achievement of existing performance plans.



The main reasons behind our adverse votes on capitalization proposals can be grouped under five categories:

- The maximum number of shares to be purchased exceeds 10% of the shares outstanding;
- The authority is requested for a longer period than a reasonable threshold;
- The repurchase price exceeds 110% of the market price;
- The share issuance request with or without pre-emptive rights exceeds reasonable limits;
- The capitalization authorization requested can be used during a takeover period.

Takeover-related proposals are opposed mainly if they could be used to thwart a hostile takeover.

## Director Election

	2022 No.	2022 %	2021 %
<b>Votes For</b>	9026	78.5%	80.6%
<b>Votes Against</b>	2399	20.95%	18.3%
<b>Abstentions</b>	81	0.70%	11.1%

## Remuneration Proposals

	2022 No.	2022 %	2021 %
<b>Votes For</b>	1,406	43.6%	49.3%
<b>Votes Against</b>	1,793	55.6%	49.5%
<b>Abstentions</b>	27	0.8%	1.2%

## Auditor Related

	2022 No.	2022 %	2021 %
<b>Votes For</b>	1274	72.6%	69.7%
<b>Votes Against</b>	466	26.5%*	29.7%
<b>Abstentions</b>	16	0.91%	0.6%

(\*) Please note that Candriam voted more auditor-related proposals (33.8% increase) in 2022. Therefore, while the percentage decreases, the absolute number of proposals voted against increased compared to 2021 (by 19.5%). The abstention votes were cast in markets where an Against vote is not a possible option.

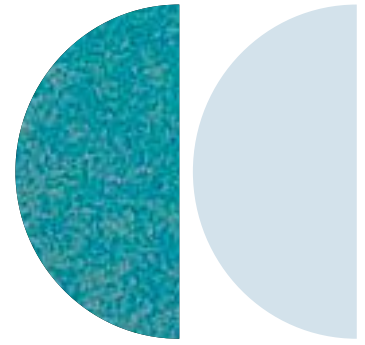
## Capitalization

	2022 No.	2022 %	2021 %
<b>Votes For</b>	1,605	78.9%	81.0%
<b>Votes Against</b>	429	21.1%	19.0%
<b>Abstentions</b>	0	0.0%	0%

## Takeover-Related

	2022 No.	2022 %	2021 %
<b>Votes For</b>	78	40.0%	40.7%
<b>Votes Against</b>	117	60.0%	59.3%
<b>Abstentions</b>	0	0.0%	0%

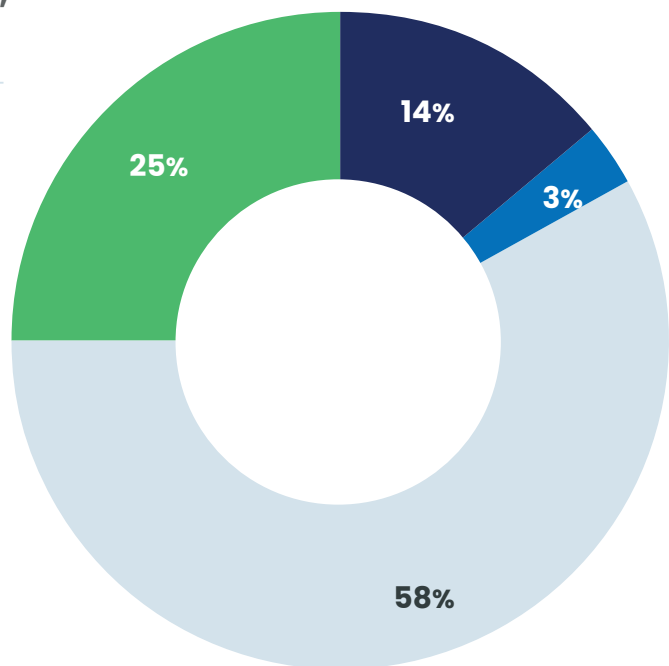
For more information on the Say-on-Climate votes, please refer to the section [Focus on Climate](#).



## Shareholder resolutions

### Environmental, Social, Governance, or a combination?

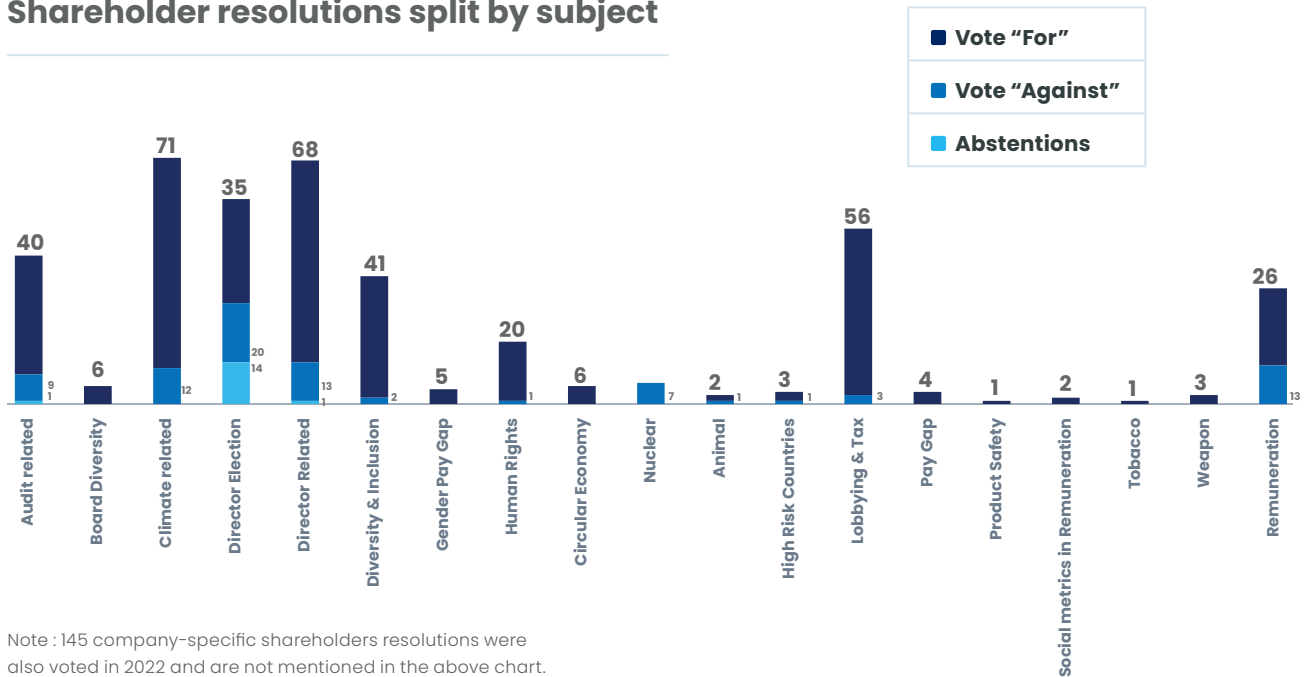
■ E
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■ S



