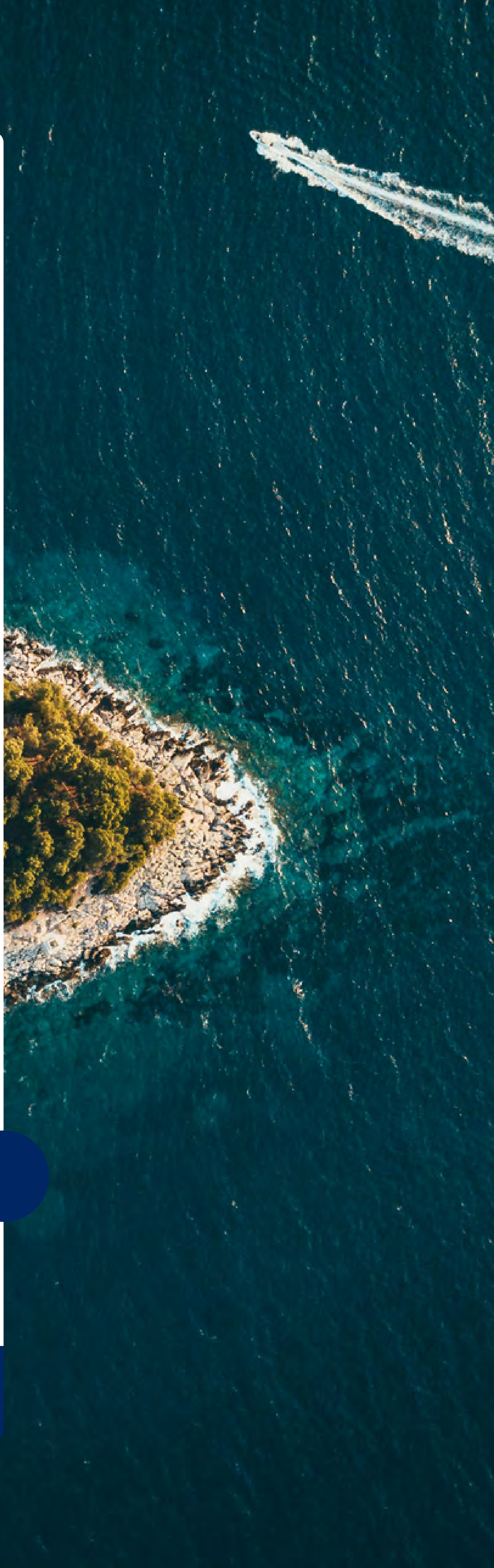
CANDRIAM

A NEW YORK LIFE INVESTMENTS COMPANY

2024 Mid-year Voting Report

Navigating Governance and Sustainability in a Transformative Year



AUGUST 2024

2024 Mid-year Voting Report

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Introduction: The Year of Transformation?

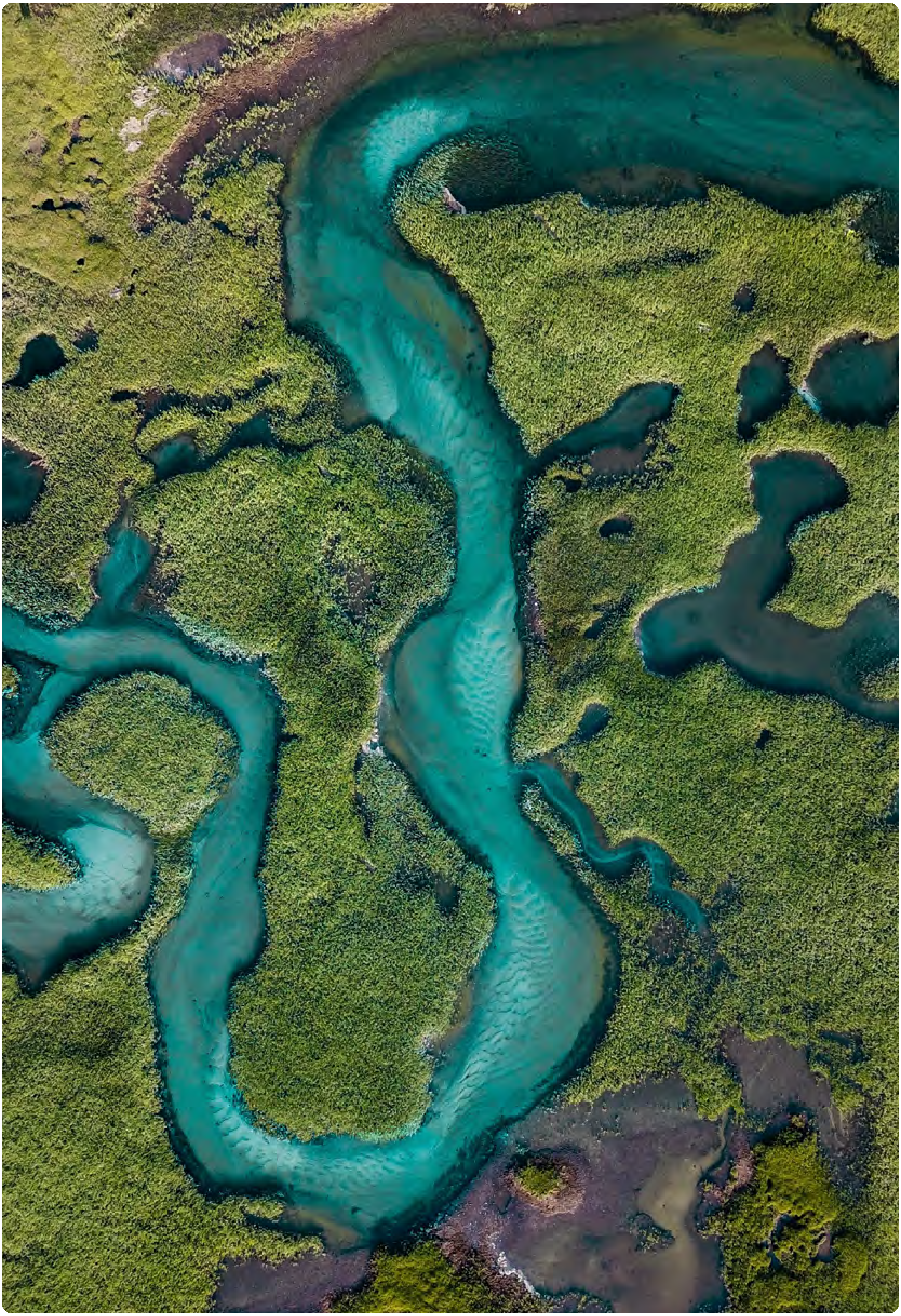
The first six months of 2024 have been eventful. We have seen **a record number of national and supranational elections worldwide, along with significant political polarisation surrounding environmental, social and governance (ESG) issues.** It has also been a period where technology showcased its rapid evolution and impressive capabilities.

This has, unsurprisingly, been reflected in proxy voting. **Proposals linked to artificial intelligence (AI) are on the rise,** while environmental shareholder proposals face growing restrictions, sometimes resulting in legal action against those putting them forward.

In the area of governance, new topics like non-financial reporting items are making their way onto meeting agendas, with their numbers expected to increase further. The debate over which metrics should be included in executive remuneration is intensifying as companies start to take this issue more seriously.

While global issues are prominent, some regions have their own discussions around traditional governance practices. The French market has seen significant changes in the structure of boards of directors. Some large French companies have chosen to combine the roles of Chair and CEO, while others navigating through challenging times have opted to separate these roles. Additionally, there has been a notable discussion on loyalty shares and ownership ceilings.

