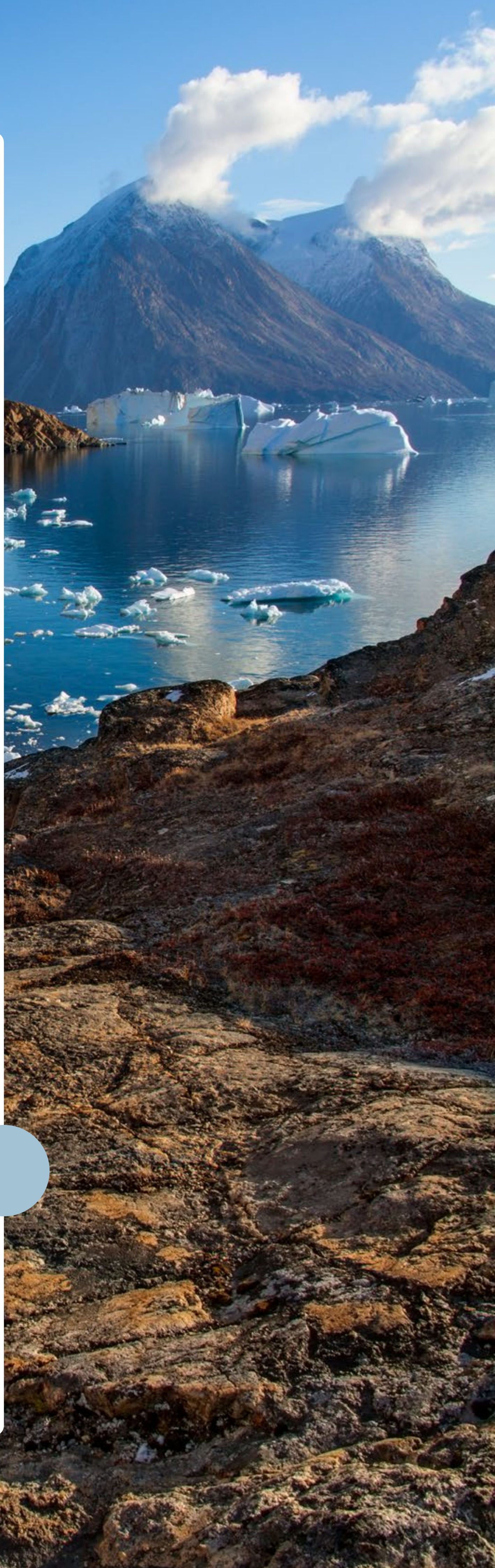


CANDRIAM

A NEW YORK LIFE INVESTMENTS COMPANY

2024 Annual Engagement and Voting Report

MARCH 2025

During 2024, we sharpened our analysis of and focus on major corporate and governance shifts, analysing our votes on director elections proxy battles, management succession, AI, and shareholder rights.

Scrutiny of companies and resolutions hit new highs.

The year at a glance.

Main themes:

- Strong corporate Governance
- Climate change
- Biodiversity
- Human Rights

226 corporate issuer engaged through individual dialogues

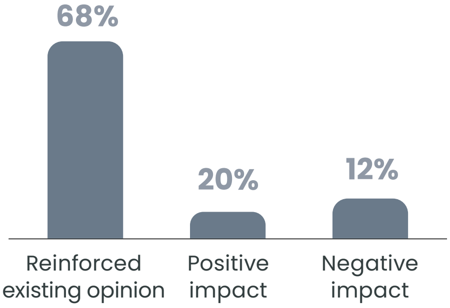
Representing **32%** of our AUM*

Collaborative dialogues

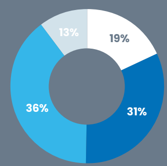
644 Corporate Issuers Engaged (outside large survey initiatives)

88 dialogues led or actively supported by Candriam through collaborative initiatives (outside large survey initiatives)

Impact of Individual Dialogues on Candriam ESG Opinion



Collaborative dialogues % of our AUM*

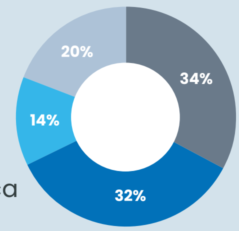


- SSA Issuers Engaged**
- Corporate Issuers Engage via large survey initiatives
- Corporate Issuers Substantially Engaged
- Issuers not Engaged

1,901 voted meetings

Geographical split of meetings

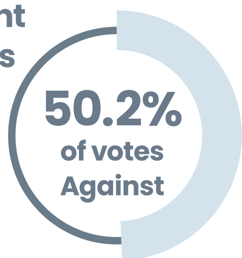
(voting)



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

Compensation of management and directors

(voting)



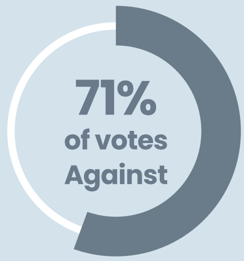
Globally Candriam supported 71% of management resolutions

Active voting

80.4%

of meetings with at least one vote Against management

Climate in voting



Say-on-Climate resolutions sponsored by management

*Limiting the AUM scope to Corporates invested in direct lines (both through equity and fixed income instruments) in funds or mandates for which Candriam ensures the management activity.
** SSA: Sovereign, Supranational, and Agency
Source: All data is from Candriam, unless otherwise specified.
Candriam engages with issuers on behalf of our clients through individual and collaborative dialogues. Collaboration in the context of stewardship refers to partnering with stakeholders (e.g. investors, civil society organisations, community groups, non-governmental organisations, academics, journalists), to share resources and enhance investors' effectiveness in pursuing their stewardship objectives.

During a year of exceptional electoral agendas, important leadership changes, and increasing geopolitical conflicts, the deployment of generative AI was also accelerating.

It was clear that responsible asset managers must continue to adapt their stewardship

Agenda.

The source for all data in this report is Candriam, unless otherwise noted.

Engaging for Responsible Growth.

Candriam actively engages with issuers, votes at shareholder meetings for all relevant holdings, and collaborates with stakeholders to drive improvements in governance and sustainability practices. Candriam employs both individual and collaborative approaches, depending on the nature of the issues being addressed. Individual engagements allow for more targeted actions, while collaborative efforts focus on systemic challenges like climate change or human rights.

Stewardship is embedded in the core of our investment strategy. Active ownership and engagement are interrelated and crucial to mitigate risks and to enhance LT value. This commitment to engagement is fundamental part of the services we provide, reflecting our fiduciary duty to act in our clients' best interests. Engagement, as part of our investment process, works on the links between strong sustainable practices and achievement of financial performance objectives, paying particular attention to considered issuer specificities and expectations from different stakeholders.

Our stewardship activities encompass a wide range of issuers, including corporations and governments, across equity and debt. Our engagements are classified under global frameworks such as the UN SDGs.

Our engagement approach is designed to be flexible and dynamic, ensuring that we can respond effectively to evolving material issues while driving positive change. Our robust governance and stewardship structure supports our approach and ensures policy alignment, risk evaluation, and effective integration of material sustainability criteria into investment strategies. Proprietary tools are used to centralize and track engagement data, providing transparency and efficiency in Candriam's sustainable investing processes.

Want more info? More in our Engagement policy

Engagement policy

Transparency is key. Candriam published our first engagement report in 2009 and we strive to continuously improve our reporting quality. We survey market practices, but also - and primarily - pay close attention to the expectations of our clients, regulators, and other stakeholders, as they too assess practices of a wide range of investors on a regular basis..

We hope this review of the voting and engagement activities we conducted in 2024 will help you discover how we approach engagement, and the progress we made during the year. Our detailed statistical review offers more data and quantitative information on our voting and dialogue initiatives.

CANDRIAM:
Conviction and Responsibility in Asset Management

At Candriam it is our Conviction that companies which embrace sustainability-related opportunities and challenges in combination with financial opportunities and challenges are the most likely to generate long-term value. As a global asset manager, we have embedded environmental, social, and governance principles into our investment approach as a means of identifying and analysing these risks and opportunities. We emphasise long-term investment strategies, and align with societal goals such as the UN Sustainable Development Goals (SDGs).

Foreword: Persistence Pays.

We are active owners and debtholders. We exercise our rights when we believe action is needed to enhance long-term value for our clients and ultimate beneficiaries, and to generate sustainable benefits for society in general. Our regular discussions with investors and other stakeholders such as unions[3] and Non-Governmental Organisations (NGOs) support us in this approach. **When we remain invested and engaged for action, it is because we believe in their capacity to achieve sustainable performance.**

European Union (EU) regulations and local label requirements from individual EU countries are making it increasingly difficult for sustainable funds to support historically high greenhouse gas/GHG emitters during their transition to new energies. **Occasionally, divestiture may be the appropriate course of action for our investors, but we prefer to partner with** and accompany issuers in their journey, as they continue to improve ESG (Environmental, Social, and Governance) transparency and practices. In addition, and as for our corporate investees, **we are facing occasional headwinds, due to a political context that increases uncertainties over the implementation or continuity of long-term commitments** (eg. the Paris Agreement and the EU Green Deal) or the slowing of potentially positive regulations or programmes (eg. the EU Deforestation Directive,).

Transparency, expertise and situational intelligence must constitute the basis of our relations with investee companies and countries, if we hope to steer through such complexity:

- *Transparency* regarding the mandate our clients have given us which is supported by our approach, and sometimes our escalation
- *Transparency* about how we assess the ESG performance of issuers, our expectations and associated time frames
- *Expertise* to challenge investees on relevant and material topics, as well as the willingness to be challenged on engagement objectives we set
- *Transparency* regarding outcomes, and recognition of efforts made by investees
- *Situational intelligence*
    - We cannot demand from investees what they cannot afford because of a specific momentum or context
    - We should be able to identify the right momentum or the right people / stakeholders to push further our concerns for greater efficiency.

We expect this year will be pivotal for the EU Corporate Sustainability Reporting Directive (CSRD) to embed sustainability into European business practices. CSRD enforces comprehensive reporting standards based on double materiality, requiring large firms to disclose their sustainability impacts and risks. The promoters of this enhanced transparency directive expect significant benefits, including better alignment with climate goals, improved ESG data quality, and a stronger foundation for sustainable investments. Expertise on the part of investors is crucial to transform all of this new information into actionable insights for stakeholders, lest the sheer volume of data dilute its value. The CSRD should improve ESG data reliability and therefore serve as a driver of change, not a box-ticking exercise.

Could the CSRD hinder engagement efficiency or be used as an excuse not to get involved in any related exchange? With companies allocating significant resources to reporting, some might choose not to deepen their interactions with investors. Clarity in our demands and motivations, as well as quality of the relationships built with these companies over time, will be required to mitigate such effects.

Facing these new challenges, our ability to allocate adequate resources to our engagement priorities is fundamental to success. In 2024, we continued to streamline our engagement scope, strengthen our prioritisation process and close some collaborative (passive) programmes where we were not comfortable with the way that the engagement was being performed.

3 These exchanges take place to deepen our expertise by incorporating insights from multiple stakeholders

A significant share of our engagement efforts during 2024 were concentrated on **Governance**, **Climate**, **Biodiversity**, and **Human Capital and Human Rights** topics. We attempt to show that as a responsible investor Candriam uses all the stewardship tools at our disposal to work with investees to improve their management of material risks. As we enter 2025 we expect these are the topics that will continue to occupy centre stage. We nonetheless remain aware that investee events such as major restructurings will also need to be analysed through the lens of our various areas of expertise and may be sources of engagement.