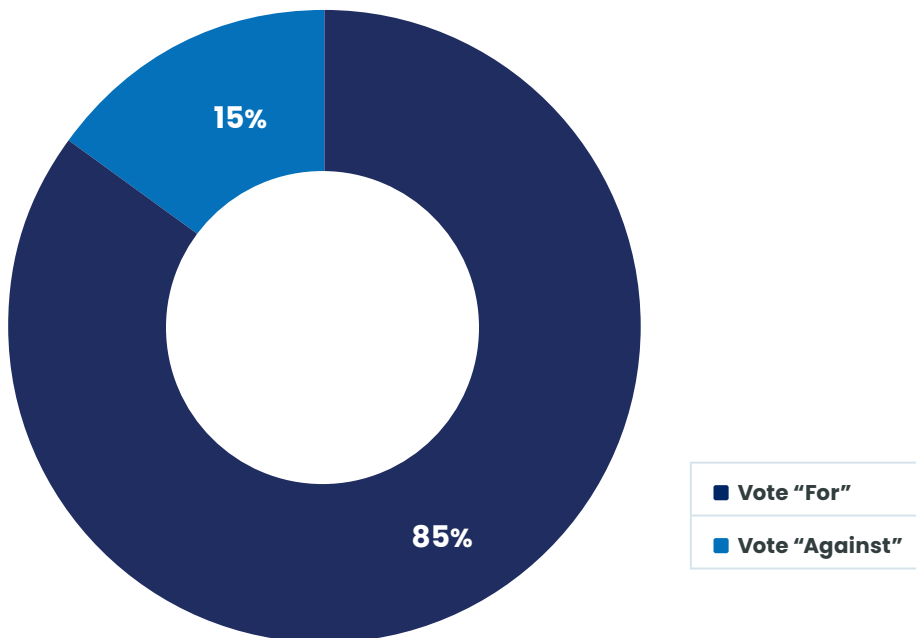
In 2022, we updated our internal tool to provide more granular information on the topics voted through shareholder resolutions. In line with the breakdown provided in our 2021 reporting, climate-related proposals constituted 83% of all **E** (Environmental) proposals voted in 2022.

Among **S** (Social) proposals, lobbying and tax resolutions have the highest proportion (31.9%) while diversity-related and human rights-related items constituted 26.5% and 11.4%, respectively.

## Shareholder resolutions split by subject



## Votes on E and S resolutions



Overall, Candriam supported 85% of all **E** and **S** resolutions in 2022 (264 proposals out of 309). This is a 10 percentage-point increase compared to 2021 (75% support in all **E** and **S** proposals).

# Active Ownership.

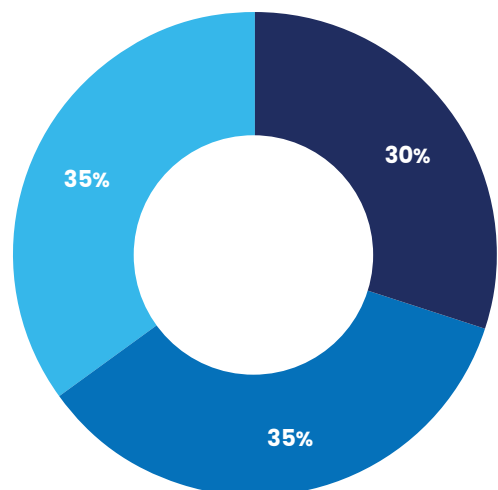
Candriam is an active shareholder. We systematically engage with a defined set of companies prior to the AGM season to help them better understand our views and better respond to investor expectations on corporate governance matters. As the guardian of our voting policy, our Proxy Voting Committee is informed ahead of the engagement of contacts taken with companies and the Committee reviews potential escalation actions including, but not limited to, co-filing a shareholder resolution, launching a collaborative engagement, pre-declaring votes, or submitting questions at general meetings. For further information on the tasks and responsibilities of the Proxy Voting Committee, please refer to [Section 4.1. of the Candriam Voting Policy, on the Proxy Voting Committee of the Voting Policy.](#)

In 2022, we engaged with 46 companies ahead of their annual general meetings to address specific issues identified in their governance structures.

While the companies engaged were incorporated mainly in Europe (94%), we have seen a growing interest from non-European companies in engaging with investors prior to their general meetings to collect feedback. Still, out of 46 companies, only 16 companies were considered 'easily responsive', that is, we enjoyed smooth conversation with company representatives and they demonstrated their readiness to improve practices.

## Issuer Responsiveness

■ Difficult
■ Easy
■ Medium





We acknowledge the improvements made by some companies. Our remaining concerns helped determine our votes during the 2022 AGM season. After the voting season, we identified 14 companies with persistent problems within their governance structure and a second engagement process was initiated in the second half of 2022 in preparation for the next AGM, with the aim of influencing company practices.

In addition to engaging with companies, filing resolutions, AGM statements or AGM questions are standard tools of the responsible investor. We usually use them to escalate an unfruitful engagement or when we believe these options will serve our investment strategies and the values we stand for. Below, we summarize our engagements during 2022.

Companies	Action	Escalation?	Topic	Outcome
Illimity Bank	<b>Resolution co-filing</b>	No	Nomination slates	Passed
Intesa SanPaolo	<b>Resolution co-filing</b>	No	Nomination slates	Passed
LVMH Moët Hennessy	<b>Questions at AGM</b>	Yes	Governance matters	Company <a href="#">answered</a> our questions.
SAP SE	<b>Questions at AGM</b>	Yes	Governance matter	Company answered our questions.
Teleperformance SA	<b>Questions at AGM</b>	Yes	Social matters and link to general Governance	Company <a href="#">answered</a> our questions.
TotalEnergies SE	<b>Resolution co-filing</b>	Yes	Climate	Some shareholders withdrew from the co-filing after Company made new commitments. Quota required for filing no longer reached.
Unilever Plc*	<b>Resolution co-filing</b>	Yes	Healthy Products	Withdrawn after company's new commitments
a European Bank (anonymized)	<b>Resolution co-filing</b>	Yes	Climate	Withdrawn after company's new commitments

(\*) More information on the Unilever engagement can be found in the case study on page 22.