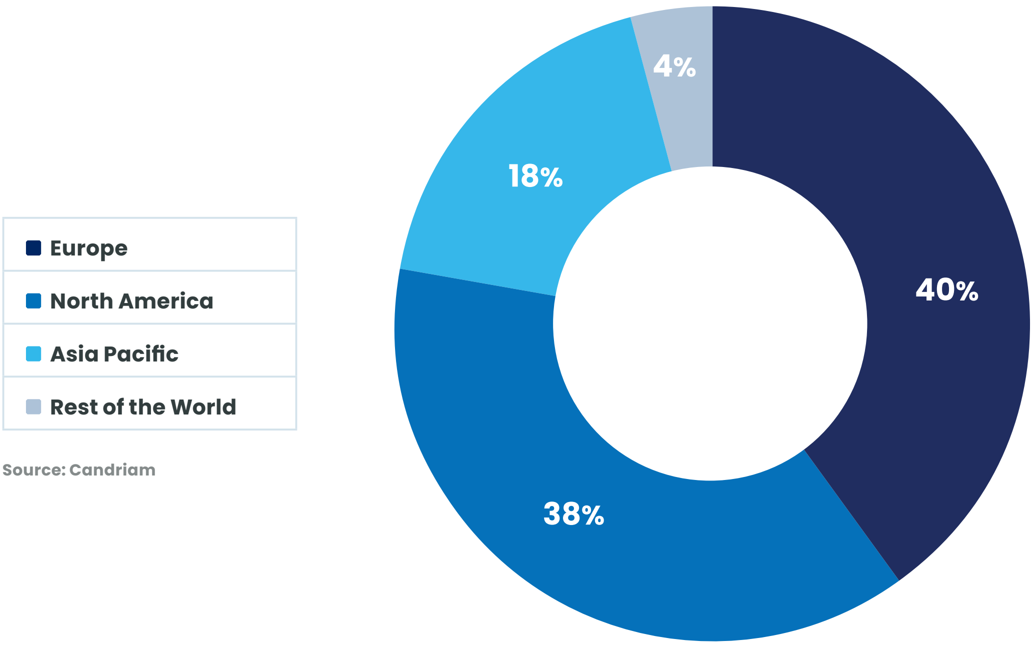
In summary, **the first half of the proxy voting season has been very active and somewhat contentious.**



Voting Highlights 2024: Season's Key Figures.

In the first half of 2024, we voted on 1,304 meetings (compared to 1,305 meetings between January 1 and June 15 in 2023, and 1,236 for the full year of 2022).[1]

Figure 1:
2024 Proxy Votes by Region (as of June 15)



Source: Candriam

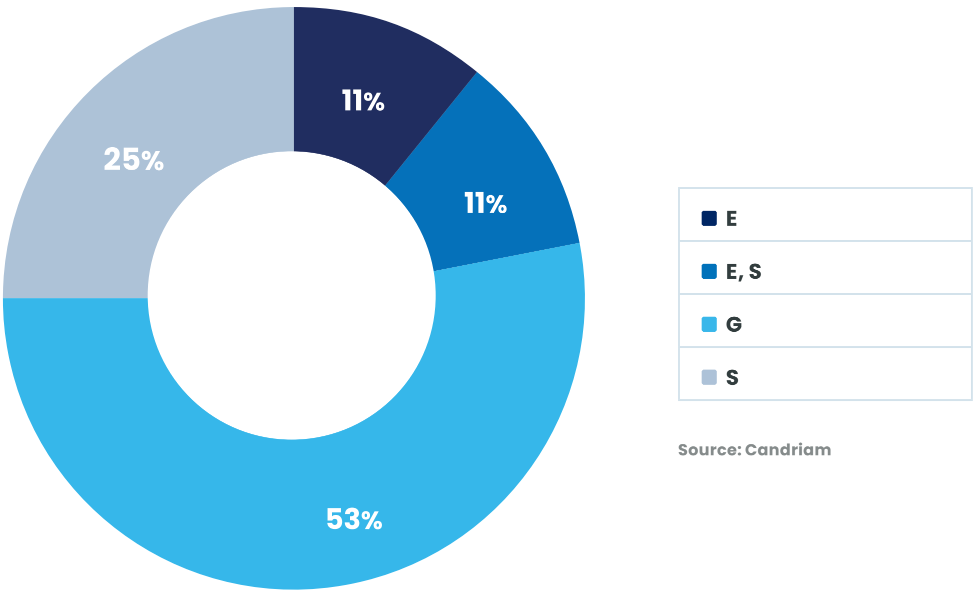
The 2024 proxy voting season marked **a significant shift from the previous year, particularly with the rise in proxy battles[2] and the growing prominence of environmental issues in courtrooms.** Shareholders actively used their proxy voting rights to push for their preferred corporate policies and demand change from boards.

1 - Please note that the examples given and topics discussed in this document are observed at the meetings at which Candriam effectively exercised its voting rights. Examples of votes and rationales given in each sections include pre-declaration cases available on the website.
2 - Proxy battle (or fight) refers to a situation in which a group of shareholders in a company joins forces in an attempt to oppose and vote out the current board of directors and/or management.

Leveraging Shareholder Proposals to Bring Topics to Meeting Rooms

Overall, we voted on 578 shareholder proposals (compared to 579 voted on during the first half of 2023). Notably, there was an increasing proportion focused on environmental and social topics, climbing to 47% in the first half of 2024 compared to 52% for the entire year of 2023 This trend was anticipated and aligned with our [2024 Candriam proxy voting policy](), which detailed our approach towards these environmental and social resolutions.

Figure 2:
ESG Breakdown of 2024 Votes (as of June 15)

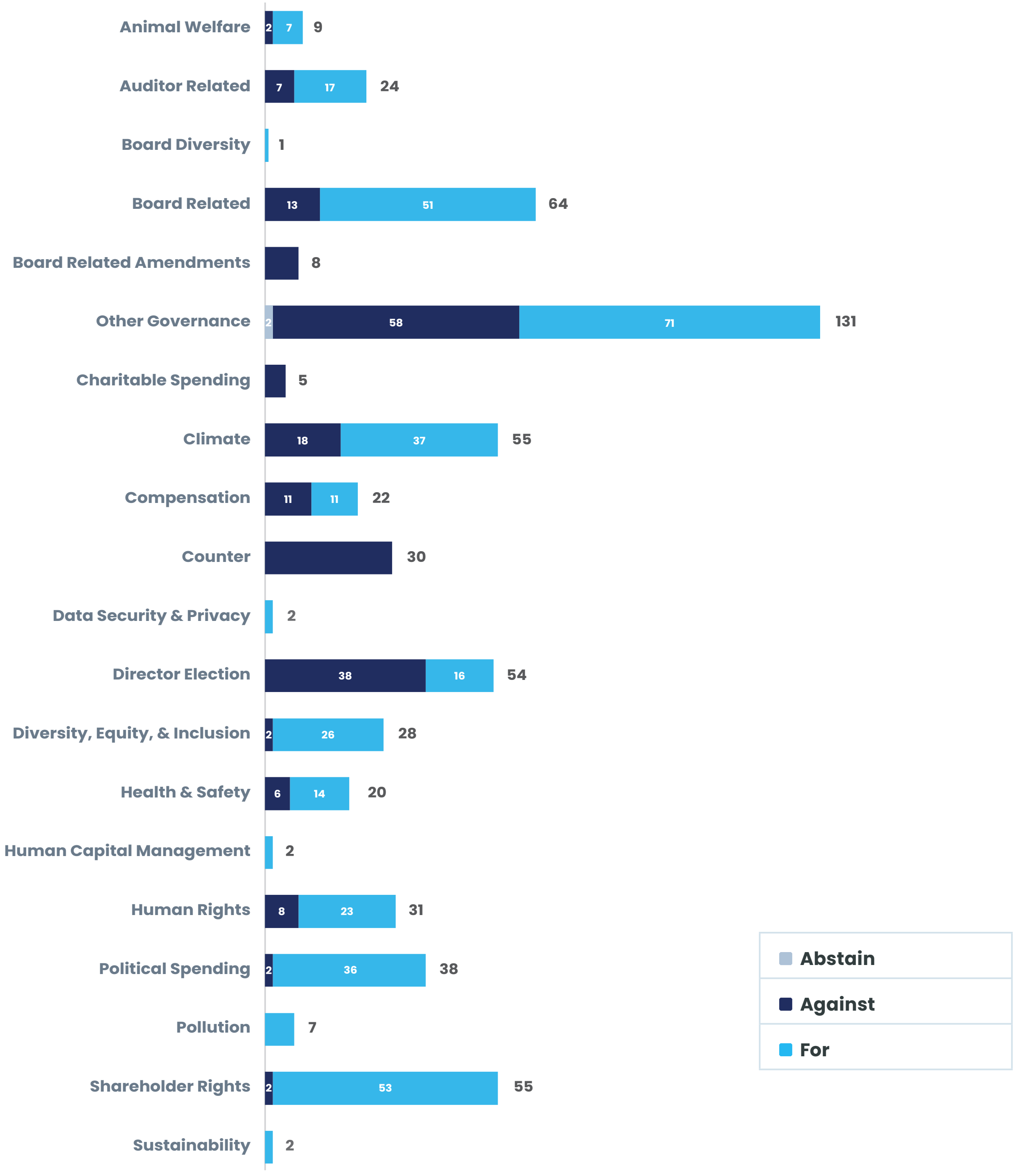


Source: Candriam

This season, **various shareholder proposals have brought to investors' attention key topics in traditional governance,** such as simple majority vote requirements, granting shareholders the right to act by written consent, and mandating an independent chair. These issues have remained top priorities in the proposals submitted by shareholders this year.