Thematic focus.

I. Governance and Voting

Strong Governance, Strong Foundations

Governance is the foundation of a well-run organisation. It is not a standalone pillar within Environmental, Social and Governance (ESG) considerations but rather the foundation that underpins them. Without robust and effective governance, both companies and sovereign entities will face significant challenges. Last year, we emphasised that *"a thorough understanding of governance is crucial"* and *"governance mechanisms are central to both our corporate and sovereign analysis"*. This remains as true today as ever. Ultimately, good corporate governance creates trust among stakeholders and supports long-term success.

Good governance drives sound decision-making, enabling boards and managements to steer their organisations consistently, increasing resilience and the likelihood of success. The concept encompasses accountability and oversight through increased transparency, ethics and regulatory compliance, providing robust frameworks to help identify, assess, and manage risks and opportunities, as well as reducing the risk of power imbalances.

The governance structure enables the environmental and social pillars to function effectively, driving meaningful and lasting change. Without governance, these pillars lack the reliability and coherence necessary for sustained progress and real impact.

We also see that companies with strong and efficient governance structures are generally better-equipped to address environmental and social risks such as climate-related or human rights-related issues.

Insights from 2024

Strategic Skill Diversity: Building a Well-Rounded Board

Boards require a diversity of skills and expertise.[4] 'Diversity' must extend beyond gender and ethnicity and creating a well-rounded Board means equipping it with a broad range of competencies. Such a composition is better positioned to provide effective oversight and strategic guidance, and identify and manage risks.[5]

4 Harvard Law School, Director Skills: Diversity of Thought and Experience in the Boardroom, 2018. [Director Skills: Diversity of Thought and Experience in the Boardroom], accessed 4 March, 2025.

5 In the UK and across Europe, companies are held to legal and regulatory requirements for gender and ethnic diversity in corporate governance. The UK Corporate Governance Code requires listed companies to report on board diversity policies, while the UK Financial Conduct Authority (FCA) mandates diversity disclosures, including targets for female and ethnic minority representation on boards. The UK Parker Review also sets voluntary targets for ethnic diversity in FTSE 100 and FTSE 250 companies. In the EU, the 'Women on Boards' Directive establishes minimum gender representation in corporate leadership. For more details, see FCA Diversity and Inclusion Rules, [Parker Review Report, and European Commission on Gender Balance in Decision-Making .]

The importance of skill diversity on boards has garnered increasing attention in recent years from both shareholders and regulators. During the 2024 proxy season, one of the main challenges was to assess whether boards include the appropriate expertise. We based our evaluations on the information disclosed by companies regarding directors' profiles, backgrounds, and skills, as well as the material issues that need to be overseen by the Board of each company. These issues for the Board should align with the key risks and topics that are most relevant and material to each company. While more companies are now disclosing skill matrices for their board members, the methods of disclosure vary across companies and regions, making it difficult to fully assess the specific expertise of board members and how companies define their qualifications.

A successful Board does not require every member to be an expert in every area of the business. Rather, a balanced mix of generalists and specialists is key. A few skills, such as financial literacy and an understanding of governance principles, are baseline requirements for all directors, in order to assess company performance, understand financial risks, evaluate strategic investments, ensure accountability, and monitor adherence to regulatory standards. As businesses face increasingly complex issues such as cybersecurity, material ESG risks in line with company strategies, digital transformation, an increasingly volatile geopolitical environment and human rights,[6] Boards that lack relevant specialists with expertise in these areas may struggle to provide effective oversight.

As a case in point, ahead of the BFF Bank SpA 2024 annual general meeting (AGM), we co-filed a shareholder resolution to nominate two Board members with valuable expertise, particularly in executive compensation, corporate governance, and human resources. The goal is for their experience to enhance the bank's remuneration practices, and address longstanding concerns regarding disclosure practices, severance payments, and performance alignment. The proposed slate received more than 50% support, making it «the slate with the most votes», and these two directors were appointed to the Board. We will closely monitor the changes introduced to the company's remuneration practices in 2025.

CEO Pay: Retention, Quantum and Social Cohesion

As usual, executive pay was a prime topic of shareholder discussion in 2024. The retention narrative required careful scrutiny during the 2024 season and will likely remain a critical focus in 2025. Moreover, beyond the quantum of pay, retention challenges can also be effectively managed through the thoughtful design of variable pay structures, ensuring that executives are rewarded based on performance and have confidence in the alignment between their efforts and compensation.

We emphasise that retention issues should indeed be a priority for companies and addressed proactively to prevent disruption. That does not mean that all issues of the amount of compensation necessarily lead to a retention risk. Without clear justification for the challenges faced, retention concerns risk being perceived as a pretext to inflate total executive remuneration packages.

In the UK, several companies asserted that inadequate executive remuneration created a retention risk for chief executives. They argued that their top talent (particularly CEOs) could be lured to the US by more lucrative pay packages. This debate unfolded against the backdrop of broader concerns about the UK's economic competitiveness, more specifically the London financial hub. Critics claimed that its attractiveness had decreased and suggested that aligning the pay with US levels could help restore its competitiveness. While it is undeniable that average executive pay is higher in the USA, does the retention argument hold up to scrutiny?

While studies of the significant pay gap between the US and UK mention potential retention risks, they offer no concrete evidence that these risks have materialized. Instead, this argument appears to have been leveraged to create a mere-exposure effect[7] among investors, fostering the perception that a retention issue exists. Recent trends show that US companies are recruiting more executives domestically rather than seeking talent from abroad. Moreover, CEO pay is just one factor among many that influence the attractiveness of a market.[8]

6 As required under the EU CSDDD (Corporate Sustainability Due Diligence Directive) to be effective from 2027 based on the current adopted directive.

7The Oxford Quick Reference defines the mere exposure effect as "The tendency for repeated exposure to a stimulus to be sufficient to enhance an observer's liking for it or attitude towards it."

8M&G chief says exec pay isn't driving UK firms to the US

Another key focus during the 2024 proxy voting season was the misalignment of executive remuneration against peer companies, the broader workforce, or both.

Benchmarking can be a valuable tool for companies to assess executive's remuneration versus market practices and industry norms. However, to be relevant, peer group comparisons must be made against companies of similar size, industry and geographic region. When these criteria are not adhered to, benchmarking can result in unwarranted increases in executive pay.

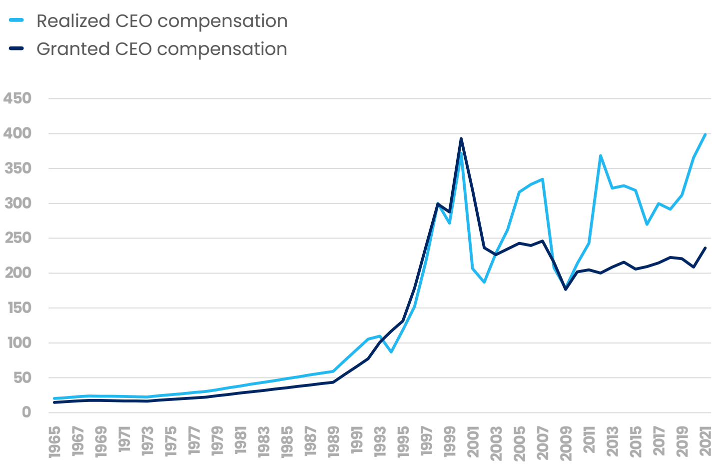
When analysing peer groups for benchmarking executive remuneration, two key considerations should be kept in mind:

- Companies often rely on external advisors to help build their peer groups. While these advisors play a valuable role in sharing prevailing pay practices, their coverage might be limited to their database. They may recycle peer selections from old or limited datasets, potentially leading to a skewed comparison pool. This could increase executive pay because the selected peers may not be the most relevant but rather the most conveniently available.[9]
- Benchmarking against the median introduces a psychological bias. Companies dislike being below the median, as it suggests their executive pay is in the lower 50% of the comparison group. When a company notices its CEO's pay falls below the median, it often raises remuneration to surpass it. This practice creates a cycle of upward pressure, inflating overall executive pay across the market.

An interesting metric is the ratio of CEO pay to overall workforce pay. In theory, this ratio provides valuable insights into whether the pay gap between executives and the workforce is widening or narrowing overtime. Unfortunately, the use of this metric remains limited with insufficient historical data and poor comparability across countries. The US leads in this area offering more historical data enabling investors to assess how the gap is evolving.

Market authorities have not taken significant steps to promote the CEO pay ratio as a standard metric. A well-defined CEO pay ratio would help create comparability and provide a useful lens for understanding pay dynamics. In challenging financial periods, an appropriate CEO pay ratio would also reinforce the CEO's role as a model of leadership and responsibility.[10]

CEOs make 399 times as much as typical workers: CEO-to-worker compensation ratio, 1965–2021



Notes: Average annual compensation for CEOs is for CEOs at the top 350 U.S. firms ranked by sales. Typical worker" compensation is the average annual compensation (wages and benefits of a full-time, full-year worker) of production/nonsupervisory workers in the industries that the top 350 firms operate in.

Source: Authors' analysis of data from Compustat's ExecuComp database, the Bureau of Labor Statistics' Current Employment Statistics data series, and the Bureau of Economic Analysis NIPA tables.

9 Compensation Consultants and CEO Pay Peer Group [1b06c5e7-de26-4bd3-aa1c-d5d9956503e3-meca.pdf]

10 [CEO pay has skyrocketed 1,460% since 1978: CEOs were paid 399 times as much as a typical worker in 2021 | Economic Policy Institute]

Auditor Selection for Sustainability Assurance: Challenges and Considerations

A new topic arose during the 2024 proxy voting season: The appointment of auditors for verifying sustainability-related reporting.[11] Currently, neither the legal framework, nor the regulatory guidance provided by financial markets authorities offers clear instructions on how companies and audit firms should approach this.

This raises important questions about the process of selecting these auditors, and providing reassurance to stakeholders. As the practice is often driven by new regulatory frameworks (eg, in markets such as France), it can be inherently controversial.

Should the same firm that handles financial audits also oversee sustainability audits, or should a separate firm be engaged? Which firms have the expertise and sufficiently-trained staff to carry out sustainability audits? If the same firms are used for both financial and sustainability auditing, could this be a conflict of interest? These questions highlight the need for clear guidelines and thoughtful approaches to ensure transparency and maintain stakeholder trust.

There are only five or six firms capable of auditing financial accounts of large companies. In France, where listed companies tend to use a double-auditor system, this pool is even smaller. Changing auditors is a complex and burdensome process which companies often seek to minimise.

This ambiguous environment increases the risk of potential conflicts of interest. Companies should adopt a very transparent approach in their selection process, explaining why a particular audit firm was chosen, and how they mitigate risks such as tenure conflicts. Best practice should include a detailed breakdown of fees, distinguishing between financial audit fees, non-audit fees, and sustainability audit fees. Such transparency will reassure investors about the independence and integrity of sustainability auditors, but also their capability to conduct sustainability audits which can be just as challenging and critical as financial audits.

Want to know more about Candriam Votes?