**In addition to the activities above, we also pre-declared our voting intention for one meeting, that of St Gobain SA, in 2022. With pre-declaration formally added to our voting policy as of Jan. 1, 2023, the use of pre-declaration of our votes should increase in the [2023 voting season](#).**

# Unilever

## Case Study



**Sairindri Christisabrina**  
ESG Analyst, Candriam

### **Sairindri, as the ESG research analyst for the Food & Beverages sector, would you explain us why we engaged with Unilever?**

The Food industry, including manufacturers, has a role in shaping the diets of consumers, and therefore needs to take a role in tackling diet-related disease. Obesity rates worldwide have tripled since 1975. More than 1 billion people worldwide are obese – 650 million adults, 340 million adolescents and 39 million children.<sup>3</sup> Regulators worldwide are fast-tracking an array of fiscal measures (such as sugar and calorie taxes) as well as other policy measures (eg, reformulation targets, warning labels, marketing and advertising restrictions), all aimed at reducing sales of less-healthy food and drink products.

In 2020 Unilever reported that 61% of its food and drink sales were derived from products with 'High Nutritional Standards' and that it targeted to increase this proportion to 70% in 2022. However, independent third-party assessment<sup>4</sup> calculated a much lower percentage when assessing products according to government-endorsed standards. As investors, and considering trends in regulation and consumer expectations, we are concerned by these types of discrepancies and uncertainties.

### **What action did we take?**

Since 2018, Candriam has been part of the active working group engaging with Unilever under the *Access to Nutrition Initiative*, to improve the company's transparency and practices on nutrition. The company actually scored among the best of its peers.

**In 2019 we engaged specifically and individually with Unilever on sugar matters** via a dedicated campaign we led on *Sugar Risks in the Food and Beverages Industry*.

While making progress, Unilever, as others in the agri-food industry, falls below our expectation on nutritional matters. In 2021, after internal discussions and validation from both our Proxy Voting Committee and Stewardship Workstream **we decided to escalate our engagement. We agreed to co-file a resolution to accelerate the company's tangible actions and send a signal to the entire sector.** We believed that if Unilever was ready to move into top gear on healthy matters, its competitors would follow. In the following weeks, with other co-filers, we began active dialogue with Board members and representatives of Unilever's R&D staff.

<sup>3</sup> <https://www.who.int/news/item/04-03-2022-world-obesity-day-2022-accelerating-action-to-stop-obesity#:~:text=More%20than%201%20billion%20people,adolescents%20and%2039%20million%20children.>

<sup>4</sup> Access to Nutrition Initiative, <https://accesstonutrition.org/the-indexes/>

### What were the results?

**Engagement was successful.**<sup>5</sup> In March 2022, Unilever announced its decision to publicly report the performance of its product portfolio against at least six different government-endorsed Nutrient Profile Models (NPM), in both volume and revenue terms, as well as against its own Highest Nutritional Standards.<sup>6</sup> The reporting began in October 2022, **making Unilever the first global food company to undertake such a commitment.**

The co-filed resolution was withdrawn ahead of the AGM, in the light of this new commitment.

And, as expected, in the months following the Unilever announcement **other major companies in the food industry began to take action**, with Nestlé<sup>7</sup> adopting a similar broad approach and Danone<sup>8</sup> taking action in the UK and some other markets.

### What do you see for the next steps?

Unilever has committed to continue dialoguing with Candriam, via both the *Healthy Markets* and *Access to Nutrition* Initiatives. New commitments will be developed and implemented in the run-up to the 2024 AGM, to expand upon the first broad report provided in Oct 2022.

We will continue to monitor and challenge global food companies on this theme.

<sup>5</sup> We co-filed with the *Healthy Market* coalition of *ShareAction*. We are members of the parent group *ShareAction*. While we work with the *Healthy Market* coalition, we are not formal members of the coalition.

<sup>6</sup> Unilever to set new benchmark for Healthy Nutrition, Unilever, <https://www.unilever.com/news/press-and-media/press-releases/2022/unilever-to-set-new-benchmark-for-healthy-nutrition/>

<sup>7</sup> [https://www.nestle.com/media/news/nestle-transparency-nutritional-value-portfolio#:~:text=The%20company%20will%20make%20the,%2Dof%2Dpack%20labeling%20systems.Nestl%C3%A9%20to%20provide%20transparency%20on%20nutritional%20value%20of%20its%20portfolio%20\(nestle.com\)](https://www.nestle.com/media/news/nestle-transparency-nutritional-value-portfolio#:~:text=The%20company%20will%20make%20the,%2Dof%2Dpack%20labeling%20systems.Nestl%C3%A9%20to%20provide%20transparency%20on%20nutritional%20value%20of%20its%20portfolio%20(nestle.com))

<sup>8</sup> <https://www.danone.co.uk/content/dam/danone-corp/uk-irl/uk/medias/medias-uk/2023/corporatepressreleases/danone-uk-and-ireland-health-commitments.pdf>

# Votes on Sensitive Resolutions.

## Highly sensitive votes

The Candriam Voting Team sets a predefined list of companies at the beginning of each year as a framework to identify 'highly sensitive votes'. This list is not exhaustive and is updated during the voting season.

We vote for every 'votable' position of the portfolios part of our voting scope, as explained in our [Voting Policy](#). In cases of securities lending, during 2022 we reserved a minimum position of 20% in order to preserve our voting rights, but our average voting percentage is higher (more than 97% in 2022). For highly sensitive companies, and/or in instances where the shares are on loan, we ensure that all shares are recalled so that we can exercise our full leverage at the meetings.

If the circumstances which caused the company to be on the pre-defined list materialize, the Voting Team analyses the relevant resolutions and assesses whether any sanctioning vote, or vote against management, is necessary. The tables enumerate by topic the resolutions we targeted at these 247 highly sensitive meetings, and the alignment of our vote with that of other voting shareholders.<sup>9</sup> Our reporting here is intended to provide more granularity on how Candriam voted at sensitive meetings and the alignment with a significant portion of the other shareholders.