Regarding environmental and social concerns, greenhouse gas emissions, climate change-related proposals and political spending continue to represent a significant portion of the votes in 2024. This year, there were 286 votes on proposals related to these issues, accounting for about half of the 578 proposals we voted on. We have also seen an increase in proposals related to human capital management and human rights, including employee rights and supply chain due diligence.

Figure 3:
2024 Shareholder Resolutions - Detailed Breakdown



Source: Candriam,

Despite a continued rise in the number of proposals opposing ESG initiatives in 2024, overall support for these proposals remained low. This year, these so-called "anti-ESG proposals" primarily consisted of resolutions that criticise or question the value of company policies related to diversity and inclusion, human rights, and climate risks.

The One-Share, One-Vote Push

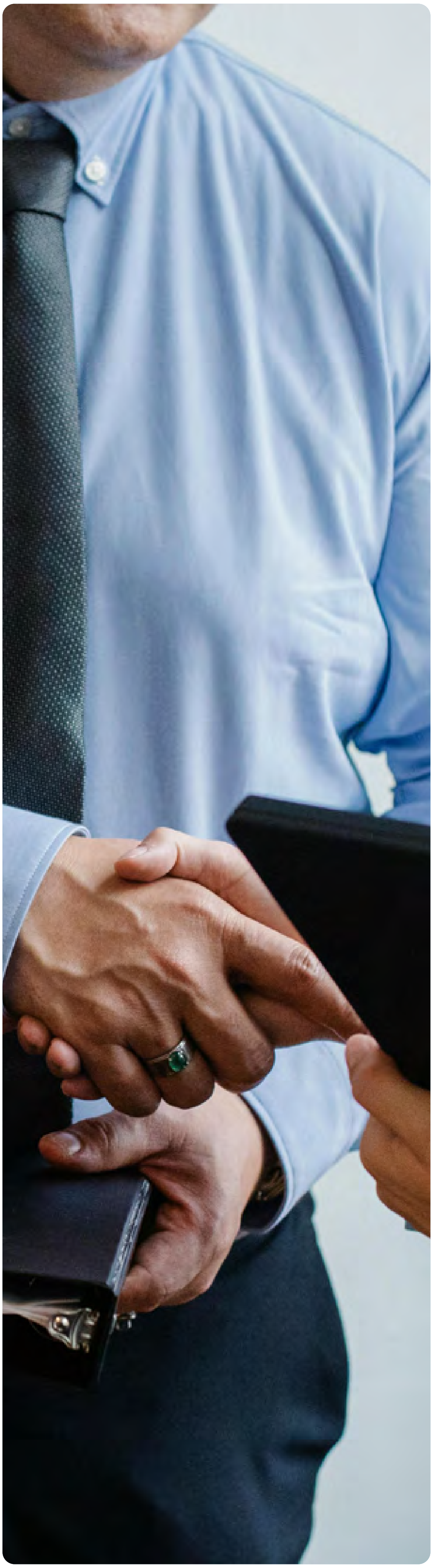
Governance shareholder proposals voted on in 2024 have reaffirmed the critical importance of the one-share, one-vote principle, which aligns with widely accepted best governance practices. **This principle is essential for ensuring shareholder democracy, empowering investors with an equal voice in corporate decisions, and promoting transparent and accountable governance.**

In the US, several proxy proposals have called for companies to adopt a restructuring of the company's share capital that would grant one vote per share. This was the case at tech giants Alphabet Inc., Google's parent company, and Meta Platforms Inc., which owns Facebook, Instagram and WhatsApp. At Meta, for instance, Class B shares possess ten times the voting rights of Class A shares, giving Class B shareholders over 51 percent of the total voting rights.

At the global player in supply chain management solutions United Parcel Services Inc. (UPS), shareholders have challenged not only the presence of unequal voting rights but also the lack of mechanisms that strengthen shareholder rights, such as the ability to call a special meeting, act by written consent, and eliminate supermajority voting provisions.

Lastly, shareholders have criticised the Ford family's shareholding structure at Ford Motor Company, the prominent American multinational automobile manufacturer. They highlighted that proposals for equal voting rights have been submitted since 2011 without the company implementing any concrete changes, despite significant support (38.1 percent of the votes cast in 2024 alone).

In all four cases, **Candriam supported proposals for restructuring the investee companies' share capital.** These proposals all received more than 30 percent support from the votes cast at the general meetings.



AI Proposals on the Rise

The widespread adoption of generative AI in recent months has raised significant questions about its ethical implications. **While the technology offers great advancements in medicine, safety, and business, it also increases the risk of harm such as biased outputs, discrimination, privacy invasion, denial of individual rights, and non-transparent, unexplainable, unsafe, and unjust outcomes.** As always, regulation lags far behind technological development, underscoring the importance for companies to demonstrate their ability to self-regulate with strong principles, expert governance, and effective practices. This is crucial to ensure the safe and ethical development and use of AI.

At Candriam, we believe that a lack of adherence to strong ethical AI principles poses considerable risk not only to our investee companies, but also, more broadly, to fundamental human rights and the sustainable development of society. We recognise that a commitment to ethical AI principles is a key element for an inclusive and trustworthy digital transformation. Therefore, we are actively involved in a collaborative initiative[3] under the umbrella of the World Benchmarking Alliance (WBA) advocating for the ethical development and deployment of AI.

As the use of AI increases and stakeholders demand that companies establish guidelines for its responsible use through dialogue, we have also witnessed a rise in the number of shareholder proposals focusing on this topic. In 2024, we supported nine proposals asking companies to report on their use of AI. While none of the proposals were adopted, they received significant support. For example, the average support for the proposal requesting a report on AI use exceeded 15 percent, with the same resolution at the entertainment services provider Netflix receiving the highest shareholder support at 43.1 percent.

The issues raised by shareholders centred around the potential risks to workers and human rights from unchecked AI deployment. These concerns include workplace discrimination, the unauthorised use of individuals' likeness, and a lack of transparency and accountability in AI development and deployment, particularly regarding ethical guidelines and risk assessments.

3 - 2024 Investor statement on Ethical AI | World Benchmarking Alliance, https://www.worldbenchmarkingalliance.org/impact/investor-statement-for-ethical-ai-2024/

Apple Inc, Item 7 (Annual General Meeting on 18 April 2024): Report on Use of Artificial Intelligence

Candriam vote: ***FOR*** (not in line with the management recommendation)

Rationale: At Candriam, we believe that technology companies should be as transparent as possible to guarantee the safe use of rapidly evolving technologies such as artificial intelligence. The demand formulated by this resolution is aligned with this view.

As regulation appears, on average, several years after new developments it is essential for technology firms to display the highest standard in ethical practices in these early stages of deployment. Artificial intelligence comes along with the probability of introducing biases, discrimination, misinformation, and other misuses and abuses against employees, users and society at large. We know that companies that can best avoid these issues are those that are the most transparent, accountable, and open to engagement with outside stakeholders such as civil society, academia, investors, etc. The terms 'trustworthy AI', 'explainable AI' are often used when referring to ethical practices. Our discussions on AI-related issues with technology companies has taught us that those companies that are the most transparent and open about the way they develop and deploy AI algorithms are also those that display the best ethical practices. While Apple's existing guidelines and practices broadly address the social topics mentioned in the proposal, they do not specifically refer to the adverse impacts that AI could generate. Furthermore, some of the company's peers have committed to mitigating the risks posed by AI.

By being transparent about their AI principles, guidelines and processes, technology leaders, such as Apple, can also set a high standard for an ethical use of AI for the industry as a whole.

Voting Outcome: *Failed.* 37.5% support.[4]

4 - The support rates mentioned in this report demonstrates the affirmative votes cast by the shareholders present at the meeting, and are not the ratio of affirmative votes to the total outstanding capital.