Check out our Mid-year Voting Report and VDS platform

11 The beginning of an EU-wide rollout of corporate sustainability reporting.

Outlook for 2025

Executive Remuneration vs Redundancies

The topic of retaining UK and other executives who might be tempted by more lucrative positions in the US is likely to persist in the upcoming 2025 proxy voting season. However, a new factor has entered the discussion in Europe: Layoffs. It is no surprise that the European economy is currently experiencing a challenging period, characterized by sluggish growth and rising costs for businesses. Some countries also face more severe budget constraints requiring governments to either cut spending, increase revenue, or pursue a combination of both.

During 2024, several companies have reported disappointing quarterly results and announced layoff plans to manage costs.[12] Investors will need to scrutinize the rationale behind executive remuneration proposals, as any increases in pay could be difficult to justify to shareholders and other stakeholders during a time of redundancies. Executives are role models, shaping a company's culture and setting the tone for its practices. They must lead by example and avoid actions that could send contradictory signals. Approving pay increases for executives while implementing layoffs could demoralize employees, reduce their willingness to embrace necessary changes, and potentially harm the company's reputation and cohesion.[13]

Minority Rights

This year should be no different from 2024 or any other year in terms of safeguarding the rights of minority shareholders against company management and major shareholders.

Last year, debates over dual-class share structures gained renewed momentum as various stock markets explored their potential to attract new listings.[14] This raised concerns among investors regarding the potential erosion of minority shareholder influence.

In Italy, the codification of certain exceptional measures (remote voting and virtual meetings without participation), introduced during the Covid-19 pandemic raised concern among investors. These legal changes significantly curtailed minority shareholder rights, prompting criticism from the investor community.

As these debates continue into 2025, they are likely to remain a contentious issue especially with the decision of the European Union to open a comment period for the revision of the Shareholder Rights Directive II. This revision presents an opportunity to address lingering concerns and strengthen the framework for shareholder rights across the region.

Robust succession . . . or not?

The 2024 proxy season highlighted a recurring challenge for listed companies: Flawed CEO successions. Several high-profile companies including Schneider Electric SE, Nestlé SA, Intel Corporation, and Boeing, Inc., faced disruptions following the dismissal of recently-appointed CEOs.

For Schneider and Nestlé in particular, the departures underscored the complexities of replacing long-tenured CEOs who transitioned to Chair roles after decades at the helm. Despite being initially regarded as ideal successors, the abrupt departures of the new executives reveal what can only be described as failed succession planning. These cases highlight the critical importance of robust succession strategies, particularly when transitioning from long-standing (and possibly charismatic) leaders. Companies must invest in developing a pipeline of qualified candidates and ensure readiness for unexpected executive changes.

As economic turbulence continues to challenge businesses, unexpected CEO departures may remain a major topic in 2025. Boards and investors will both likely focus on the strength and foresight of succession planning processes to safeguard organisational stability.

12 www.automology.com

13 For further readings on previous backlashes:
- BT boss Jansen bags £1.8m bonus as group plans to slash workforce
- Vodafone CEO pay soars despite 'not good enough' verdict

14 More is less? Wealth effects of Italian stocks to the increase in allowed voting rights - ScienceDirect
ICGN Recommendations to the European Institutions on Shareholder Rights.pdf

Panama Tax: Sovereign Governance Engagement

Candriam holds Panamanian sovereign debt in both sustainable funds and dedicated mandates. Although the country has some clear sustainable advantages such as its large forest cover, access to vast amount of hydroelectric power, its protection of large parts of its marine land territories, one impairment remains: the country has been part of the EU list of non-cooperative jurisdictions for tax purposes ('EU Blacklist') since 2020 for failing to comply with the standard of Exchange of Information on Request. This standard enables tax authorities in one country to request information from another to combat tax evasion and ensure fair taxation.

Panama successfully managed to remove itself from the FATF/GAFI[15] (money laundering / financing terrorism) list in October 2023. Encouraged by this progress, in 2024 we decided to engage with the authorities in Panama to better understand the government's approach to addressing its inclusion on the EU blacklist. Our goal was to evaluate their willingness to act, estimate the likelihood of the country being removed from the list and determine a potential timeline.

Unlike a prior engagement we conducted with neighbouring Costa Rica, Panama stakeholders showed significantly less openness to engagement and were reluctant to provide insights into the situation. Nevertheless, we had two productive discussions - one with the International Monetary Fund's (IMF) country representative for Panama and another one with the Head of Fiscal Strategy at the Panama Ministry of Economy and Finance.

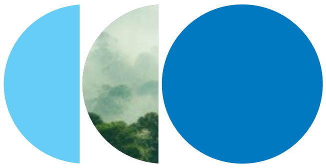
Milestones Reached: Our Achievements to Date

The discussion highlighted that due to the unique nature of the financial system of Panama - a US dollar-based financial system without a central bank - the country showed slow progress in being removed from the EU blacklist. Unlike its involvement in assisting Panama with removal from the global FATF list, the IMF is not actively engaged in the country's efforts to exit the EU 'list of non-cooperative jurisdictions for tax purposes'.

The Panamanian administration has expressed its commitment to addressing the issues cited by the EU and remains in regular contact with the EU Working Group and the OECD Global Forum on Tax. However, securing a definitive timeline from the authorities has proven difficult. The latest update to the EU list has elicited mixed reactions. Panama remains on the list and the grievances outlined by the EU appear largely unchanged, casting doubt on the sufficiency of the actions taken by the Panamanian government thus far.

Next steps: Our sovereign analysis will continue to monitor this situation closely in coordination with Candriam's Sustainability Risk Committee.

15 Financial Action Task Force, FATF or Groupe d'action financière, "is the global money laundering and terrorist financing watchdog." FATF.org



II. Climate and Biodiversity

Why Does Climate Remain at the Top of our Agenda?

In 2024, extreme weather events caused unprecedented disruptions and real financial damage. According to the World Meteorological Organization (WMO), the annual global temperature was 1.45°C[16] above pre-industrial levels (1850-1900), edging closer to the critical 1.5°C threshold outlined in the Paris Agreement.[17] As previously stated by the UN's Intergovernmental Panel on Climate Change (IPCC), **the UN Environmental Program recently warned[18] that current policies pave the way for a temperature increase of 2.6 to 3.1°C over the course of this century.** (This statement also includes the current Nationally Determined Contributions, or NDCs.) In February 2025, the EU insurance regulator described climate-based natural disasters as a systemic financial risk.[19]

Why Does the Climate Roadmap Keep Shifting?

During the fourth quarter of 2024, Climate COP29[20] in Baku, Azerbaijan, delivered mixed outcomes and no agreement over fossil fuels' phase out. On the positive side, a new climate finance goal was agreed, targeting USD 300 billion annually by 2035 to support developing nations in their efforts to adapt to climate impacts, reduce emissions, and to transition to low-carbon economies. However, lack of immediate funding as well as lack of details over implementation have drawn heavy criticism. Similarly, discussions on loss and damage saw incremental progress, but many nations still resist concrete timelines and robust frameworks for disbursing funds to vulnerable countries suffering the immediate impacts of climate change.

In a world where states debt levels are questioned, where infrastructure, industry, and education budgets often give way to defence budgets, current financing commitments remain insufficient to drive the transformative changes required to align global emissions with scientifically advised reductions. In this volatile geopolitical context and numerous national elections, including in the US, the economics for a transition to sustainable energy remain intact, although the pace may slow.[21]

16 WMO confirms that 2023 smashes global temperature record

17 Specifically, the UNFCCC says, "Its overarching goal is to hold 'the increase in the global average temperature to well below 2°C above pre-industrial levels' and pursue efforts 'to limit the temperature increase to 1.5°C above pre-industrial levels.'" The Paris Agreement | UNFCCC, accessed 27 Feb, 2025.

18 Nations must close huge emissions gap in new climate pledges and deliver immediate action, or 1.5°C lost

19 *Europe 'can't cope' with extreme weather costs, warns insurance watchdog. EU regulator Hielkema says governments and banks will struggle to pay for natural disasters.* Financial Times, 3 February 2025. Europe 'can't cope' with extreme weather costs, warns insurance watchdog, accessed 27 February, 2025.

20 To distinguish between the series of Climate Conferences of Parties and Biodiversity Conferences of Parties, we will refer to Climate COPs simply as COP, and specify Biodiversity COP for these Conferences.

21 Please refer to 2025: the swan song for global climate action? | Candriam

Stay the Course

It is our fiduciary duty to identify and protect our clients and ultimate beneficiaries from the financial risks of their investments. At Candriam, our analysis shows serious financial risks arising from climate change. Engaging on Climate is central to our Engagement policy.[22] Regardless of the type of assets or issuer, risk management of investments means supporting effective, efficient and realistic energy transition, extreme weather adaptation strategies[23] as well as alignment with credible 1.5°C trajectories at our investee companies and other issuers.

The world may cross the symbolic 1.5°C limit this year. But remaining as close to it as possible appears to be the best way to counter the severe business risks linked to disruptions in supply chains or infrastructure, or systemic risks such as a potentially dramatic fall in agricultural productivity.

Our clients, including those who have undertaken Net Zero commitments, encourage our active engagement. The individuals who are the ultimate owners of our retail funds, and especially clients of Belfius, our privileged retail partner in Belgium, also confront us regularly via their bank advisors.

The voices of our clients are our priority.

22 https://www.candriam.com/siteassets/medias/insights/sfdr-publications/engagement_policy_en2.pdf

22 According to sigma 1/2024: Natural catastrophes in 2023 | Swiss Re, Insurance losses from natural catastrophes have exceeded USD100 billion annually since 2020.

Candriam's NZAMi Commitment

Candriam joined the Net Zero Asset Managers Initiative (NZAMI) in November 2021, supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

We have more specifically committed to:

- **2025 Engagement Target:** Engage with 40 corporates that are top contributors to the Weighted Average Carbon Intensity (WACI) of our Net Zero perimeter by 2025.
- **›› Status** = On track : At end 2024, we had engaged with 56 issuers, accounting for 56% of the WACI of our Net Zero perimeter.
- **2030 Engagement Target:** By 2030, over 70% of financed emissions will have been successfully engaged ('net zero' status) or will be under engagement, via either direct or collaborative approaches. The 100 largest contributors to our financed emissions will be either 'net zero' or will be under direct engagement.
- **›› Status** = On track: We are currently engaging with companies responsible for 51% of our financed emissions (aka, 'carbon footprint'). Within our portfolios, 70 high contributors are currently under Net Zero Assessment, and 30 have already been engaged.[24]

In 2025, we plan to conduct an interim review to perform a global assessment of the progress, and to decide how we deal with potential laggards. It will be also an opportunity to review our engagement scope. Engaging on climate is a long-term effort which materialises into dialogues typically lasting more than two years. During that time frame, the composition of the portfolios which come under our Net Zero perimeter evolved in the normal course of managing those portfolios. We have so far chosen to retain the majority of our initial targets (as they may be relevant when our net zero perimeter extends), but issuers' relative contribution to the net zero perimeter WACI or carbon footprint have evolved.

To know more, please refer to the description of our Net Zero engagement campaign in the present report .

Want to know more about our Progress ?

CANDRIAM - Net Zero Progress Report

24 The WACI and the carbon footprint are two distinct metrics that we follow closely to decarbonize our portfolio. That explains why out of the 56 issuers that have been engaged chosen on the highest WACI, only 30 for now are also amongst the top carbon footprint.