### Mergers and Acquisitions

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

<b>Aligned*</b>	4
<b>Partially aligned (resolution passed with at least 20% dissent)</b>	3
<b>Not Aligned (resolution passed with less than 20% dissent)</b>	5

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

### Environmental and Social Resolutions

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

<b>Aligned (resolution passed)</b>	26
<b>Partially aligned (resolution failed with at least 20% support)</b>	111
<b>Not aligned (resolution failed with less than 20% support)</b>	112

<sup>9</sup> When we indicate 20% dissent, we mean 20% of those shares which were voted.

## Shareholder Climate Proposals

Fourteen shareholder climate proposals were voted at companies flagged as 'most sensitive' for *Climate-related reasons*.

<b>Aligned*</b>	6
<b>Partially Aligned (Candriam voted FOR and the resolution failed with at least 20% dissent)</b>	3
<b>Not aligned (Candriam voted FOR and the resolution failed with less than 20% dissent)</b>	5

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

## Climate sanctioning: director election and discharge

Nine management resolutions on discharge and director elections were voted Against because of the lack of proper Board oversight for companies flagged as 'most sensitive' for *Climate-related reasons*.

<b>Aligned (resolution failed)</b>	0
<b>Partially Aligned (resolution passed with more than 20% dissent)</b>	1
<b>Not Aligned (resolution passed with less than 20% dissent)</b>	8

## Historical dissent from shareholders

Only one resolution was flagged due to the *high dissent trigger*. We voted against due to our significant holding, the presence of a high dissent level in 2021, and the lack of response from the company to address the broad shareholder dissent. The resolution passed, but with more than 20% dissent, a significant portion of the investors aligned with our vote. Therefore, the alignment is considered 'Partially aligned' for this resolution.

## Management Climate Proposals

Twenty-two management climate proposals were voted at companies flagged as 'most sensitive' for *Climate-related reasons*.

<b>Aligned*</b>	0
<b>Partially Aligned (Candriam voted Against and the resolution passed with at least 20% dissent)</b>	4
<b>Not Aligned (Candriam voted Against and the resolution passed with less than 20% dissent)</b>	18

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

## Weak outcome from engagement with company

A total of 225 management proposals on director elections, compensation and auditor-related topics at such companies were voted Against in 2022 after being flagged as 'most sensitive' because of a *weak outcome from engaging with the company*.

<b>Aligned (resolution failed)</b>	2
<b>Partially Aligned (resolution passed with more than 20% dissent)</b>	35
<b>Not Aligned (resolution passed with less than 20% dissent)</b>	188

## Governance

423 management resolutions on *director elections, compensation* and *auditor-related* topics at companies flagged as 'most sensitive' for *weak governance* reasons combined with significant Candriam holdings in these companies :

<b>Aligned (resolution failed)</b>	7
<b>Partially Aligned (resolution passed with more than 20% dissent)</b>	63
<b>Not Aligned (resolution passed with less than 20% dissent)</b>	353





**Candriam is an active shareholder. We systematically engage with a defined set of companies prior to the AGM season to help them better understand our views and better respond to investor expectations on corporate governance matters.**







# Meetings of specific interest

Highly sensitive resolutions such as those above are only one sub-category of our targeted items. Other resolutions are subjected to and benefit from the close attention of our Voting team. We use a wide range of triggers throughout the year to classify meetings as 'of specific interest'.

If a meeting warrants interest for the topics below or for any other reason, our internal Voting team analyses the general meeting agenda to determine whether an item should be targeted.

The aim of our internal analyses is to fulfil our responsibility as an Active Owner and to secure the maximum influence as owners of the company.

In 2022, we internally re-analysed 626 meetings, of 574 different companies, for a variety of reasons. Of these 626 meetings, 247 were deemed highly sensitive resolutions as detailed on page 24.

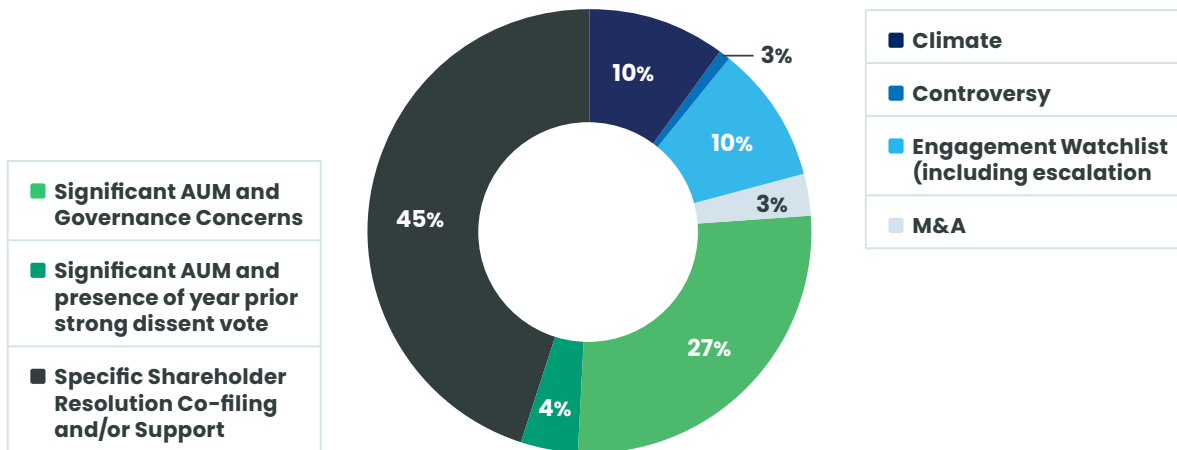
The topics of those meetings can generally be grouped under seven categories:

- **Climate**
- **Engagement Watchlist** (including escalation)
- **Specific Shareholder Resolution Co-filing and/or Support**
- **M&A**
- **Controversy**
- **Significant holdings and Governance Concerns**
- **Significant holdings and presence of year prior strong dissent vote**