Climate Resolutions: From Proposals to Lawsuits

A Legal Battle Over Climate Resolutions at ExxonMobil

In January 2024, ExxonMobil, the US oil & gas giant with a market capitalisation exceeding $400 billion, initiated a legal battle against two investor groups over a climate-related shareholder resolution: Follow This, a Dutch climate activist group, and Arjuna Capital, another co-filer of the resolution[5]. Both organisations aimed to leverage their shares to push ExxonMobil to enhance its commitments to reducing greenhouse gas emissions through a shareholder resolution.

ExxonMobil has pledged to achieve net zero emissions from its own operations (scope 1 – direct emissions from owned or controlled sources, and scope 2 – indirect emissions from purchased electricity, heat, or steam) by 2050. However, the company has not set targets for scope 3 emissions, which typically account for the vast majority of emissions generated throughout the integrated oil & gas company's supply chain[6].

In response to the resolution, ExxonMobil filed a lawsuit alleging that Follow This and Arjuna Capital breached US securities rules with their climate petition. Although the two organisations decided to withdraw the resolution a few days after the lawsuit was filed, ExxonMobil continued legal action, arguing that the activist group had abused the shareholder resolution process.

This confrontation underscores the broader difference of views over ESG investing, highlighting how the transition of systemic and historic energy companies can be a political sticking point. Some argued that ExxonMobil's legal action was an attempt to curb shareholder rights and discourage future shareholder resolution co-filing. In its exempt solicitation, Illinois Treasurer Michael Frerichs called ExxonMobil's lawsuit a hostile move[7], praising the "time-honored system of accountability between shareholders and corporate boards that has been indispensable in strengthening corporate governance, improving business performance, and protecting shareholder value" that shareholder resolutions provide[8].

On the investors' side, Follow This and Arjuna Capital have been backed in the media by the US largest public pension fund CalPERS (California Public Employees' Retirement System)[9] as well as Norway's $1.6 trillion sovereign wealth fund[10]. These large investors have indicated they will vote against the re-election of some ExxonMobil directors.

5 - ExxonMobil takes legal hammer to climate shareholder groups (ft.com), https://www.ft.com/content/5b515165-057f-4351-9c3e-fd62f085d8e0
6 - The production, transport and processing of oil and gas resulted in 5.1 billion tonnes (Gt) CO2-eq in 2022. These "scope 1 and 2" emissions from oil and gas activities are responsible for just under 15% of total energy-related greenhouse gas (GHG) emissions. https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transition, https://www.lse.ac.uk/GranthamInstitute/news/emissions-targets-in-the-oil-and-gas-sector-how-do-they-stack-up/
7 - Glass Lewis recommends votes against Exxon director Hooley, citing lawsuit. Reuters, https://www.reuters.com/sustainability/boards-policy-regulation/glass-lewis-recommends-votes-against-exxons-hooley-citing-lawsuit-2024-05-13/
8 - https://www.sec.gov/Archives/edgar/data/34088/000121465924008868/d513244px14a6g.htm
9 - Why CalPERS Is Voting Against ExxonMobil's Board of Directors. CalPERS, https://www.calpers.ca.gov/page/newsroom/for-the-record/2024/why-calpers-is-voting-against-exxonmobil-board-of-directors
10 - Norwegian fund backs Exxon management in proxy fight with hedge fund. Reuters, https://www.reuters.com/article/exxon-mobil-proxy-norgesbank-idUSL2N2N828Y/#:~:text=Norges%20Bank%20Investment%20Management%2C%20one%20of%20Exxon%27s%20top,not%20also%20be%20chairman%20of%20the%20Exxon%20board.

Managerial resolutions: Protecting Minority Rights Through Voting

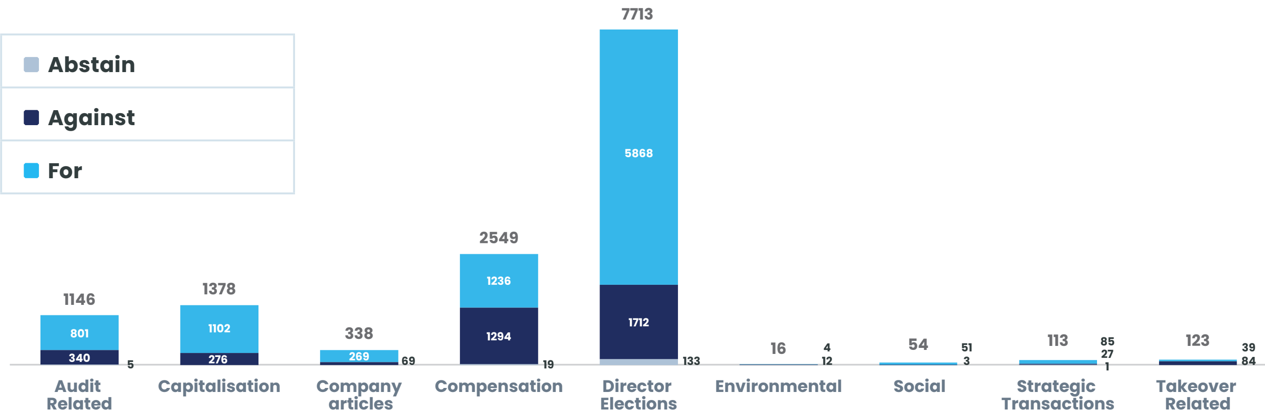
2024 has seen an increased focus on safeguarding the rights of minority shareholders against company management and major shareholders. Safeguarding fundamental shareholder rights and ensuring equal treatment for all shareholders are core principles of our voting policy.

Exercising our voting rights on key issues such as director elections, executive remuneration, and capital allocation allows us to protect our interests in line with this policy. We also actively oppose company proposals that could potentially undermine minority shareholder rights.

This year, we have paid particular attention to proposals such as combining the roles of CEO and Chair, implementing share ownership ceilings, and continuing the use of loyalty shares, ensuring our voting guidelines are fully reflected. With the enhanced ability of shareholders to nominate board candidates in the US, we have witnessed high-profile proxy contests (battles between management and activist shareholders to elect board members) where not only financial concerns but also environmental and social issues have influenced dissenting votes.

A variety of managerial proposals was also put forth at the 2024 AGMs. Figure 4 provides a breakdown of Candriam's votes on managerial proposals in 2024 so far.

Figure 4:
Candriam Votes on Managerial Proposals in 2024 (as of 30 june 2024) - A Breakdown by Key Areas



Source: Candriam

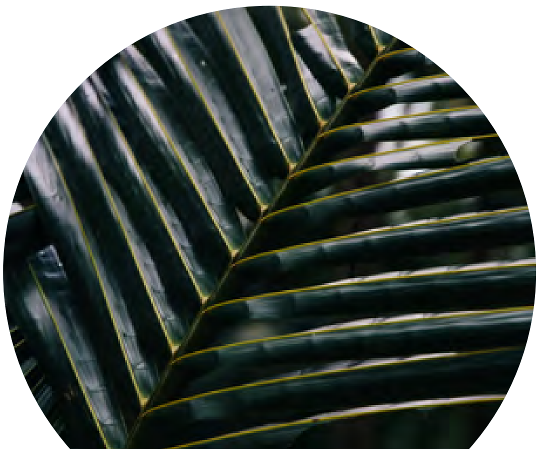
The Importance of Separating CEO and Chair Roles

The growing emphasis on board composition and its impact on company performance has intensified the debate over combining the CEO and Chair roles. At Candriam, **we firmly believe these roles should be distinct to maintain a balanced power structure within a company's leadership and ensure impartial oversight and governance by the board.** Regardless of location, we believe the Chair (leading the board and overseeing strategy and leadership, i.e. selecting and monitoring the executive team, including CEO) and CEO (executing strategy and managing daily operations) serve distinct functions and should not be consolidated.

Our stance aligns with our clients' mandate to uphold recognised corporate governance standards and complies with the good governance principles. The separation of these two functions is widely acknowledged as a good governance practice and is mandatory in certain countries. **Combining these roles concentrates significant power in one individual, potentially hindering effective board oversight and increasing the risk of conflicts of interest.**

In the 2024 French proxy season[11], board roles were a topic of discussion in three general meetings: TotalEnergies, Publicis Groupe, and Saint-Gobain. The practice of combining Chair and CEO roles ("P-DG" in France) is becoming less common, with only 13 companies maintaining this structure out of the 40 in France's benchmark stock market index CAC 40.