Climate Still on the Ballot

The path of climate engagement is full of twists and turns. As polarized politics enter the engagement field and regulatory landscapes, nations are moving in different directions and along different paths. Global asset managers are left to operate in a more complex and contradictory sphere. Asset managers and their corporate investees share this confusion, as these global companies may need to respond to conflicting regulations.

Climate remains on the ballot. But the details make the difference. Voting is the most common lever available to responsible investors to exert their stewardship pressure. The voting decisions of asset managers have historically been scrutinized by pro-ESG organisations.[25] Today they are scrutinized by authorities and political bodies as well as academics.[26]

In Europe, the SFDR (Sustainable Finance Disclosure Regulation) **makes consideration of sustainability risks mandatory at asset management level for** Article 8 and Article 9 financial products,[27] and establishes transparency requirements and alignment of financial flows with sustainable objectives. These requirements create an incentive for asset managers to adopt a more active stance in their products and escalate on climate issues.[28]

In the United States, we see the reverse, with a rising number of laws enacted in certain states which prohibit boycotts against fossil fuels, and executive orders prohibiting diversity considerations. Investors in the US are under pressure to disassociate from Net Zero coalitions such as the NZBA (Net Zero Banking Alliance)[29] and the CA100+, while others are subject to lawsuits over their climate stewardship activities at AGMs (for example, the Exxon case against Follow This and Ajurna Capital).[30, 31] Even if investors believe that the lack of appropriate management of climate risks poses a severe risk to the future value of their company, such trends could hinder the use of collaborative dialogue, voting and associated means of escalation (eg AGM statements, filing or co-filing of resolutions, proxy contests).

The impact is particularly visible in US proxy voting. The majority of ESG resolutions have historically been concentrated at US companies. Yet over the past three years, the number of ESG-focused shareholder resolutions at US companies has increased only slightly. Average support for these resolutions peaked at 37% in 2021, declining to stabilize around 23% by 2024, with environmental and social proposals experiencing the most significant drops. 'Big Three' asset managers (BlackRock, Vanguard, State Street) continue to trim their support for environmental and social resolutions.[32]

Candriam has retained our consistent, active, and informed approach to voting. Over the same period, and particularly since the rise of the Say on Climate[33] (SOC) voting dynamic, Candriam has used voting rights to support climate strategies compatible with the goals of Paris Agreement. As per our voting policy, we systematicallyback our voting decisions on these resolutions with a comprehensive analysis of materiality for the company in question, and an analysis of the business

25 As matters of examples : Reclaim financial annual voting review (Asset Managers' investments risky for the climate and for their clients - Reclaim Finance), ShareAction's Voting-Matters-2023.pdf (assets-servd.host), Global Witness (World's major asset managers shoot down biodiversity resolutions despite soaring investor interest | Global Witness), Majority actions (Reports — majority action)

26 As a matter of examples : US House of representatives Judiciary Committee Republicans 2024-12-13-Sustainability-Shakedown-Report.pdf, Harvard Law school (Say-on-Climate Votes: Asset Managers Send Mixed Signals)

27 That is, the European Union Sustainable Finance Disclosure Regulation/SFDR, in which Articles 6, 8, and 9 define how a fund can be described. Article 8 funds are products that promote environmental or social characteristics alongside financial objectives, and Article 9 funds are products with a primary sustainable investment objective.

28 Please note that the European Commission is currently considering a review of the SFDR

29 Net Zero Banking Alliance – United Nations Environment – Finance Initiative https://www.unepfi.org/net-zero-banking/

30 Exxon court challenge to Arjuna shareholder proposal survives dismissal

31 House ESG Oversight Focuses on Proxy Voting; Issuer Attention Is on CSRD | HUB | K&L Gates

32 Harvard Law School on corporate Governance, October 2024, ESG Shareholder Resolutions

33 Say on Climate (SOC) refers to a management-sponsored resolution asking shareholders to validate the climate plan or transition strategy established by the company. A SOC can refer to either a resolution asking shareholders to approve the strategy itself, or a resolution seeking to approve the achievements made during the previous financial year against a climate strategy that had been previously approved.

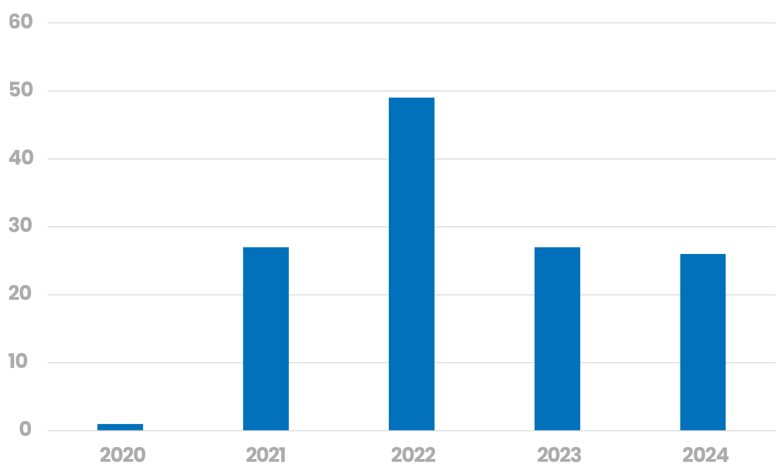
risks and opportunities. This year, we systematically predeclared our voting intentions on those Say on Climate resolutions on which we were able to cast a vote.[34]

As detailed in our 2024 Mid-Year Voting report,[35] 2024 saw the first rejection of a management-sponsored Say on Climate resolution (see the Box on Woodside Energy). The year also demonstrated a loss of momentum for such resolutions, with a decrease in number of proposed resolutions since their peak in 2021 and 2022. During 2022, there were 49 Say on Climate resolutions proposed; this decreased to 27 SOC resolutions in 2023, and 26 in 2024, with most still originating in Europe. This decline reflects a broader global deceleration in the push for such resolutions

Evolution of Say on Climate Resolutions

2020 to 2024, All publicly-traded companies globally

Evolution of Management Say on Climate



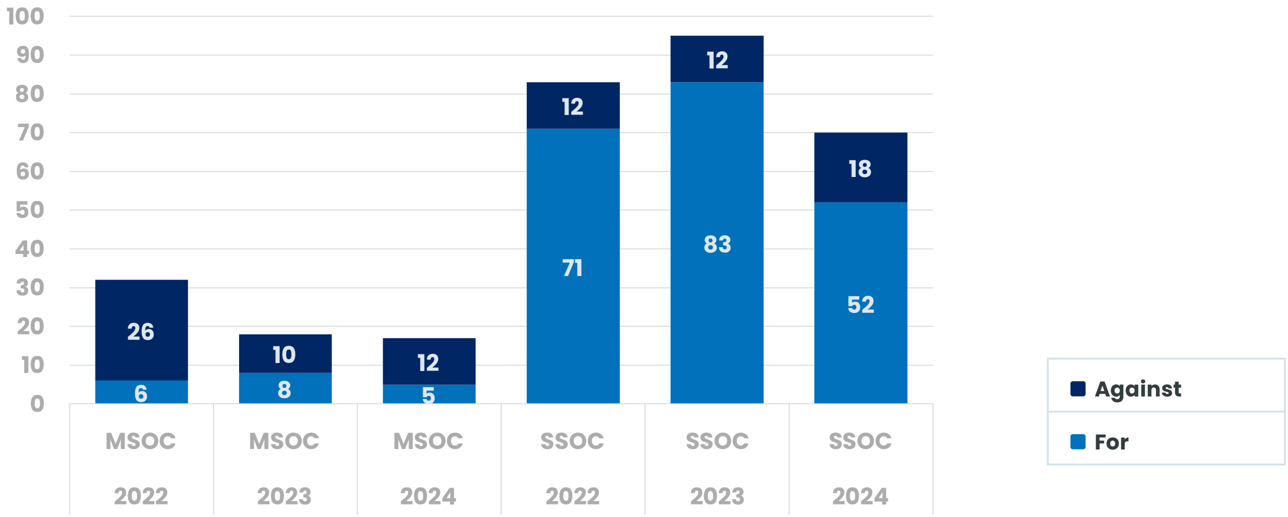
Source: FIR, September 2024.

Candriam's voting patterns mirror this trend. In 2024, we reviewed and voted on 17 SOC resolutions, a number consistent with the previous year but accompanied by a sharp drop in support. While we endorsed 44% of SOC resolutions in 2023, our approval fell to just 17% in 2024.

This decline highlights increasing dissatisfaction with companies' lack of ambition and subpar results, particularly as the critical 2030 and 2050 climate targets draw closer.

34 Predeclaration of Voting Intentions | Candriam
35 2024_08_mid_year_voting_report_gb.pdf

Candriam Voting on Management SOC and Shareholder SOC Resolutions Over the Years



Source: Candriam.

We believe the mandatory standardized sustainability reporting introduced for large EU companies by the Corporate Sustainability Reporting Directive (CSRD) from 2025 will progressively contribute to the decline of Say on Climate resolutions. At Candriam, we believe these regulations will promote greater transparency on and accountability for non-financial aspects of company performance. Globally, we note that Say on Climate resolutions often go beyond mere transparency, addressing the adequacy of climate strategies and implementation. Standardised disclosures may not fully replace the need for shareholder input on the ambition and execution of climate plans.[36]

36 The European Commission unveiled the EU Omnibus Package on February 26, 2025, which proposes significant amendments to EU regulations, including the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The package aims to simplify reporting obligations, and certain data points required under these regulations may be reduced

A Dedicated Net Zero Corporate Engagement Campaign?

Candriam actively supports companies in their decarbonisation journey. Our multi-year Net Zero engagement campaign encourages investee companies to align with a 1.5°C pathway to limit global warming. This initiative naturally stems from Candriam's commitment to net zero emissions by 2050 or sooner, as part of the Net Zero Asset Managers initiative (NZAMi). This has been validated by our Stewardship workstream and presented to our Global Strategic Committee. Our engagement strategy involves a multi-step program focused on guiding companies in their decarbonisation journey, with measures such as filing shareholder resolutions and active proxy voting.

The perimeter of our engagement campaign extends beyond listed corporates at which we can actively vote. Targets were selected based on their contribution to Candriam's portfolio Weighted Average Carbon Intensity, *client priorities and requests*, and ESG analysis knowledge and sector representation. When defining this selection, we also considered our estimated ability to engage successfully, to be as efficient as possible. As a consequence, our engagement scope goes beyond our current NZAMi scope, which in turn also covers both equity and bond investment strategies.[37]

For the majority of interactions, we engage in an individual dialogue. For a dozen others, we engage in collaboration with fellow investors, to maximize our leverage. Engagement is intended to last several years, which is the reason why we are particularly attentive to build trusting relationships by being transparent in our motives and objectives as investors. Our engagement efforts are being met with positive responses, and dialogues are ongoing, despite challenges and distractions from short-term targets due to droughts, geopolitics, etc. To develop and maintain these relationships, we:

- Make clear that we spend our resources to engage with them, both because we are mandated by our clients to do so and because *we want to remain invested in and believe in their capacity to fulfil our expectations*
- Acknowledge that our requests require time, energy, and other resources
- Acknowledge that issuer representatives may face their own internal obstacles, despite a genuine desire to bring change
- Remind companies that since so many asset managers and issuers are striving to achieve Net Zero commitments, working together and sharing ideas can be a 'two-way street'.