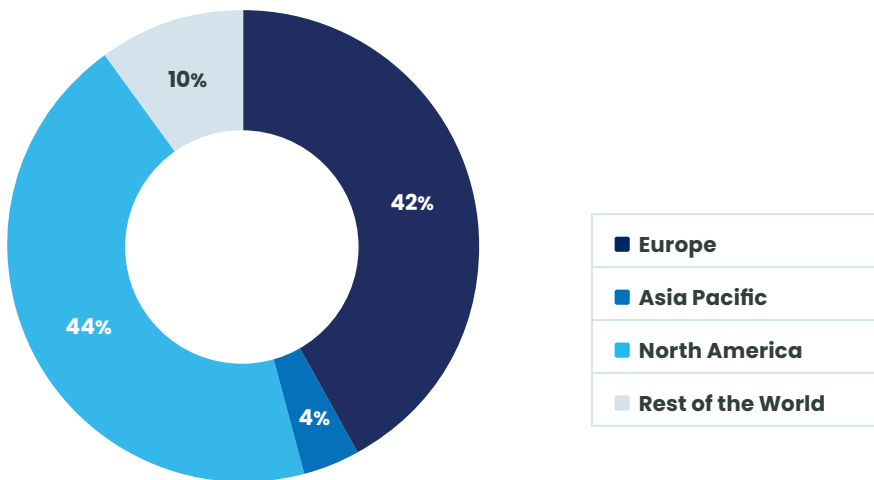
The statistics below include the 247 sensitive votes as well as the 379 other targeted items. On average, for these 626 meetings and the voting portfolios involved, we voted 93.9% of votable shares.<sup>10</sup>

Trigger Reason	Count of Meeting
<b>Climate</b>	60
<b>Controversy</b>	5
<b>Engagement Watchlist (including escalation)</b>	63
<b>M&amp;A</b>	22
<b>Significant AUM and Governance Concerns</b>	166
<b>Significant AUM and presence of year prior strong dissent vote</b>	28
<b>Specific Shareholder Resolution Co-filing and/or Support</b>	282
<b>Grand Total</b>	<b>626</b>

<sup>10</sup> Calculated based on the voted shares vs votable shares ratio for all proposals voted at all 626 meetings.



The geographical distribution of all sensitive meetings analysed in 2022 is shown in the chart below:



To illustrate our approach, we present eight case studies from our 2022 voting season, drawn from the Environmental, Social or Governance areas. In each instance, we include the priority trigger, the background, our voting rationale and the overall vote outcome.

All of our votes and the rationale for Against votes can be accessed on our [voting dashboard](#).

# Environmental

## TotalEnergies SE

25 May, 2022

Priority Trigger: Climate

Sector: Energy

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

### Context

This resolution was put forward by the management, already a good practice in itself. But while TotalEnergies has improved its climate-related disclosure and has made progress in the rollout of its climate strategy, the company's climate plan still suffers from some elements which do not deliver a Paris-aligned trajectory and are not in line with our climate expectations.

### Our Vote

Therefore, we voted Against. Among the main drivers of our decision:

- The company has one of the most ambitious hydrocarbon expansion plans among oil majors, in contradiction with IPCC and IEA Paris aligned trajectory.
- The company has disclosed absolute targets for emission Scopes 1&2, but has so far failed to disclose a clear absolute Scope 3 reduction target. The current < 400mt target means that basically, TotalEnergies' emissions would remain stable until 2030, while the IPCC 1.5°C trajectory requires a 50% reduction of global emissions by 2030.

- The company's capex plans are not specific enough with respect to the expansion of its gas business, which represents the largest strategic driver in both the short- and medium term. The company's capex plan is not consistent with a science-based Paris-aligned trajectory, with the vast majority of the capex budget still allocated to investment in oil and gas-related activities through 2030 and presumably beyond.

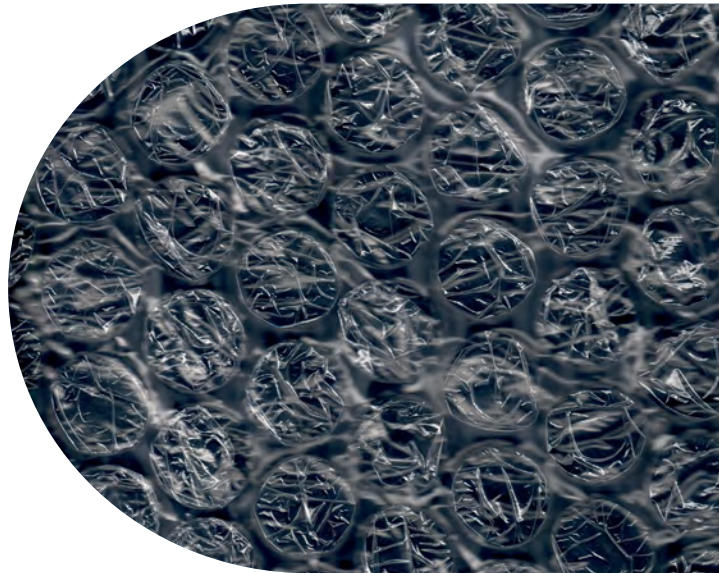
- While TotalEnergies states its ambitions to become net zero by 2050, the company fails to demonstrate to what extent its climate plan is aligned with the IEA 1.5°C scenario. Additionally, the company has acknowledged that its current targets are not science-based.

### Outcome

The resolution was supported by 88.9% of the shareholders. While this outcome might be seen as a 'success' for the company, when compared to the level of support of SOCs at other companies, TotalEnergies' level of support is rather low,<sup>11</sup> showing a remaining discontent from a non-negligible part of its shareholder owners.

<sup>11</sup> By 'low' support, we mean that 11% of the shares voted dissented. This is a rather high level of dissent for a management resolution, therefore a low level of support for management.





## Amazon.com, Inc

25 May, 2022

**Priority Trigger:** Specific Shareholder Resolution Support

**Sector:** Consumer Discretionary

**Item 8:** Report on Efforts to Reduce Plastic Use

### Context

Amazon's substantial and growing use of plastic packaging exposes the company to increased financial and reputational risk from the millions of tons of plastic which end up in oceans and the environment. However, the company lags its peers on disclosure and commitment to reducing plastic used for packaging.

At the heart of the plastic pollution problem are single-use plastics such as those generated by Amazon packaging, which make up the largest component of ocean-bound plastic pollution. Amazon has not disclosed how much plastic it uses but the company is believed to be one of the largest corporate users of flexible plastic packaging, with heavy use of plastic e-commerce mailers, which are generally not recycled.