For further information on Candriam votes and rationales at these meetings, please refer to our pre-declaration website.



11 - The period when shareholders vote on company proposals

In contrast, **Teleperformance SE**, the digital business services company, and **Alstom SA**, a manufacturer of infrastructures for rail transport sector, have announced they are separating the roles of CEO and Chair. This decision aligns with a recent trend among French-listed companies and comes at a time when both companies are undergoing some challenges.

Alstom is facing financial challenges due to rising interest rates[12], while Teleperformance has experienced a disappointing share price performance following negative press coverage regarding its staff management during the COVID restrictions period[13].

Alstom's CEO stated in his letter that the change would allow him "*to fully focus on our day to day operations and ensuring [the company is] well-positioned for future growth*". **Teleperformance**, through a multiyear transition process, is returning to the structure it had before 2017 when Daniel Julien was appointed CEO and Chair of the company.

We view this as an improvement in both companies' governance structure. However, it is important to note that companies often use similar rationales to justify opposite changes in governance structure.

12 - Alstom starts to repair its financial train wreck. ft.com, https://www.ft.com/content/521c1b45-e4b9-4edd-a4a6-954531b29d55
13 - For more information on the engagement conducted with the company, please refer to https://www.candriam.com/fr-fr/professional/SysSiteAssets/medias/publications/sustainable-investment/teleperformance/2023_02_teleperformance_update_engagement_en_web.pdf

Loyalty Shares and Ownership Ceilings: Curtailing Shareholder Equality

European shareholder meetings, echoing concerns raised at US meetings, have become battlegrounds for debates on shareholder equality, particularly regarding loyalty shares and ownership ceilings.

Loyalty shares grant additional voting rights to long-term shareholders, incentivising them to hold their shares for an extended period, typically several years. While proponents argue this strengthens the voice of loyal investors, it weakens the ability of dissenting shareholders to enact change through voting if management falters. **According to our voting policy, we oppose any mechanism that undermines the "one-share, one-vote" principle.** This stance was reflected in our 2024 votes.

Similarly, we do not support mechanisms such as ownership ceilings that restrict shareholder rights by preventing investors from taking a participation in a company above a certain threshold. **Such mechanisms limit voting power proportionally to invested capital, insulating board and management from accountability by diluting the influence of large investors.**

The possibility for companies to adopt such mechanisms varies by country. In France, for example, the Commercial Code allows double voting rights for investors who have held shares for at least two years unless company bylaws dictate otherwise. Ownership ceilings are also permitted. This year, we reflected our stance in votes at the food company **Danone** and the utility group **Veolia Environnement** meetings, advocating for the removal of double voting rights and voting caps, respectively.

Danone SA, Item 15 (2024 AGM): Amend Article 27 of Bylaws Re: Cap on Voting Rights

Candriam vote: ***FOR*** (in line with management recommendation)

Rationale: We support this proposal because it strengthens shareholder rights. However, we remain concerned about the company's continued use of double voting rights. This mechanism contradicts the 'one-share, one-vote' principle by unfairly favouring certain shareholders. Therefore, we have urged the company to revisit its capital structure and implement a system that grants voting rights proportionally to share ownership.

Voting Outcome: *Passed.* 94.95% support.

Veolia Environnement, Item 27 (2024 AGM):
Amend Article 10 of Bylaws Re: Rights and Obligations Attached to Shares

Candriam vote: ***FOR*** (in line with management recommendation)

Rationale: We support this proposal as the amendment eliminates the current unequal voting rights structure, which is a positive step towards fairer shareholder treatment. The proposed 10% voting rights ceiling, with its included waiver provision benefiting all shareholders, is acceptable in this context. However, we generally oppose voting rights ceilings as control-enhancing mechanisms because they can hinder effective shareholder oversight and disperse voting power.

Voting Outcome: *Passed.* 96.63% support.

Proxy Contests:
How 2024 Redefined Shareholder Activism

Proxy contests, where shareholders challenge companies' board composition (and their executives selection) through voting, have become a more nuanced battleground in 2024 thanks to successful regulatory changes implemented in 2022. The new Securities and Exchange Commission (SEC) regulations in the US allow shareholders to choose individual directors from both the company's slate and the activist's slate during proxy voting, rather than having to make an all-or-nothing vote. This selective voting empowers shareholders to elect directors based on merit and qualifications, fostering a more deliberate approach that benefits the board's work.

While some predicted an increase in "single-use campaigns" targeting specific board members, 2024 revealed a different trend. **The new rules provided shareholders with greater opportunities to hold the board and management accountable,** not just for financial performance but also for their responsiveness to ESG issues.

As the following cases illustrate, various reasons can lead to proxy contests.

Starbucks Faces First ESG Proxy Contest Over Unionisation.

The 2024 Starbucks AGM witnessed the first instance of an ESG-focused proxy contest under the new universal proxy card rule. A labour union coalition, Strategic Organizing Center (SOC), nominated three directors in November 2023 to challenge the company's response to a unionisation movement launched in December 2021. Notably, the SOC withdrew their nominees in March 2024, citing progress made by the American multinational chain of coffeehouses on the issues raised during the campaign.

Traditionally, proxy contests have revolved around financial performance and shareholder returns. However, this instance marks a significant shift, highlighting the growing importance of ESG issues in corporate governance. Unlike previous contests, this one was driven by the union's efforts to organise workers, demonstrating the potential of the new regulations to empower shareholder activism beyond financial concerns.

Disney Shareholders Reject Board Shakeup

The Walt Disney Company's 2024 annual meeting saw a high-profile proxy contest. Trian Fund Management, led by investor Nelson Peltz, and Blackwells Capital, nominated candidates for the board and raised several concerns.

Trian focused on the American multinational mass media and entertainment conglomerate's lack of financial performance, its failure to align executive pay with performance and the lack of a clear succession plan for CEO Bob Iger, while Blackwells emphasised the need for greater independence and diversity of skills at board level. The contest became a multi-party battle, with Trian pushing for board changes and operational improvements, while Blackwells supported the board and management but proposed the election of new directors with media and entertainment skills and expertise.

In the end, shareholders sided with Disney. In line with Candriam's votes citing the sufficient capacity of the management to progress on the company's strategy, the company's entire slate of nominees was re-elected, while Trian's Nelson Peltz and former Disney CFO Jay Rasulo failed to secure enough votes.

Say-on-Pay and Human Capital: Linking Compensation to ESG Performance

A growing concern in global 'say-on-pay' votes, where shareholders approve executive compensation packages, is the lack of specific ESG metrics included in executive pay. Scrutiny is particularly high on non-financial metrics used to determine variable pay plans (performance-based awards).

This year, we analysed the compensation policies and reports of 24 companies. Fourteen were added due to human capital management concerns identified during our engagement with small and mid-sized companies, focusing on both human and financial capital. In these cases, the companies' executive compensation plans do not reflect the weaknesses in their human capital management strategies and fail to incentivise improvements.

We also examined companies whose sustainability strategies appear disconnected from their executive compensation plans. **Ideally, variable pay plans should reflect a company's commitment to ESG goals and encourage leadership to manage ESG risks and opportunities effectively.**

Stellantis NV, Item 2.d (2024 AGM): Approve Remuneration Report

Candriam vote: ***AGAINST*** (not in line with the management recommendation)

Rationale: A vote AGAINST this item is warranted because concerns have been raised about the CEO's realised pay package amounting to EUR 42 million, which appears excessive according to proxy advisor-selected peers and European standards, and is considered high even when compared to the company's own selected US peers. Furthermore, the excessive quantum of the package is largely driven by the so-called 'transformation incentive' of EUR 10 million which is a one-off additional cash incentive, whereas the existing package is not considered uncompetitive and should already be aimed at retaining and rewarding the CEO. Also, the benefit package of the company's executive chair and CEO including the tax equalisation and pension contribution also raises concerns.

While we recognise the company's achievement in surpassing synergy goals and exceeding market expectations, we find the overall compensation package to be disproportionately high. Additionally, it's commendable that the company has integrated targets for low emission vehicles into its short-term variable remuneration, signalling a positive step towards aligning executive compensation with non-financial performance.

However, it's important to note that the inclusion of CAFE[14] compliance in the long-term incentive plan (LTIP) cannot be deemed as a challenging metric since it's a regulatory requirement rather than a performance indicator. Nevertheless, in the broader industry context, we appreciate Stellantis's emphasis on linking a significant portion of executive compensation to EV development. That being said, we recommend the incorporation of targets aligned with the company's overall carbon reduction goals, with a particular focus on upstream initiatives for scope 3 emissions.