Our engagement objectives are to

- Clarify aspects of the issuer's strategy
- Identify and discuss remaining hurdles which may prevent a Paris-aligned climate strategy
- Support achievement of company-specific objectives, set in collaboration with our investment teams, ESG sector analysts and thematic experts

Regarding our third objective, evolution in portfolio composition and related impact on priorities prevents us from completing the discussion of detailed 2030 objectives by the end of 2024. During 2024 alone, we exchanged with over 40 companies and held 13 company meetings specifically dedicated to their Net Zero strategies. Since launching this engagement initiative in December 2022, we have engaged with over 56 companies directly, conducting 46 calls and in-person meetings and sending over 130 emails or letters. This represents 56% of our WACI (Weighted Average Carbon Intensity) and 51% of our carbon footprint.

Specific Attention Points

At Candriam, we have developed a ten-point proprietary net zero assessment framework.[38] Among those, companies have shown the most improvement in the four evaluation points of **Ambition, Disclosure, Climate Policy Engagement and Climate Governance.**

As a result, most of our efforts and objectives now concentrate on how our investee companies are:

37 P17 of net_zero_report_gb.pdf

- Setting relevant and credible intermediate emissions **Targets:** Investee companies have a finite carbon emissions capital to reach Net Zero, therefore the importance of meeting intermediate targets also aligned with Net Zero pathways
- **Providing sufficient transparency** on the nature and contribution of their decarbonization levers
- Pushing for alignment of **Capital Allocation** plans with the decarbonization strategy and with a 1.5°C trajectory
- Ensuring that the planned **Transition** is as **Just** as possible, to minimize negative impacts on workers, suppliers, customers and local communities
- Supporting proper integration of **Climate Risks** into **accounts** with sufficient information to assess the resilience of issuers' business and strategy to various climate scenarios, including Paris-aligned scenarios

And Potential Escalations

Our engagement policy anticipates certain measures in instances where we believe that escalation is needed.[39] Within the framework of our Net Zero campaign, our preferred escalation measures so far have been:

- Bringing other interested investors to the conversation to increase leverage with the company
- Active Voting, as detailed in our Candriam Voting Policy.[40] In some cases, we may also ask questions or make a statement at the AGMs, or even co-file resolutions

Want to know more about our Net Zero Assessment Framework?

CANDRIAM – Net Zero Progress Report

39 Please refer to the Escalation chapter of our engagement_policy_en2.pdf

40 proxy_voting_policy_en.pdf

Nestlé SA: Progress and Continued Dialogue

Nestlé today provides robust disclosures on its emissions and climate roadmap, including detailed breakdowns, reduction targets, and dedicated investments. As a leading multinational packaged food company, Nestlé remains a key focus of our engagement on sustainability and climate-related initiatives.

Originally, there was a lack of clarity regarding the definition and strategies for regenerative agriculture, specific criteria for targets within this scope, and no specific methane reduction target - particularly significant given the role of methane in dairy emissions.

During 2024, we continued our dialogue with the company to support and refine its Net Zero strategy. Notably, Nestlé has committed to enhancing transparency in its upcoming 2025 CSRD report, with a focus on detailing green capital spending and operating expenditures. Additionally, the company plans to provide greater clarity on its origin sourcing policy and the climate-driven considerations shaping these decisions.

Nestlé's most recent CSR report[41] offered improved insights into FLAG (Forest, Land, and Agriculture) emissions, a critical area for achieving net zero ambitions. While we appreciate ambitious FLAG emissions targets, and have ultimately agreed on the choice of a FLAG target instead of a methane reduction-specific target, we still need better clarity on how Nestlé measures these methane emissions (calculations and estimates), given associated challenges for anyone. Assuming most of the progress so far is based on productivity gains, and considering these are limited by their nature, we would also appreciate if the company would disclose how FLAG commitments may shape their business in the medium to long term.

Overall, our discussions with Nestlé have been constructive. We commend company's progress and we are optimistic about the incorporation of our feedback into their future disclosures.

Société Générale: New Progress and Ongoing Constructive Dialogue

We have been engaging closely with Société Générale, the retail and commercial bank, broker, and asset manager, for two years. We are involved both as part of our Net Zero Engagement, and also as an Institutional Investors Group on Climate Change (IIGCC) Lead for Société Générale. Listening to the combination of investor engagement and multi-stakeholder involvement, SG has brought substantial improvements to its climate policy.

In September 2023, management set ambitious sectoral targets. These include a 70% reduction in oil and gas financing in absolute terms by 2030 (relative to the 2019 base), and a cessation of financing of pure-play companies in upstream oil and gas, and of new greenfield projects. Halting the expansion of fossil fuels is necessary for the oil and gas industry to align with the 1.5°C climate ideal. However, state-owned companies will be exempt from these commitments, thus still financeable.

In 2024, Société Générale has formulated new decarbonisation targets for two of its twelve most carbon-intensive sectors, Aluminium and Aviation, which were goals for Candriam. Only the Real Estate and Agriculture sectors are left with no targets. Additionally, Société Générale has introduced new coal policies, including restrictions on financing metallurgical coal projects and refraining from establishing new relationships with companies deriving more than 50% of their revenue from metallurgical coal. However, we encourage the bank to extend this restriction to include existing corporate clients.

Another key area of discussion involves Société Générale's accountability for facilitated emissions. We continue to urge the bank to align with the recommendations of the Partnership for Carbon Accounting Financials (PCAF) on off-balance sheet emissions, issued in December, 2023.[42]

Overall, we are seeing positive steps from the company and will continue engaging with them on their net zero ambition and progress.

41 CSR = Corporate Social Responsibility. Based on the most recent, which for the second half of 2024, was the 2023 report. [Nestle: creating-shared-value-sustainability-report-2023-en.pdf]

42 https://carbonaccountingfinancials.com/en/newsitem/pcaf-launches-a-new-accounting-and-reporting-standard-for-capital-markets

Shell plc: Escalation Continues

We have been engaging with Shell, the British multinational oil and gas company, for some years, expressing our concerns regarding their energy transition strategy. We have engaged directly, collaboratively, by supporting shareholder resolutions, and by voting Against the company's Say on Climate resolutions, as they failed to meet our expectations.

Candriam believes that the transition strategy of Shell Energy transition strategy is not aligned with achieving the Paris goals of containing global temperature rise to <+1.5°C. The company even scaled back last year its climate ambition, by reducing its 2030 carbon intensity reduction objective from 20% to 15-20%, which does not show a sufficient pace of transition. The 2035 target of reducing carbon intensity by 45% has been scrapped. The company has not set any absolute scope 3 emissions target on its full scope of activity, and its significant growth in LNG should offset, from a carbon point of view, the reduction of emissions envisaged for oil related products.

Shell has committed to $10 to $15 bn in capital spending for low-carbon energy solutions over its three-year strategic plan, about 20% of the group's total capex, very far below the objective of 50% low-carbon capex by 2030 set by the IEA in its Paris-aligned trajectory for the oil and gas sector.

We strongly encourage the company to scale up its climate ambition and accelerate its energy transition strategy to be in line with the Paris goals. Escalating our concerns, we have voted Against the company's Say on Climate resolution and (co-filed and supported) the shareholder climate resolution advising Shell to align its medium-term emissions reduction targets covering the Greenhouse Gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement at the 2024 AGM. We also voted Against the CEO and Chairman, as well as those members of the Sustainability Committee who were standing for re-election.

If no significant improvement to Shell's Energy Transition Strategy is brought by 2025, we will consider voting Against all Board members up for re-election at Shell's 2025 annual general meeting.

Woodside Energy Group Ltd: First to Fail.

We voted Against the Climate Transition Action Plan for Woodside Energy, the Australian petroleum exploration and production company, because it lacks ambition and credibility and does not align with the Paris goals.

The company has not adopted a commitment or plan but only an "aspiration" of net zero (scope 1&2) by 2050 or sooner. Scope 3 is not included in this aspiration, which is also conditioned on several technological, abatement-related developments that are uncertain to materialize. 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 either have any tangible plans 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 ventures in CCS).

In 2023 and again in 2024, we voted Against incumbent members of the committee responsible for climate risk oversight due to their lack of climate ambition.

The resolution on the Climate Transition Action Plan and 2023 Progress report was rejected at the AGM, showing increased investor discontent with Woodside's current approach to addressing climate change. Whether or not this vote will lead to changes in the company's strategy remains to be seen.


50
RAPPEL

Engaging with Sovereigns on Climate

Engaging with sovereigns on climate builds on our corporate climate engagement. Engagement must be suited to asset type, issuer type, and geography. Until 2020, our climate engagement with sovereigns was limited to supporting public statements such as the Global Investors statement on Climate Crisis from the Investor Agenda.

Want more on this collaborative statement?

[Policy Advocacy | The Investor Agenda]

Why should investors be interested in countries' transition strategies? Investment decisions are based on a multitude of factors, and their associated risks. Climate change one such investment risk. Further, it is an *accelerating* investment risk.

Climate, along with the adaptability of the economy to climate change, is a core factor in any sovereign bond equation today. Portfolio managers need to be able to assess the climate performance of national economies, and the climate adaptability of governments and economies.

Sovereign climate engagement supports corporate engagement. Companies cannot transition to a low-carbon international economy if countries where they operate do not enable that transition.

Since 2021, we have gone beyond investor statements and progressively increased our sovereign stewardship activities. Our first step was to take an active role in a pilot collaborative sovereign engagement working group coordinated by the UN PRI, focusing on how Australia tackles climate change.

Our motivation was twofold. First, the initiative objective is to request the Australian government to take all possible steps to mitigate climate change, both in line with the below 2°C goal of the Paris Agreement, and to also pursue the 1.5°C ideal. Second, as a pilot initiative, we felt it was a unique opportunity to gain knowledge and experience in sovereign engagement on sensitive topics.

The engagement covers three areas:

- Transition risks and opportunities (1.5°C and Net Zero pathways)
- Physical risk assessment (lacking in Australia)
- Market developments (sustainable finance, disclosure, taxonomy, green bond initiatives)

This collaborative pilot engagement is a two-way street. We advise the Australian federal and sub-sovereign (states) governments in mitigating greenhouse gas (GHG) emissions and building resilience to climate change, and we reduce our exposure to risks associated with a failure to rapidly transition to a net-zero global economy.

For Australia, this engagement enables the government to gain knowledge and information regarding:

- How investors assess sovereign alignment on climate change
- General investor and market expectations on climate risk and sovereign response
- Other understanding of investor practices and activities that help Australian entities respond to climate change

More on the PRI's pilot program in Australia ?

[Collaborative Sovereign Engagement on Climate Change | PRI Web Page | PRI]

For investors, we address:

- Risks to investments in Australian sovereign debt (including potential downgrade).
- The competitiveness of the Australian economy (including the environment for investee companies in Australia).
- Systemic or systematic risks that diversified investors or universal investors may face through their exposure to the global economy.

For efficiency, the engagement group includes three working groups, each responsible for engaging with some of the four types of stakeholders: The federal government, sub-sovereigns (eg, state governments), national regulators, and authorities. Candriam is part of the working group engaging with the federal government.

The initiative has gained significant traction in Australia and has generated positive results.[43] This pilot program helped Australia in advancing its climate policy, helped shape Australia's Green Bond Framework, and highlighted the economic benefits of transition amid political debates. It increased government awareness of integrating policy into investment decisions, influencing capital flows. Additionally, it strengthened investor confidence in engaging with sovereign entities.