A recent report by the non-profit group *Oceana* estimated that Amazon generated 599 million pounds (300,000 Imperial tons, 272 million kg) of e-commerce plastic packaging in 2020. The company says the report overestimated its plastics use but has declined to disclose its actual e-commerce plastic usage or the amount of plastic used in its 400+ private-label brand operations.

The non-profit *As You Sow* filed a resolution requesting that Amazon issue an annual report on plastic packaging pollution, including an assessment of its efforts to reduce the impacts on the environment.

### Our Vote

We voted FOR the shareholder resolution.

### Outcome

A massive 48.9% of shareholders of Amazon.com supported the *As You Sow* shareholder resolution at the company's annual meeting. Although it narrowly failed, this vote should be seen as tremendous support for this proposal since, when management and insider shares are discounted, the proposal was approved by an estimated 59% of non-company-related shares.

# Social

## Sainsbury (J) PLC

July 7, 2022

**Priority Trigger:** Specific Shareholder Resolution Support

**Sector:** Consumer Staples

**Item 21:** Shareholder Resolution on *Living Wage* Accreditation

### Context

A group of shareholders coordinated by *ShareAction* has put forward a shareholder resolution on the agenda asking the company to become a *Living Wage*-accredited employer. In its supporting statement, *ShareAction* noted that Sainsbury's, as a large retail group operating over 600 supermarkets and 800 convenience stores in the UK employs more than 189,000 workers. In January 2022, Sainsbury's increased pay for directly employed staff to £10.00 per hour outside of London (exceeding the *Living Wage* rate of £9.90) and matched the *Living Wage* rate for employees in inner London (£11.05). In April, Sainsbury's took the further step of matching the *Living Wage* in outer London.

However, *Living Wage* pointed out that Sainsbury's has not matched the rate for third-party contractors and there is no ongoing commitment to match increases in the real *Living Wage*, which accreditation would ensure.

Through shareholder resolutions, owners asked the company to become an accredited *Living Wage* employer to ensure all direct workers, in London and across the UK, are paid at least the real *Living Wage* rate now and in future, to conduct an analysis of third-party contractors to determine how many workers earn below this rate, and to work with the contractors to lift the wage to the real living wage rate by 2026.

### Our Vote

At the AGM, we voted For the resolution, believing that a commitment to become accredited will be vital for the food retailer industry, and that Sainsbury's could set an example for other retailers, an industry associated with poor pay and poor working conditions. Accreditation would also help to extend the improvement to subcontracted staff (eg cleaners), who are often subject to poor working conditions. Given the key leading role of Sainsbury's already in lie with the figures from *Living Wage*, this request should be the logical next step to confirm the company's commitment.

### Outcome

The resolution received 16.7% support from the shareholders who voted at the meeting (75.3% of the issued shares). While the resolution failed, we consider this a massive dissent vote, and the company should consider this in its approach to wage rates across regions.





## Lowes Companies Inc

May 27, 2022

**Priority Trigger:** Specific Shareholder Resolution Support

**Sector:** Consumer Discretionary

**Item 7:** Report on Risks of State Policies Restricting Reproductive Health Care

### Context

The Educational Foundation of America submitted a shareholder proposal requesting that the company report on the potential risks and costs to the company of state policies that restrict reproductive health care, and any plans the company puts in place to mitigate such risks. Lowes currently has stores in states that passed legislation challenging the US 'Roe v. Wade' framework by limiting abortion rights. Shareholders provided in their statement that the report should evaluate any risks and costs to the company associated with new laws and legislation which severely restrict reproductive rights, and similar restrictive laws proposed or enacted in other states. The shareholders hope the requested reporting would motivate the management to monitor and respond to imminent threats to its ability to provide the highest quality reproductive health care to its employees.

### Our Vote

At the AGM, we voted for the resolutions as we believe that reproductive rights referred to in the resolution are fundamental human rights as expressed by bodies such as the *United Nations Office of the High Commissioner on Human Rights*. In that respect, Candriam brought its support to the resolution as corporates will indeed be impacted by such laws restricting access to reproductive technologies. That said, our support was not without concern.

The wording of the proposal, focusing on a specific group of employees only, and asking a company to report on risks and costs caused by such laws, may reinforce prejudices about working parents and deepen discriminatory behaviours based on gender in general. We reiterated in our rationale that Candriam defends non-discrimination values and in particular promotes measures supporting working parents (flexible work arrangements, quality childcare options, adapted health coverage, prevention of discrimination, etc). Workers forced to travel out of their residence state to seek access to reproductive technologies due to laws restricting reproductive rights are not being treated fairly and equally. Any corporate initiative advocating against state laws restricting access to fundamental human rights helps support working parents.

### Outcome

The resolution was supported by 32% of the shareholders who voted at the AGM. Such strong support has also been seen at the AGMs of TJX, Walmart and Costco as the same resolution was added to the agendas at their respective AGMs.



## Amazon.com, Inc

25 May, 2022

**Priority Trigger:** Specific Shareholder Resolution Support

**Sector:** Consumer Discretionary

**Item 12:** Publish a Tax Transparency Report

### Context

With the resolution filing, shareholders asked the Board to issue a tax transparency report prepared in consideration of the indicators and guidelines set forth in the *Global Reporting Initiative Standard*. According to the supporting statement attached to the proposal, shareholders argue that Amazon does not disclose revenues, profits or tax payments in non-US markets, impeding the ability of investors to evaluate the risks to the company of taxation reforms, or to evaluate whether Amazon is engaged in responsible tax practices that ensure long-term value creation for the company and the communities in which it operates. Amazon's approach to taxation has been repeatedly challenged by tax authorities globally. The resolution, therefore, aims at bringing the company's disclosures in line with leading companies that have the reporting practice in place.

### Our Vote

At the AGM, we voted FOR the proposal.

### Outcome

The proposal is supported by 21% of the company's independent shareholders. Not only was this the first tax transparency proposal targeting Amazon, but it also shows the public demand for real transparency in the tax practices of large corporations.

# Governance

## BFF Bank SpA

March 31, 2022

Priority Trigger: Engagement Watchlist

Sector: Financials

Item 5.1: Approve remuneration policy

Item 5.2: Approve severance payments policy

Item 5.3: Approve second section of the remuneration report

Item 5.4: Approve incentive plan

### Context

We have been engaging with the company on a variety of topics for the last two years including remuneration practices, human capital management and overall governance structure. Especially after their remuneration policy failed the shareholder vote in 2021, we shared our concerns on the lack of transparency and alignment with the best practices.