Voting Outcome: *Passed.* 70.2% support.

14 - Corporate Average Fuel Economy (CAFE) standards aim to improve the average fuel consumption of cars and light trucks.

Voting for Change: How Stewardship Addresses ESG Controversies

At Candriam, we believe stewardship, particularly voting, is our most powerful tool for advocating for positive change on ESG issues with the companies we invest in. This active engagement directly informs our internal assessments of a company's ESG performance, which are crucial factors in our investment decisions. We view consistency as key, ensuring our dialogue and voting actions align and amplify our message across different platforms.

To proactively address evolving ESG issues, we compile a list of companies facing past or ongoing controversies at the beginning of each year. This "controversy watchlist" helps us identify companies whose shareholder meeting agendas might warrant voting against specific proposals. In 2024, 24 companies were placed on this watchlist. This proactive approach ensures we hold companies accountable for responsible business practices and remain vigilant in a constantly changing ESG landscape.

Sanctioning Director Election Item

Archer-Daniels-Midland Company, Item 1f (2024 AGM): Elect Director Suzan F. Harrison

Candriam vote: ***AGAINST*** (not in line with the management recommendation)

Rationale: We vote against this nominee, Suzan F. Harrison, as she is the chair of the Sustainability and Corporate Responsibility Committee. This committee oversees the very area where the specialist in both human and animal nutrition faces severe controversies regarding environmental damage linked to its soy production and trading.

Voting Outcome: *Passed.* 98.3% support.

Sanctioning Executive Remuneration Item

Reckitt Benckiser Group Plc, Item 2 (2024 AGM): Approve Remuneration Report

Candriam vote: ***AGAINST*** (not in line with the management recommendation)

Rationale: We voted against the current executive compensation package due to several key issues.

- High Payout Ratio Despite Reduced Profits: Despite a decline in profits this year, total short-term remuneration remains above 150% of base salary, and total variable compensation exceeds 350% of base salary. This high payout ratio raises serious concerns about whether executive pay aligns with company performance.
- Lack of Product Safety Consideration: The current variable pay structure fails to consider product quality and safety. This is especially concerning in light of the recent high-profile lawsuit against the company's Enfamil infant formula, linked to a tragic infant death. We advocate for a dedicated ESG metric directly linked to product safety mechanisms, such as product recall rates, product liability claims, or safety incidents. These factors should directly impact executive compensation.
- Incomplete ESG Metrics with Scope 3 Emissions Gap: The current ESG metrics, which only account for 10% of long-term incentive conditions, focus solely on Scopes 1 and 2 of greenhouse gas (GHG) emissions. This approach neglects Scope 3, the largest contributor to the company's overall footprint. While we acknowledge the commitment to reduce Scope 3 emissions and its inclusion in the "Sustainable Innovation Calculator" metric, we believe a dedicated incentive focused solely on Scope 3 reduction is necessary. The current link between Scope 3 progress and executive compensation remains unclear, potentially allowing for diluted reduction efforts.

We urged the consumer goods company to revise the compensation structure to better reflect company performance and prioritise product safety. This could involve tying a higher proportion of variable pay to achieving specific performance goals, including those related to product safety.

We also ask the company to implement a dedicated ESG metric explicitly linked to Scope 3 GHG emission reduction progress, with a clear and transparent link to payout levels.

Voting Outcome: *Passed.* 94.4% support.

Say-on-Climate: Investors Climate Analysis Finally up to the Level of the Paris Agreement?

In past years, our voting and engagement reports expressed concern, and sometimes discouragement, about the high level of support (typically exceeding 90%) for climate strategies presented at shareholder meetings ("Say-on-Climate" votes). In our view, many of these strategies lacked alignment with a net-zero emissions pathway by 2050.

However, **2024 could mark a significant shift.** For the first time ever, a Say-on-Climate (SOC) resolution was rejected at an Annual General Meeting. Woodside Energy shareholders voted 58% against the energy company’s climate report.

This result is positive, as it shows that inadequate climate plans can lead to significant dissent and failure. This result is encouraging, as we were beginning to doubt the possibility of a SOC rejection.

Woodside Energy Group Ltd., Item 6 (2024 AGM): Approve Climate Transition Action Plan and 2023 Progress Report

Candriam vote: ***AGAINST***[15] (not in line with the management recommendation)

Rationale: We voted Against this resolution because the company's climate transition action plan lacks ambition and credibility and is not in line with the Paris goals.

The company has not adopted a commitment or a plan but only an "aspiration" of net zero (scope 1&2) by 2050 or earlier. Scope 3 is not included in this aspiration, which is also conditioned on several technological, abatement-related developments that are uncertain to materialise. It has only partially disclosed a Net Zero by 2050 target and has not set medium-term targets aligned with a Net Zero by 2050 pathway.

Moreover, the company's scope 1&2 reduction plan is heavily based on carbon offsets and integrate actual emission abatement in a meaningful scale only post 2035.

The company does not have any tangible plans either to reduce its Scope 3 emissions. On the contrary, its business plan is to continue the production of oil & gas without near-term, meaningful development of lower-carbon services (beyond some carbon capture and storage ventures).

We sanctioned last year the lack of climate ambition at Woodside board level by voting Against incumbent members of the Committee responsible for climate risk oversight.

While we acknowledge that the company appointed a new director, given the extent of the climate shortcomings identified above, we also voted Against incumbent director Richard Goyder for insufficient responsiveness to climate oversight concerns that have been widely expressed by shareholders for several years now[16].

Voting Outcome: *Rejected.* 58% vote Against.

15 - Please note that Candriam's voting intention on all say-on-climate proposals in 2024 are systematically pre-declared here: https://www.candriam.com/en/professional/insight-overview/publications/predeclaration-of-voting-intentions/

16 - In 2020, shareholder owning 50% of Woodside co-filed a resolution asking the company to adopt Paris-aligned targets, capital allocation and remuneration. In 2022, shareholders had expressed already strong concerns regarding Woodside's climate strategy by voting 49% against its climate transition plan. In 2023, Candriam voted Against three incumbent members of the committee responsible for climate risk oversight, Lawrence (Larry) Archibald, Swee Chen Goh and Ian Macfarlane because the company was not aligned with investor expectations on Net Zero by 2050 targets and commitments. The same year, the Australasian Centre for Corporate Responsibility (ACCR) along with some investors filed a statement calling to hold into account the directors for the company's repeated failure to present a credible climate strategy. In 2024, the ACCR filed again an other statement opposing the re-election of the Chair Richard Goyder given the unresponsiveness of the board to shareholder concerns expressed for years regarding the board's incapacity to manage climate-related risks.

We also saw a clear jump of the dissent vote to one of most awaited and scrutinised European general meeting of the season, TotalEnergies.

This year, TotalEnergies' SOC received an historical low support[17] with 20.3% of shareholders voting Against it: a signal that investors are slowly and surely stepping up their analysis of climate strategies. Seeing such a significant dissent is a clear message that investors are now expecting more from the oil major, as Candriam has asked for years.[18]

However, these specific positive cases cannot hide the global trend of Say-on-Climate: **a loss of momentum for the topic.** As of 15 June 2024, we had only voted on 14 SOCs, compared with 15 in 2023 and 29 in 2022 at the same date. The number of Say-on-Climate submissions is not growing as we had hoped and expected.

Geographically, it is still concentrated in a few Western European countries (UK, France, Spain, Portugal and Germany) and is not really spreading to other markets. Only one was outside Europe with Woodside Energy. France, Spain and UK represented 12 of the 14 SOCs we voted on.

In terms of the quality of the transition plans proposed, our average level of support also suggests that improvements in climate strategies have not materialised. So far this year, we have supported 21.4% of the SOCs we have voted on, closer to the level in 2022 (19%), while in 2023 (full voting year) it was 44%.

And when it comes to new issuers submitting SOCs for the first time, it is also disappointing to see that out of the 14 SOCs, only three issuers (21%) submitted the resolution for the first time: Gecina SA, Woodside Energy, and GEA Group AG. We supported GEA's SoC resolution, acknowledging the company's efforts and believing it represents a positive step forward, despite its 2040 Climate Roadmap lacking some key elements.