Paving the way for further successes. This engagement has attracted interest from other sovereign entities in multiple countries who have expressed their interest in a similar process. It has also established the pilot as a viable model for collaborative engagement on climate change. Other investors showed interest in joining the collaborative engagement and participating investors and those on the waiting list are looking forward to the next country to be engaged.

The Republic of South Africa: Individual Sovereign Dialogue

In the third quarter of 2024, we decided to engage South Africa to gain a better understanding of why the country struggles with electric grid shutdowns. The country has ambitious plans to improve the network but only a modest portion of the plans have been completed.

Our objectives were to understand the government's approach, to gauge their willingness to act, and to understand the likelihood and timing of significant improvements in the national grid.

From September 2024 onwards we have engaged with several stakeholders. Most meetings took place in London, when multiple stakeholders were in the city for a broker conference. We held useful conversations with the Department of Fisheries and Forestry, the Head of Project Management at the Office of the Presidency, the CEO of ESKOM (state-owned electricity utility) and the Deputy Minister of Electricity and Energy. These conversations offered insight into the government's projects, the challenges they are encountering, and the achievements so far.

We understand that urgent action is required to mitigate the gas cliff and accelerate renewable energy adoption. We received confirmation of significant reforms underway in energy management, specifically the unbundling of Eskom to improve transparency and accountability. Due to the low effectiveness of Eskom, the president's representative underlined the necessity to rely on public-private partnerships to build the roughly 14,000 km extension of the grid which is needed. We learned of the just-launched Renewable Energy Master Plan (September 2024) to encourage private sector contribution to enhance the performance of the grid. The government appears concerned about the implication of mafias and associated corruption at multiple levels.

We intend to follow up with several key officials by the end of 2025 to evaluate the progress made.

43 pri_collaborative_sovereign_engagement_on_climatechange_australian_pilot_progress_report_406693.pdf

Engagement integral to impact investing

With forms of engagement depending on the asset and instrument type, impact investments demonstrate yet another type of cooperation. Climate is often central to the engagement strategy of these funds.

When investing in green, social, sustainable or sustainability-linked bonds (which we refer to collectively as sustainable bonds), our investment process requires that issuers produce a comprehensive impact report at least annually, providing granularity on use of proceeds and KPIs as well as alignment to UN SDGs. Our ESG and Portfolio Management teams constantly assess these factors for holdings as well as for potential investments. If the impact report is unclear, or lacks data or granularity, we engage with the issuer to obtain the data and to improve future disclosure. If the issuer fails to meet our requirements, the associated position is sold from our funds.

Private equity is another area where stewardship includes a unique form of engagement. For our fund of private equity impact funds strategy, we 'engage' at two levels: Directly with the managers of our underlying funds, who in turn engage with and report to us on each of their underlying companies. Given that the investments are private companies in early stages, and are founded with the goal of simultaneously achieving environment/social KPIs and financial targets, fund manager 'engagement' includes technical support, as well as advice on impact and other reporting systems, strategies, and business plans. The fund managers are often industry specialists with operating experience in the businesses being funded, as is typical in private equity. Before any investment we can ensure a full partnership with underlying funds; supporting them in reporting their extra-financial performance, engaging in constructive dialogues, and participating in their impact committees as observers.

Well-rooted Engagement for Biodiversity

Why is it so important ? In the past 50 years, the Earth has lost 73% of wildlife, according to WWF's Living Planet Report.[44] Our ecosystems being sustained by an intricate web of interdependencies, any imbalance endangers a multitude of species, animals and plants.

The European Commission's CSRD concept of 'double materiality' offers a framework for understanding these connections -- our business and financial endeavours impact biodiversity, posing risks to society and the environment, while biodiversity risks in turn threaten our financial system.

Biodiversity loss poses significant risks to investment portfolios as it may directly impact the value of issuers. Failing to address this issue can lead to severe economic repercussions, threatening long-term sustainability and profitability. Investors who strategically integrate biodiversity considerations into decision-making, recognizing dependencies and impacts, may have better investment outcomes.

The concept of double materiality helps identify risks tied to biodiversity loss, categorized as:

- Physical risks, such as environmental events like floods, wildfires, or droughts that can damage assets or disrupt operations, or lack of pollinators impacting yields.
- Transition risks, where businesses or assets lose value or become obsolete due to stricter regulations and shifting consumer preferences in the move towards sustainability.

By understanding and addressing these risks, investors can safeguard portfolios. Our biodiversity proprietary analysis framework enables us to assess impacts on and dependencies to biodiversity of issuers' business models, and also the way they manage these risks which may also contribute to a sustainable economic future. We are able to identify significant risk elements in sub-themes related to biodiversity, such as water resources, deforestation, pollution, etc. This analysis enables us to pinpoint priority targets for biodiversity engagement, as well as preferred engagement topics.

In this context, we will conduct thematic engagement campaigns on specific issues like water, deforestation, and disclosure.

Discover our full biodiversity strategy:

[Biodiversity strategy]

44 [Home | WWF]

Engagement is critical to accelerate the integration of biodiversity into investing, both for sufficient disclosure, and for biodiversity management. Asset-level data is also necessary to target engagement efforts if we are to address the most material biodiversity impacts and risks to investors, and to foster real life change. As we have experienced over the years with the topic of climate change, asset owners will play a key role and Candriam fully integrates the needs and demands of these asset owners when designing dedicated biodiversity methodologies and engagement efforts.

Targeting Corporates as well as Sovereigns

Governmental action is critical not only to better understand how they deal with physical risks but for biodiversity transition risks to emerge. Unlike climate change, where both physical and transition risks affect economic models, biodiversity risks have largely been confined to the physical dimension due in part to limited and poorly enforced regulation. As physical impacts grow, government intervention will likely lead to increased transition risks for companies and investors. Engagement helps us to challenge these government actions, addressing both the environmental and social dimensions as biodiversity loss usually disproportionately impacts rural and indigenous communities, reflecting social and economic inequalities. Impacts like displacement and health issues can lead to regulatory, reputational, and operational risks, threatening portfolio value.

In 2022 we joined with 150 other financial institutions in calling for governments to adopt a Global Biodiversity Framework. Our joint statement, which financial industry leaders made ahead of Biodiversity COP15[45], called on governments to halt and reverse nature loss by 2030. We are convinced the statement contributed to the success of COP15 and the adoption of the Kunming-Montreal Global Biodiversity Framework, which addresses biodiversity loss and aims to restore ecosystems as well as protect indigenous rights via concrete measures. But pressure should be maintained as confirmed by Biodiversity COP16 in Cali[46]: While some progress was observed on integrating indigenous people in nature conservation decisions or digital sequence information[47], National Biodiversity Plans remain insufficient, and the conference concluded without securing financial commitments for implementing the Kunming-Montreal Global Biodiversity Framework.

As a result, in 2024 we continued our individual but also collaborative engagement over Plastic Packaging (under the coordination of VBDO[48]) targeting food and beverages companies as well as retailers. Most of them struggle to meet ambitious targets they have set for reducing use of virgin plastics: recycling infrastructures/systems lack efficiency in most regions, in return limiting access to high-quality plastic with the expected physical and sanitary properties. Here again, better collaboration with states is needed. The willingness to improve is clearly evident among most of the engaged companies, who are working diligently with their suppliers to achieve better performance.

In 2024, the first engagements within the framework of Nature Action 100[49] have also taken place. The collaborative initiative also released publicly its assessment framework[50] articulated around six indicators covering Ambition, Assessment, Targets, Implementation, Governance, and Engagement. The road ahead is long as the topic of biodiversity is even more complex for companies to tackle than climate issues. Although the companies engaged so far have shown an interest in meeting and discussing the issue with investors, enhanced collaboration will be necessary to ensure that biodiversity impacts, risks and dependencies but also opportunities are well integrated into corporate strategies.

45 That is, UN Biodiversity Conference, COP15, December 2022 (in Montreal).

46 Conference of the Parties (COP)

47 A new philanthropic fund has been created, dedicated to digital sequencing information, aiming to ensure fair sharing of benefits arising from genetic resources.

48 VBDO - Dutch Association of Investors for Sustainable Development

49 Candriam joined Nature Action 100 during the second half of 2023, among the original signatories. Collectively, the group of 200 investors represents over $28 trillion in AUM. For more Nature Action 100 – Supporting greater corporate ambition and action on tackling nature and biodiversity loss

50 Nature Action 100 Company Benchmark Indicators

Promoting Disclosure Standards

The Task Force on Nature-related Financial Disclosures (TNFD) has developed an ambitious framework to create a global standard for organisations to report financial risks and opportunities associated with nature. The intent is to enable companies to understand their dual-materiality connection with nature, while advocating for measures to alleviate both risks and impacts.

This framework, unveiled in 2023, consists of two main elements. The LEAP method[51] evaluates a company's effects on and reliance on biodiversity, while the disclosure framework promotes increased transparency regarding internal biodiversity strategies.

Candriam became an early adopter of the TNFD in 2023. We believe the framework offers guidance in identifying and assessing our risks, and opportunities, and impact related to nature. We are confident that this proactive approach will equip us for the reporting obligations outlined in the EU CSRD (Corporate Sustainability Reporting Directive).

Candriam has since published our first TNFD report in December 2024. As our inaugural document, it marks a significant step in our ambition to better account for the impacts and dependencies of our activities on biodiversity. It reinforces our dedication to aligning with evolving regulatory frameworks and advances the integration of sustainability within investment strategies. In the course of our dialogue activities, we strongly encourage our investee companies to adopt the TNFD reporting recommendations as well.

There's more on the TNFD website!

In 2024 we have also embarked on the second phase of our Palm Oil Dedicated Campaign. Initiated in 2023, it is our first individual campaign focusing on biodiversity.

Palm oil was chosen as the first commodity for our biodiversity-related engagement as it is the most widely used-vegetable oil being far more productive, cost and resource efficient. Although its sourcing is highly scrutinized, expansion of palm oil is being recognised as a major driver of deforestation and land degradation, and traceability remaining challenging in this value chain. The EU is a significant importer of palm oil. The EU's Deforestation directive (implementation now postponed to December 2025) requires companies purchasing key commodities to conduct value chain due diligence to ensure that goods do not result from recent (post 2020) deforestation, forest degradation or breaches of local environmental and social laws. This responsibility cascades down to the investee companies in our sustainable investment strategies.

Discover Candriam's first TNFD report published in December 2024

We initially used a value chain approach to identify a limited but relevant set of targets, prioritizing though our proprietary Biodiversity Impact model and our holdings. Prepopulated Palm Oil assessment frameworks (TNFD based) were sent to nine target companies. Based on the feedback, we shared best practices which were identified among the group, and suggested routes to implement them.

We have since entered in the second phase of engagement, getting back to corporates to see where they stand on the roadmap we had suggested before implementation of the

51 LEAP: Locate, Evaluate, Assess, and Prepare

EU Directive got postponed. Highly exposed companies have heavily criticized the delay arguing it penalizes businesses that have already invested in compliance and sends a negative signal amid ongoing environmental crises, while adding uncertainty at their supply chain level. Our dialogues are ongoing but we have already identified some best practices (see below) which is helping us challenge laggards.