### Our Vote

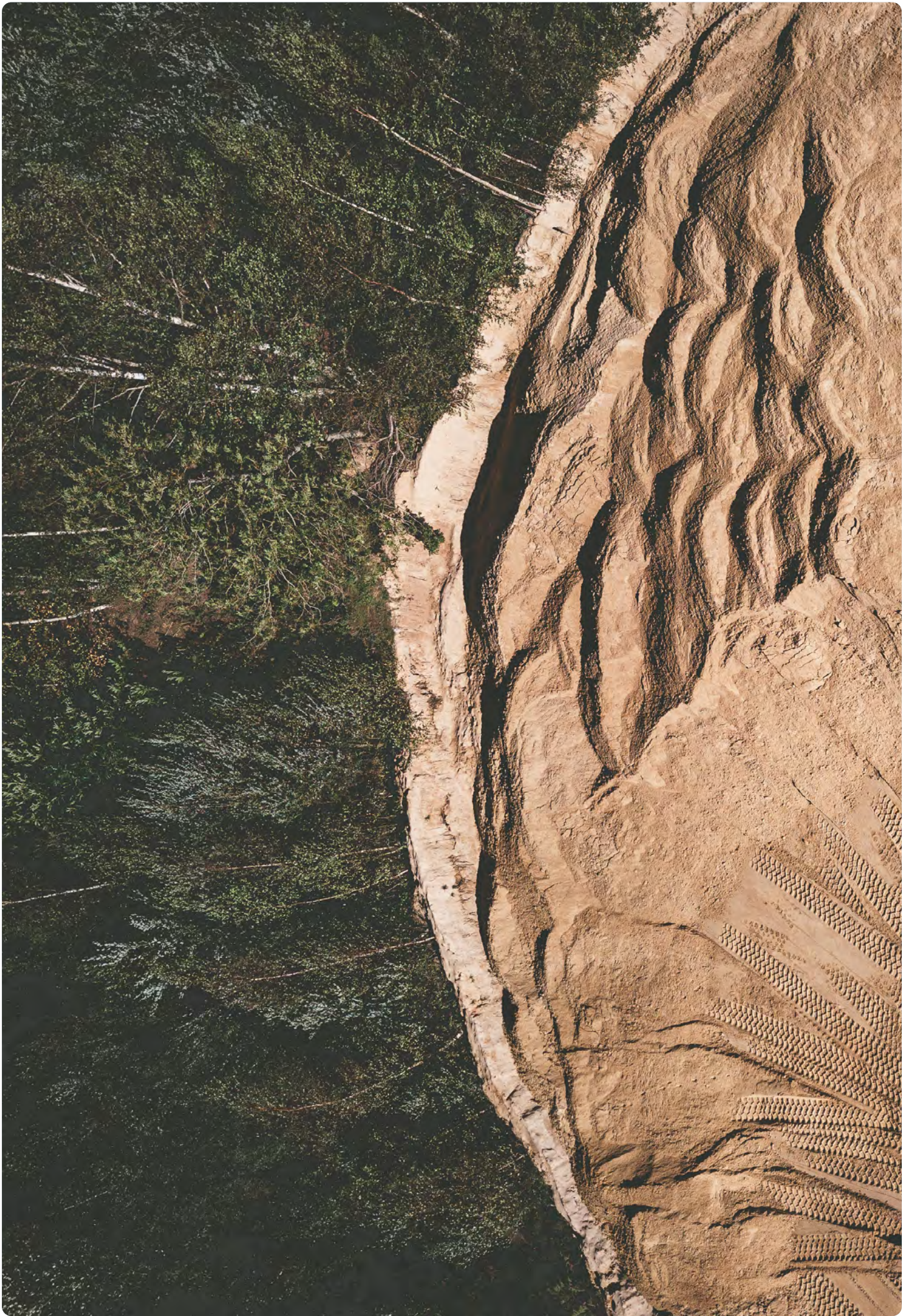
At the AGM in 2022, some of our concerns were addressed in the newly-proposed policy, but the remuneration report and policy disclosures still fell short of our expectations. We voted Against all remuneration-related proposals under Item 5, pointing out our acknowledgment of the improvements included in the 2022 policy while noting our concerns on both ex-ante and ex-post disclosure on target levels of compensation, presence of an extraordinary bonus plan, severance arrangements exceeding 24 months, and the lack of stringency of non-financial performance metrics.

### Outcome

Such concerns are shared by other investors, demonstrated by the 40% dissent levels for the remuneration policies and the 17% opposition to the remuneration.









## LVMH Moët Hennessy Louis Vuitton SE

April 21, 2022

Priority Trigger: Engagement Watchlist, Escalation Issue

Items 14-16 and 18-19

### Context

We have conducted pre-AGM engagement campaigns with LVMH for the past three consecutive years, sharing our concerns on Board composition, lack of succession planning, and remuneration practices, including a letter sent prior to their general meeting. The company is not addressing our concerns, maintaining that as a family-owned company, the best market expectations and practices are not applicable to it.

As a first escalation measure, we [submitted questions](#) on four main topics at their 2022 AGM. In particular, we expressed concern on the combined roles of CEO and chairperson with insufficient Board independence, lack level of response to the dissent voted on items in 2021, the appointment of a censor<sup>12</sup> and lack of transparency on executive remuneration.

### Our Vote

To signal our concerns once again, we also voted Against the election of Bernard Arnault to the Board as he serves as both the company's CEO and Chairman, which is considered to be a breach of good governance practices.

Moreover, we did not support either the election of a non-independent director or the election of a member of the remuneration committee, due to the lack of sufficient independence and the lack of response to the significant dissent on the remuneration report last year, respectively.

We also opposed the remuneration policy for the CEO and Vice-CEO, as the company does not disclose targets or pay scales for the annual bonus, while the vesting scales and the performance period of long-term incentive plans are not disclosed. In addition to other concerns about the company's remuneration practices, Items 14-16 and 18-19 did not warrant our support.

### Outcome

Although the company is majority-controlled by the family and the free float is limited, the items received significant dissent, supporting our belief that investors agree on the company's shortcomings. The remuneration items in particular received more than 15% opposition from the shareholders who voted at the latest AGM.