17 - SOC 2021 TTE: 8,1% votes Against, 91,9% votes For
SOC 2022 TTE: 11,1% votes Against, 88,9% votes For
SOC 2023 TTE: 11,2% votes Against, 88,8% votes For
SOC 2024 TTE: 20,3% votes Against, 79,7% votes For

18 - For detailed information on Candriam's vote and rationale, please refer to: Predeclaration of Voting Intentions, https://www.candriam.com/en/professional/insight-overview/publications/predeclaration-of-voting-intentions/

GEA Group AG, Item 9 (2024 AGM): Approve Climate Roadmap 2040

Candriam vote: ***FOR*** (in line with management recommendation)

Rationale: We grant a vote FOR GEA's climate strategy. In overall, we believe that GEA Climate Strategy comprises strong elements that make its overall policy robust including its targets which are 1.5°C trajectory validated by SBTi[19] for 2040 (base year: 2019) for the 3 scopes, addressing in mid and long term targets the product emissions which comprises 99% of emissions, and criteria for the supply chain including SBTi. Furthermore, GEA demonstrates strong efforts in putting forward a Say-On-Climate in a market where such resolutions are less common due to specific legal considerations[20]. We also note positively that, from 2024 on, Scope 3 will also be part of the long-term renumeration.

Nevertheless, there is still room for improvement including enhancing disclosure on the contribution of each lever, capital allocation towards Scope 3 reduction initiatives and further aligning its R&D as well as further disclosure on the maximum use of offsets for residual emissions. While we strongly appreciate SBTi validation on Scope 3 targets, GEA's 2030 scope 3 reduction target of -27.5% seems under ambitious compared to the 2040 target of at least 90% reduction in scope 3 emissions; all the more so since GEA already achieved a solid 22.2% reduction in 2023 against a 27.5% reduction objective by 2030. The latter is another reason why we would strongly recommend further disclosure on scope 3 reduction initiatives and the corresponding levers and their contribution. We believe that these enhancements strengthen and help build a credible strategy for aligning its business model with a low-emission economy and will assess the company on its progress relative to these recommendations upon its next Say-On-Climate resolution to determine if another vote FOR is appropriate in the future.

Voting Outcome: *Passed.* 98.4% support.

19 - Science-based Target Initiative (SBTi)

20 - Due to strict rules in the German Stock Corporation Act, delegating strategic decisions to the executive board, and special scenarios in which the general meeting can handle questions of corporate management are few and very specific. For now, it is therefore impossible in the German stock system to put ESG shareholder resolutions. Nevertheless, exceptions are possible notably if the executive board submit itself some corporate management questions to the general meeting for approval, i.e. management resolution such as a Say-on-Climate. However, the legal and practical implications are still unclear, affecting the board's liability and flexibility in implementing approved strategies. That is why we have seen only few Say-on-Climate in Germany so far.

Candriam votes on Say-On-Climate as of 30 june 2024

Figure 5:
2024 Shareholder Say-on-Climate Vote Summary (as of 30 june 2024)

Company name	Sector	Country	Region	Type of SoC	Proposal text	Meeting date	Vote instruction
EDP-Energias de Portugal SA	Utilities	Portugal	Europe	Report	Approve Progress Report on 2030 Climate Change Plan	10/04/2024	FOR
Ferrovial SE	Transportation	Spain	Europe	Report	Approve Climate Strategy Report	11/04/2024	AGAINST
Aena S.M.E. SA	Transportation	Spain	Europe	Report	Advisory Vote on Company's 2023 Updated Report on Climate Action Plan	18/04/2024	AGAINST
Icade SA	Real Estate	France	Europe	Report	Approve Report on Progress of Company's Climate Transition Plan	19/04/2024	FOR
Icade SA*	Real Estate	France	Europe	Biodiv Report	Approve Report on Progress of Company's Biodiversity Preservation Plan	19/04/2024	FOR
Gecina SA	Real Estate	France	Europe	Plan	Approve Company's Ambition to Reduce Greenhouse Gas Emissions from its Operating Buildings (Advisory)	15/04/2024	AGAINST
Woodside Energy Group Ltd.	Energy	Australia	Asia-Pacific	Report	Approve Climate Transition Action Plan and 2023 Progress Report	24/04/2024	AGAINST
GEA Group AG	Machinery	Germany	Europe	Plan	Approve Climate Roadmap 2040	30/04/2024	FOR
Unilever Plc	Food, Beverage & Tobacco	UK	Europe	Report	Approve Climate Transition Action Plan	01/05/2024	AGAINST
Aviva Plc	Insurance	UK	Europe	Report	Approve Climate related Financial Disclosure	02/05/2024	AGAINST
Repsol SA	Energy	Spain	Europe	Plan	Advisory Vote on the Company's Energy Transition Strategy	09/05/2024	AGAINST
Amundi SA	Bank	France	Europe	Report	Approve Report on Progress of Company's Sustainability and Climate Transition Plan (Advisory)	24/05/2024	AGAINST
Shell Plc	Energy	UK	Europe	Report	Approve the Shell Energy Transition Strategy	21/05/2024	AGAINST
TotalEnergies SE	Energy	France	Europe	Report	Approve Report on Progress of Company's Sustainability and Climate Transition Plan (Advisory)	24/05/2024	AGAINST
Altarea SCA	Real Estate	France	Europe	Report	Approve Report on Progress of Company's Climate Transition Plan (Advisory)	05/06/2024	AGAINST

* Note that we did not count Icade SA's "Say-on-Biodiversity" in the SOC statistics.

Source: Candriam.

Surge in Non-Financial Statement Votes

New regulations in Europe are leading to a significant increase in resolutions on companies' non-financial statements[21]. In 2019, Spain became the first country to mandate such votes for large companies. This year, Switzerland followed suit, resulting in a dramatic rise in these resolutions.

In the first half of 2023, 21 resolutions were voted on, primarily from Spanish companies. However, in the first half of 2024, that number jumped to 65, with a surge in Swiss resolutions (42) alongside those from Spain (22) and Portugal (1).

This trend is likely to continue. While the upcoming Corporate Sustainability Reporting Directive (CSRD) doesn't explicitly mandate such votes on non-financial statements, member states can implement such a requirement. This, along with similar regulations in France requiring such resolutions if certain thresholds of turnover, share capital and/or number of employees are reached, covers many listed companies[22] and will come into force in 2025. **This is likely to lead to an exponential increase in such resolutions.**

At Candriam, we strongly support these regulations, which promote greater transparency and accountability on non-financial aspects of a company's performance. We carefully analyse each resolution to ensure our vote reflects our ESG assessment of the company, not simply a rubber stamp. This rigorous approach led us to vote against 17 non-financial statement approvals in the first half of 2024, representing a 26% opposition rate compared to 9.5% in 2023.

Given the stringency and detail of our analysis, the growing number of these resolutions presents a resource challenge. However, we expect that proxy advisors will also enhance their analysis of these votes to help investors navigate this evolving landscape.

21 - Non-financial statements are reports that provide information about a company's performance beyond just its financial results. These reports typically focus on ESG factors, such as a company's impact on the environment, its labor practices, and its corporate governance structure.
22 - As per French new regulation: Légifrance - Publications officielles - Journal officiel - JORF n° 0283 du 07/12/2023 (legifrance.gouv.fr), https://www.legifrance.gouv.fr/download/pdf?id=fOTM7ilGbxcYwc159WYE-xxp0eSIBFgHonwOt6OlvQA=

Active Ownership.

Candriam prioritises pre-AGM engagement to discuss voting expectations and corporate governance with investee companies. **These discussions help us understand the challenges companies face, potentially mitigate our concerns and inform our voting decisions.**

Benefits of pre-AGM engagement:

- Gain insight into company challenges
- Address concerns through dialogue
- Improve basis for voting decisions

This year we contacted 22 companies, mainly in Europe and North America, with a response rate of 68.18%. In the US, all but one of the companies contacted were biotech companies. The response rate was lower than last year (44.44%). However, discussions with biotech companies remained valuable due to their unique business models and governance practices. In particular, the response rate in Europe was high this year (10 out of 11).

Pre-AGM discussions focus on board composition, remuneration, capital structure and shareholder rights. **We see these dialogues as an opportunity to share perspectives and explain our approach to governance.** In addition, gaining insight into the company can potentially alleviate our concerns. In the absence of a compelling rationale for weak governance practices, we express our concerns by voting on AGM resolutions.