Themes	Example of Best Practices
Policy Governance	Clear description of organization & responsibilities between the procurement and the sustainability teams. Biodiversity Due Diligence Committee or taskforce with external experts. Linking remuneration with relevant ESG metrics focused on biodiversity for Chief Procurement Officers and Chief Sustainability Officers and its disclosures.
Actions	Clear disclosures of mills information on RSPO status, latitude, longitude, and UML reference. Dedicated assessments of key business partners including smallholders. Due Diligence Application and associated due diligence process (to track environmental or human rights violations). Escalation process in place, involving Chief Procurement Officer as well as representatives of the top management, with platform in place to monitor violation and alerts. Impact dependency studies done on biodiversity in alignment with the Science-Based Target Network (SBTN) and via the Corporate Biodiversity Footprint. Clear process in categorizing suppliers low – high risk suppliers along with what they need to complete or submit depending on their risk level. Whistleblowing policy and monitoring via a third-party system.
Targets and Progress	Most companies are lagging on dedicated biodiversity targets, and progress. Most targets and progress are related to traceability or % of certified schemes (incl. under Segregated scheme). Expected: full disclosure of biodiversity metrics when finalized.
Investments	Dedicated funding of biodiversity strategies/projects are in place. Expected: easy access to the investments' breakdown linked to biodiversity strategy.

In 2024, a dedicated individual engagement campaign also started on Per- and polyfluoroalkyl substances (PFAS), often referred to as «forever chemicals» due to their persistence in the environment, and which have been identified as significant threats to biodiversity.

Candriam's ESG and investment teams have selected PFAS as a primary focus for engagement because of:

- Global Environmental and Regulatory Concerns: PFAS are under increasing regulatory scrutiny, with countries adopting stricter limits and banning their usage in various applications. In 2023, the European Chemicals Agency (ECHA) announced a proposal to restrict the use of all PFAS across the EU, aiming to prevent emissions into the environment[52].
- Relevance to Value Chains: PFAS are critical inputs in industries such as textiles, electronics, and coatings, replacing them with suitable alternatives requires significant time and investment. This transition path can have wide-ranging implications, including the need to

adapt production tools and processes, potential changes to product performance, and shifts in client and supplier portfolios.

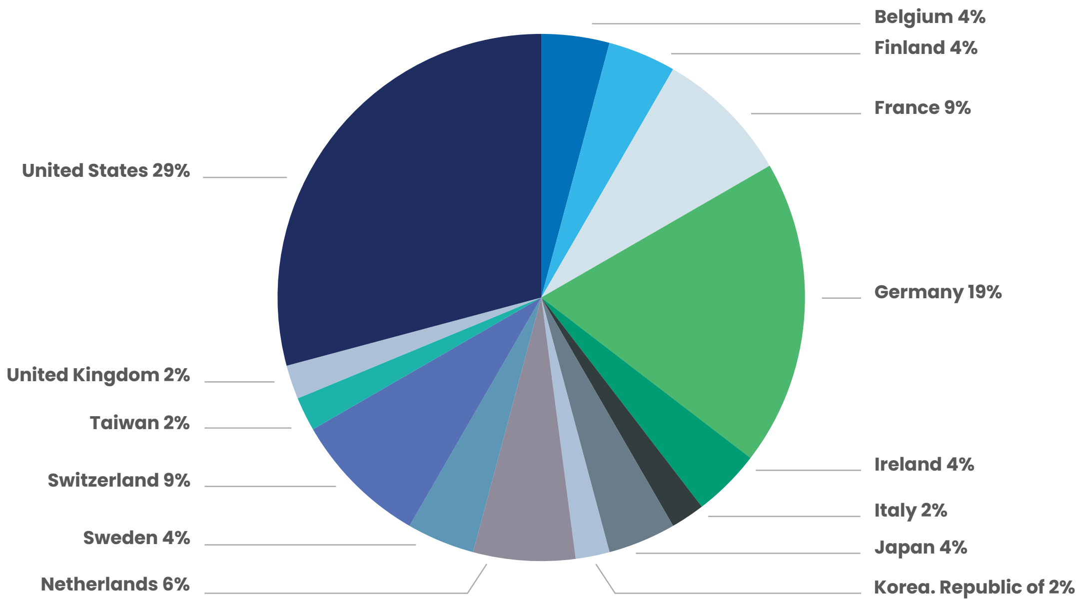
- Contamination and Health Risks: The Environmental Working Group reports that PFAS contamination has been detected in drinking water supplies serving over 200 million Americans across all 50 states[53]. Further research by the U.S. Agency for Toxic Substances and Disease Registry also indicates that exposure to PFAS is linked to serious health issues such as increased cholesterol levels, liver damage, decreased vaccine response in children, and increased risk of certain cancers.[54]
- Litigation and Financial Risks: Based on European studies, over 17,000 sites are contaminated with PFAS, and assuming contamination in global soils is similar, remediation costs would exceed €2,000 billion[55]. ChemSec, an NGO advocating for the substitution of toxic chemicals, gives us another way to consider the issue: *"The average market price of PFAS is €19 per kilogram. However, if the societal costs were included, the accurate price would be €18 734 per kilogram."* [56] This could result in companies facing significant litigation and financial remedies risks due to PFAS contamination. Numerous lawsuits have resulted in substantial penalties and settlements for affected businesses.

For all of the above-mentioned reasons, effective PFAS management is now crucial for safeguarding long-term value creation while adhering to stakeholder and regulatory expectations, including investors[57]. Additionally, the search for alternatives to PFAS presents unique opportunities for innovation, which investors are likely to consider in their valuation assessments, recognizing the potential for forward-looking companies to gain competitive advantages.

We decided to proceed with an approach similar to the one we opted for the Palm Oil engagement, prioritizing target companies based on 1) known exposure to PFAS, 2) our holdings and investment teams interests. We then sent a bespoke prepopulated PFAS assessment to 21 chosen global companies and are now engaging with them on this basis. Based on these, we will share best practices identified among the group, and suggest improvements.

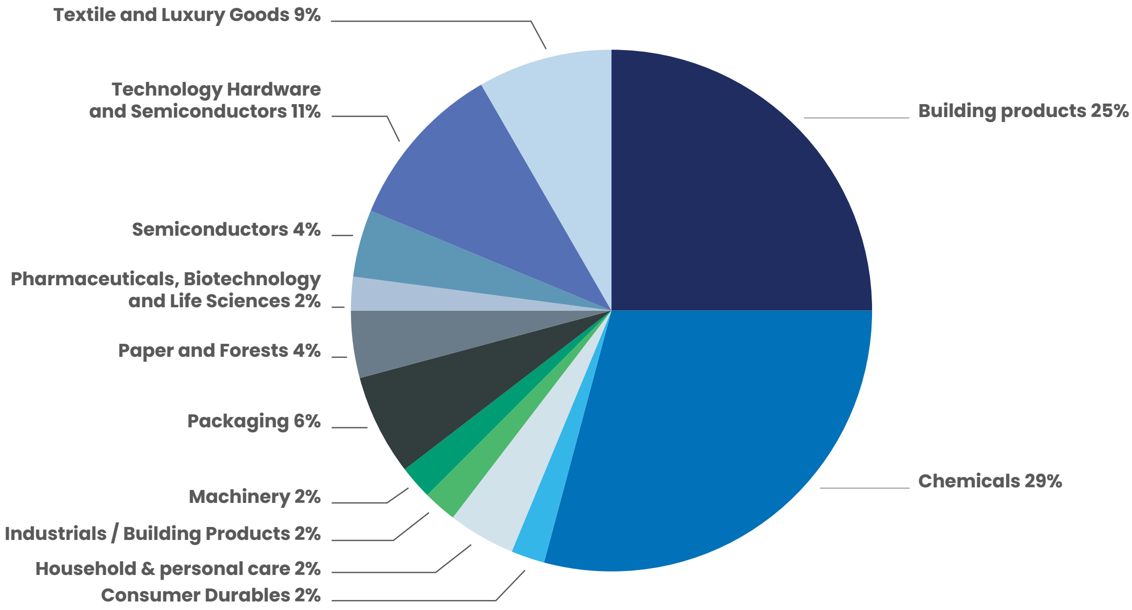
52 All news - ECHA
53 Study: More Than 200 Million Americans Could Have Toxic PFAS in Their Drinking Water | Environmental Working Group
54 Multi-Site Study | PFAS and Your Health | ATSDR
55 Forever pollution': Explore the map of Europe's PFAS contamination
56 ChemSec identifies the top 12 PFAS producers in the world and reveals shocking societal costs
57 Investors demand end to 'forever' chemicals

Distribution by Region of Company targeted by the PFAS Initiative



Source: Candriam / Permission: N/A

Distribution of Company Sectors Targeted by the PFAS Initiative



Source: Candriam / Permission: N/A

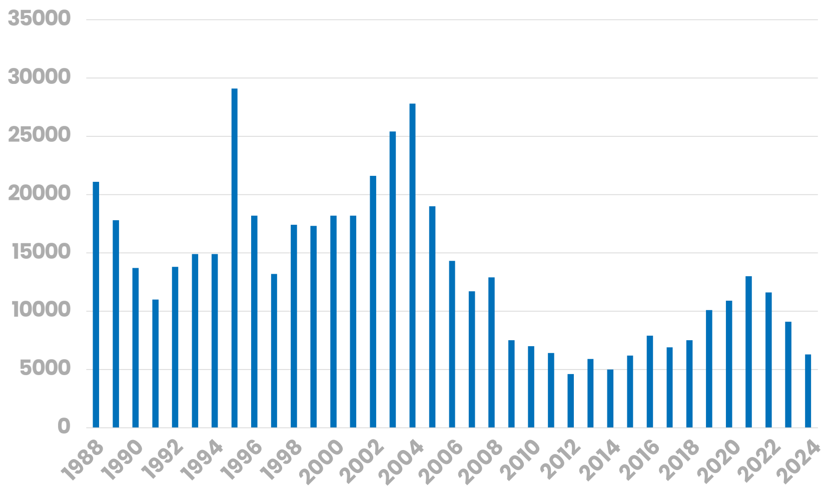
Sovereigns and Deforestation: IPDD Collaborative Engagement

The Investor Policy Dialogue on Deforestation (IPDD) is a coalition of 84 investors from 21 countries, representing approximately $11 trillion in AuM,[59] to promote stakeholder engagement for the reduction of illegal deforestation and the preservation of vital biomes. The initiative includes three working groups, Brazil, Indonesia and Consumer Countries. Candriam is active in both the Brazil and Indonesia groups.

IPDD Brazil:

Since the 2023 election of the President Lula in Brazil, the administration has made notable efforts including a pledge to reach zero deforestation by 2030. According to Brazil's National Institute for Space Research, Brazil achieved a significant milestone in 2024 by reducing Amazon deforestation by 30% between August 2023 and July 2024, reaching its lowest level since 2015.[60]

Deforestation rates - Legal Amazon - States



Source: Source: TerraBrasilis, 2024 / Permission: ok, data under Creative Commons BY-SA

Further in this positive direction, in December 2024, on the same trend, the Brazilian Supreme Court suspended a law cutting tax breaks for companies adhering to the "Amazon soy moratorium", a critical agreement preventing soy cultivation in deforested areas.[61] The road to zero deforestation remains long as some stakeholders such as politicians, agri-business and mining companies are advocating for less control over the native rainforests.