<sup>12</sup> A 'censor' is typically a position to allow individuals to serve in a more consultative role at French boards. Mainly due to their past roles in the company (former CEO, founder etc) or to their close affiliations with the majority shareholders, they are asked to share their observations and opinions on matters that are discussed at the board level. They participate in board meetings but act as non-voting board members. Their Board positions have different (typically lower) levels of duty of care, confidentiality, etc than is typical for a Board member. In some cases, they are added to the board without their candidacy being voted on by the general assembly which is not considered the best governance practice.



## Stellantis NV

April 13, 2022

**Priority Trigger:** Significant holdings and Governance Concern

**Sector:** Consumer discretionary

**Item 2.c:** Approve Remuneration Report

### Context

The struggle with remuneration-related items is not new for automaker Stellantis. In 2021, the company's remuneration policy received criticism and was supported only by 55.8% of shareholders who cast votes. In 2022, disclosure improved slightly with respect to the amounts received by two executive directors in 2021. However, our concerns with regard to overall remuneration, which included a merger-related payment, remained weighty.

### Our Vote

Specifically, the award made to the current CEO in relation to the merger and the overall amount are considered excessive for this sector, while the justification is not compelling (the compensation packages put forward in the remuneration policy should already be sufficient to reward executives for their performance).

Another issue was that the Board has decided to implement a one-off long-term incentive plan without disclosing the performance KPIs, and confirmed that such implementation is a deviation from the policy without providing the need for such an exceptional award plan and its fairness, as required by law.

### Outcome

Based on these concerns, we voted Against the remuneration report. Given that the resolution did not pass at the AGM (52.1% dissent), these concerns are shared by the majority of the investors and further changes in Governance are expected from the company.



# Softbank Group Corp

June 24, 2022

Priority Trigger: Engagement Watchlist

Sector: Communication services

Item 3.1: Elect Director, Masayoshi Son

## Context

We engaged with the company for the first time in 2021 within the context of a fixed income engagement campaign and focused our questions on their governance structure and investment due diligence. At the time, we had concerns over the CEO/Chairman combination, succession planning and Board independence. It was important for us to share with the company our general expectations that all investee companies should separate the roles of chairperson and CEO, and that they should adopt succession policies to provide investors with some level of clarity on business continuity.

We have also been in contact with the company as part of our [Facial Recognition Technology Initiative](#), asking the company about the procedures they have in place to assess, monitor and mitigate the risks linked to this technology.

## Our Vote

We voted against the election of Masayoshi Son because he serves as the company's CEO, Chairman and Chairperson of the company and these roles are combined without a sufficient counter-balancing mechanism on the Board. He also holds significant influence as the founder and main shareholder of the company. While we recognize that such separation is not a

market practice in Japan, we believe that a global and growing company that invests in rising technologies should meet the international best standards for curbing excessive risk-taking and ensuring business stability. We also underline the need for succession planning. We also note the need for having a far-reaching and comprehensive due diligence and risk assessment process for their existing and future investments by providing a clear and transparent disclosure of the KPIs and conditions used, reporting on the engagements with investee companies and the risk identification process. As we have concerns about the lack of a counter-balancing mechanism on the supervisory level, more transparency and challenging KPIs for the risk assessment are expected from the company.

## Outcome

We note that the item is approved by 97.7% of the independent votes cast.

# What will 2023 bring?

## Regulatory Updates in the US

One of the most noteworthy developments of 2022 was the universal proxy card which came into effect on 1 September 2022. The new Securities and Exchange Commission (SEC) regulations enable shareholders to vote individually for their preferred mix of Board and dissident nominees at a contested meeting, rather than an up or down vote for the entire slate of candidates. This important development will make a more considered set of options available for shareholders. Candidates for Director positions will be supported solely based on their individual skill matrix and their potential contributions to the Boards.

These new universal proxy card rules require companies to review and possibly amend their bylaws to provide dissidents sufficient time for a contested election. While we maintain our long-held view that dissident proposals should present a justified case for change, we expect new proxy rules will result in more situations where directors with governance vulnerabilities will be scrutinized by investors, beginning in the 2023 voting season.

## Close Monitor of Equity Awards Vesting in 2023

Another expectation for 2023 follows on the Covid-19 challenges first faced in 2020. Long-term incentives granted in 2020 will begin to vest in 2023, and we expect the windfall gains will make vesting, and measurement of executive performance, key topics of discussion topic for remuneration committees. For context, Boards granted large numbers of

additional shares in 2020 due to the significant fall in the share prices during the Covid-19 outbreak. Most awards made in 2020 in the uncertain environment are due to vest and we expect remuneration committees will take this into account when determining the vesting of the awards, potentially reducing the vesting outcomes.

## Pre-declaration of Votes as an Escalation Tool

Following the updating of our 2023 Voting Policy to pre-declare votes, we now expect to announce our voting intentions for 'sensitive' meetings. The goal of this change is to improve market transparency and collaboration for asset owners and other stakeholders, by providing clearer insight into how responsible investment activities are implemented. We made our first pre-declaration of our vote in 2022, before the AGM of Compagnie de Saint-Gobain. We announced our abstention from the three resolutions on auditors and

financial statements. While the company made tangible commitments to improve climate-related accounting disclosures, we determined that their methodology of incorporating climate into their financial statements was still insufficient.

Please note that *one or more* resolutions may be subject to pre-declaration.

## A stronger legal framework for Say-on-Climate Proposals?

The practice of Say on Climate is gradually developing in several countries around the world. In Europe, it is mainly practiced in the United Kingdom and France. To date, there is no official framework to structure the practice and ensure equal levels of transparency among all companies.

Debates at general meetings are privileged moments for shareholders to deliberate on the strategic orientations of the companies they own. The opportunity to co-file

shareholder resolutions is another powerful tool. But given the complexity of filing external resolutions in some jurisdictions, this lever may be in jeopardy.

Candriam is considering engaging with stakeholders such as regulators, politicians and specialized financial market committees or working groups to push for clearer SOC frameworks and ease the ability to co-file ESG shareholder resolutions.

**For more information, please note that Candriam discloses all our votes along with related rationale(s) for Candriam's open-ended equity funds, since 2020, on our dedicated [voting dashboard](#).**



**€139B**

AUM at end  
December 2022\*



**600**

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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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