This year saw a positive development in our long-term engagement with BFF Bank SpA. While the company's remuneration structure needs further improvement, its willingness to address shareholder concerns is encouraging. This outcome is further reinforced by the success of the co-sponsored resolution, which received majority support. These results motivate continued engagement to help BFF Bank address the remaining issues.

Escalating concerns: Pre-declaration of votes

We have increased our use of pre-declarations, both through our website and the United Nations Principles for Responsible Investment (UNPRI) voting webpage. **This allows us to highlight concerns before the voting date and communicate any improvements observed during engagement, thereby promoting transparency.** As outlined in our policy, pre-declaration can be used for escalation or to respond to stakeholder requests for transparency or to support engagement objectives.

In 2024, Candriam pre-declared voting intentions on various items at 23 meetings, including all Say-on-Climate resolutions, co-filed shareholder resolutions and managerial resolutions in line with ongoing engagement. Similar to last year, pre-declarations were used for escalation purposes (e.g. BFF Bank SpA) or to acknowledge positive developments (e.g. EDP Energias de Portugal SA).

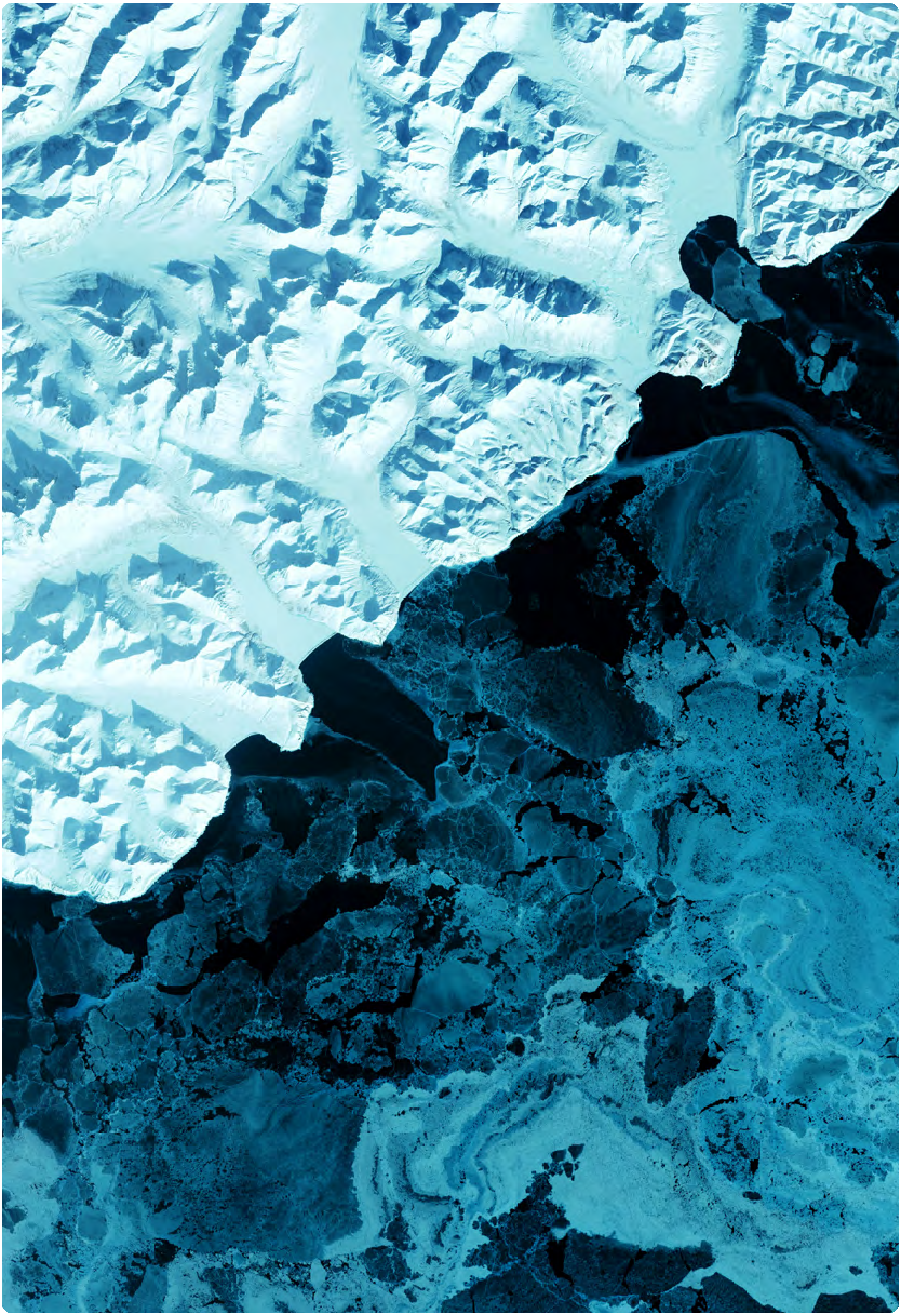
Submitting resolutions and asking questions at AGMs are standard tools for responsible investors. We use them when engagement is unproductive or inconsistent with our investment strategies and values.

Figure 7:

Shareholder Engagement & Escalations - First Half 2024

Measure	Companies	Topic	Outcome
Resolution co-filing, in cooperation with Assogestioni	BFF Bank SpA	Governance - Nomination Slate	Passed
Resolution co-filing, in cooperation with Assogestioni	Banca Mediolanum SpA	Governance - Nomination Slate	Passed
Resolution co-filing, in cooperation with other investors	TotalEnergies SE	Governance - Combined Positions of CEO & Chair	The board rejected to include the draft resolution in the agenda.
Resolution co-filing, in cooperation with other investors led by Follow this	Shell Plc	Climate	Received 18.6 percent support from all shares voted
Resolution co-filing, in cooperation with other investors acting through Share Action	Nestle SA	Healthy-Nutrition	Received 11 percent support from all shares voted
Resolution co-filing, in cooperation with other investors acting through Share Action	Global European Bank (anonymized)	Climate	Withdrawn after climate strategy Improvement secured
AGM Questions (Candriam only)	Publicis Groupe SA	Governance - Combined Positions of CEO & Chair	Detailed answer received
AGM questions (Candriam only)	Recticel SA	Governance – Executive Remuneration	Detailed answer received
AGM question/statement (collaborative)	BNP Paribas SA	Climate	Supported by 12 signatories. Detailed answer received
AGM question/statement (collaborative)	HSBC Holdings	Sustainable Finance & Climate	Detailed answer received

Source: Candriam



Conclusion: Points to Ponder.

Navigating the Evolving Stewardship Landscape

This mid-year proxy voting season has highlighted the rapidly changing stewardship landscape and the evolving expectations of our clients.

The fast-changing political landscape due to elections in Europe and the US and the subsequent policy developments have started to have a direct impact on ESG developments at both national and company level.

This dynamic environment reinforces our long-held belief that annual voting policy updates cannot always cover unconventional items that appear on meeting agendas. Voting policies are designed to address standard issues that are typically raised at shareholder meetings or that have been introduced in recent years. As a result, they may overlook or inadequately address new, unexpected and unusual issues that arise due to the rapidly evolving nature of stewardship, whereas they should remain agile and alive, which is why Candriam regularly includes views on new voting items in its proxy voting policy and related guidelines.

On the other hand, companies and shareholders are making more precise and specific demands in meeting agendas, which requires a deeper analysis for decision-making for governance issues and corporate actions. At Candriam, **we strive to ensure that every decision we make is consistent with the messages we send to our investee companies throughout the year via different channels and our internal ESG assessments.**

For the second half of the year and the upcoming proxy seasons, we expect the situation to remain unchanged. Due to political polarisation, asset owners and asset managers in different regions and with different philosophies have different expectations of investee companies. In this environment, the use of proxy voting as a stewardship tool to influence strategic decisions at investee companies will become increasingly important for both asset owners and asset managers who wish to be more active in their decision-making. Asset owners will continue to seek new ways to maintain control over their voting decisions.

So far, 2024 has been characterised by the use of more active stewardship to defend shareholder rights, scrutinise management strategies and hold boards to account. Whether on traditional or non-traditional issues where ESG considerations are integrated, active stewardship will remain our strongest tool to send a clear message to our investee companies: **governance is the key element in driving sustainability and responsibility.**

€145 B

AUM at end December 2023*

+600

Experienced and committed professionals

+ 25 years

Leading the way in sustainable investing

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

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