Collaborative dialogues include meetings with government representatives, and other stakeholders such as the Banco Central do Brasil, the Brazilian Development Bank, indigenous communities, and the Sustainable Agrocarbon Chamber. In 2024, during continuing discussions with Brazilian authorities on behalf of the IPDD, we commended Brazil's action in signing the regional Escazú Agreement, and encouraged the Brazilian Congress to ratify the Escazú Agreement, calling Brazilian government to support ratification and effective implementation. The Escazu Agreement is indeed the first legally-binding treaty for the Latin America and the Caribbean region incorporating standards for access rights: Access to information, public participation, and access to justice. It includes special provisions for vulnerable groups and environmental human rights defenders. With President Lula da Silva lacking a congressional majority, the treaty has so far not been ratified by Brazil.

We also took part in discussion meetings with the Brazilian Stock Exchange ('B3') and the Brazilian Financial Markets Authorities ('CVM'). We expect 2025 will be as busy as 2024, if not more, for the IPDD working group as Brazil will be hosting COP30 in Belém, while the PRI in Person event will be held in Sao Paulo. Finally, Brazilian presidential elections should be held in 2026, which may have an impact on the fight against deforestation.

IPDD Indonesia

The 2024 Indonesian general election, held in February, saw Prabowo Subianto win the presidency. The government is expected to produce policies to enhance food security by increasing domestic production, strengthening research and farmer capacity, establishing farmer corporations, developing food estate areas, and rehabilitating irrigation infrastructure to optimize agricultural land use as well as improving energy security (eg, ethanol, other biofuels). As the presidential inauguration was held late in the year (October), the working group decided not to focus on government engagements in 2024 and worked with other Indonesian stakeholders. The group held a seminar for 300 local participants members of the Indonesian Stock Exchange ("Why ESG Matters to Investors?"), and met with numerous stakeholders. The working group met with the Asian Development Bank to discuss the funding of the new capital city of Nusantara as a sustainable city, and met with VDBO, the Dutch sustainable investment forum, which is has started a program on the deforestation risks of large-scale nickel mining. An investor trip is planned in for the first quarter of 2025 to connect with several ministries, the chamber of commerce, the financial regulator, the banking association, and embassies.

IPDD Consumer Countries

Candriam only has a supporting role in this working group, yet with 2024 a major election year in most consumer countries, it was a challenging year for engagement. The UK provided an upside legislative surprise: The Department for Environment, Food and Rural Affairs (DEFRA) introduced draft legislation to ban the sale of products linked to illegal deforestation, initially covering palm oil, cocoa, beef, leather, and soy, with implementation expected in 2024 for businesses with a global annual turnover exceeding GBP 50 million.[63] The IPDD working group sent a letter to DEFRA on the implementation of the bill. In the US all activity was behind closed doors. In the EU, the working group held talks with a large food and beverage company on how they are adapting to EU deforestation regulation (scheduled to come into effect in December 2025).

See the latest IPDD Deforestation Report (2022):

Investor Policy Dialogue on Deforestation

Want to know more?

Investor Policy Dialogue on Deforestation (IPDD)

59 https://www.ipddinitiative.com/home
60 https://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates
61 Brazil court suspends law cutting tax breaks for firms with deforestation soy commitment | Reuters
62 Confirmation pending as of 4 March, 2025.

Outlook 2025 and Beyond: The Intertwined Destinies of Climate and Biodiversity

In 2025, enhanced ESG regulations like the EU's Corporate Sustainability Reporting Directive (CSRD) and the global adoption of International Sustainability Standards Board (ISSB) frameworks will standardize reporting, hopefully improving data consistency and comparability. However, the planned simplification of EU CSRD - and the rollback of ESG-focused policies at the Federal level in the United States create uncertainty on this evolution.

In parallel, climate change and decline in biodiversity will also deprive or reduce the livelihoods of millions of people, leading to increased geopolitical tensions and migration, along with the need, depending the region, for new infrastructure. The social impacts of environmental inaction will at some point further pressure governments to address the issues. The question of incentivizing and financing the transition as well as protecting valuable natural assets is central for both Climate and Biodiversity domains, at a time where states must actively support companies in this shift. Despite the political uncertainty in the US, financing the energy transition remains paramount, supported by technological innovation and demand for low carbon solutions, with trillions needed annually to fund renewable energy, green infrastructure, and carbon mitigation technologies.

- Relative importance of sovereign green, sustainable, and sustainability-linked bonds will thus probably increase, providing more opportunity to engage with sovereign entities on their objectives and strategies.
- On the corporate side, engagement activities will continue focusing on how issuers finance the strategies they have defined, which leeway they have, how capital expenditures are shaped by their climate / biodiversity priorities.

As we approach the 2030 milestones, there is a high likelihood that we will again emphasize the need to define and achieve relevant short term targets. Additionally, nature-based solutions which are often limited in scalability and overly reliant on offsets, undermine broader systemic efforts to reduce emissions, and should therefore be seen as "last resort options".

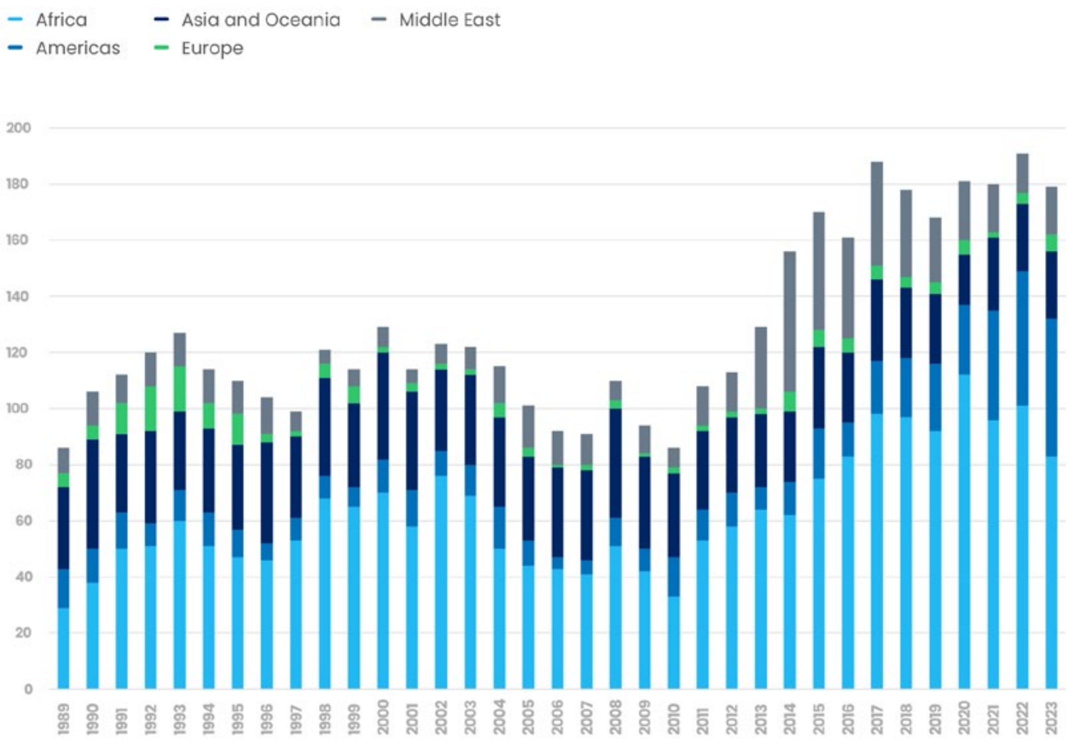
III. Human Rights & Human Capital

Engaging in an ever-more-volatile environment

2024: ‘Annus Horribilis’

Gaza, Lebanon, Syria, Yemen, Ukraine, Myanmar, Sudan – the list goes on. According to the 2024 Global Peace Index from the Institute for Economics & Peace, there are currently 56 active conflicts worldwide, the largest figure since World War II. **The previous record of post-WW II conflict-related deaths was set in 1994** during the Rwandan genocide, but **2024 is set to break that record.**

Number of armed conflicts, World



Source: Uppsala Conflict Data Program and Peace Research Institute Oslo (2024) – processed by Our World in Data
Note: Some conflicts affect several regions. There may therefore be double-counting.

Was 2024 a ‘one off’?

Let’s zoom out. The report highlights that over the past 17 years, global stability has declined, with substantial increases in political instability, the number of conflicts, deaths from conflicts, and violent demonstrations. These figures are set against a backdrop of a 10% global increase in military capacity since 2014. **Consequently, 25% of the world’s population lives in conflict-affected areas,** according to the United Nations.

So how are companies dealing with this changing state of the world ?

Baring a few exceptions, poorly!

In past decades, multinational companies had the luxury of being able to avoid conflict-affected regions as their aggregate GDP, and market potential, were insignificant. But today, the spread of conflicts to nations with large economies means that corporates are now exposed to these regions. With Russia representing 1.9% of global GDP[63] and Israel representing 0.5%, we are entering a new ball game. Should we also dare to consider potential conflicts affecting Taiwan, with 0.7% of world GDP and its huge weight in the essential semiconductor supply chain?

While companies are increasingly exposed to and affected by conflicts, the past three generations of managers have come and gone without the need to deal effectively with high risk areas. It's not in their mindset and culture to consider these growing risks.

Some industries such as the oil and gas, the utilities, the mining industries have been more exposed to conflicts and these tend to be better prepared. But most companies demonstrate little in terms of policies, governance, due diligence, or remediation covering their risks of and exposure to CAHRAs. This blind spot applies not only to their own operations but also to their whole value chain.

As responsible investors, we expect investee companies to have adequate policies in place, including governance, impact assessments, heightened human right due diligence, and remediation processes covering the risks of exposure to CAHRAs, not only in their own operations but throughout their value chain.

Have you heard of CAHRAs ?

CAHRA stands for **Conflict-Affected and High-Risk Areas.** The most commonly accepted definition comes from the OECD: *"Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people."*

How can a responsible investor mitigate CAHRA risk in portfolios ?

Our ESG analysis includes Norms-based screening as well as presence in oppressive regimes.

Unfortunately, ESG data providers have a poor record on providing Human Rights scores and data on the universe of companies they cover. This is something we are trying to address through our participation in the World Benchmarking Alliance's Collective Impact Coalition on Human Rights Data which is engaging with data providers to improve their coverage of Human Rights issues in general.

So on behalf of our investors, we have to rely on controversies linking companies to CAHRAs and lists of exposed companies such as that of the UN or NGOs.

We carry out multiples engagements on these companies to establish if they are properly equipped, through relevant and targeted policies, governance, due diligence processes, to face the risks they are exposed to?

During 2024, we engaged directly with 15 multinational companies on their presence in CAHRAs and oppressive regimes including Russia, Belarus, the Israel-Palestine conflict area, the Democratic Republic of Congo, Myanmar, and other areas. These engagements have led to three exclusions from our sustainable portfolios and six downgrades of ESG scores.

We also joined a collaborative engagement under the Investor Alliance on Human Rights targeting five issuers in the technology and utilities sector.

To see how Candriam voted on shareholder proposals asking companies to report on their activities in such regions, please refer to our voting statistics section.

We will continue to closely monitor and engage with issuers exposed to the risks of CAHRAs.

63 Figures: World Bank, 2023.

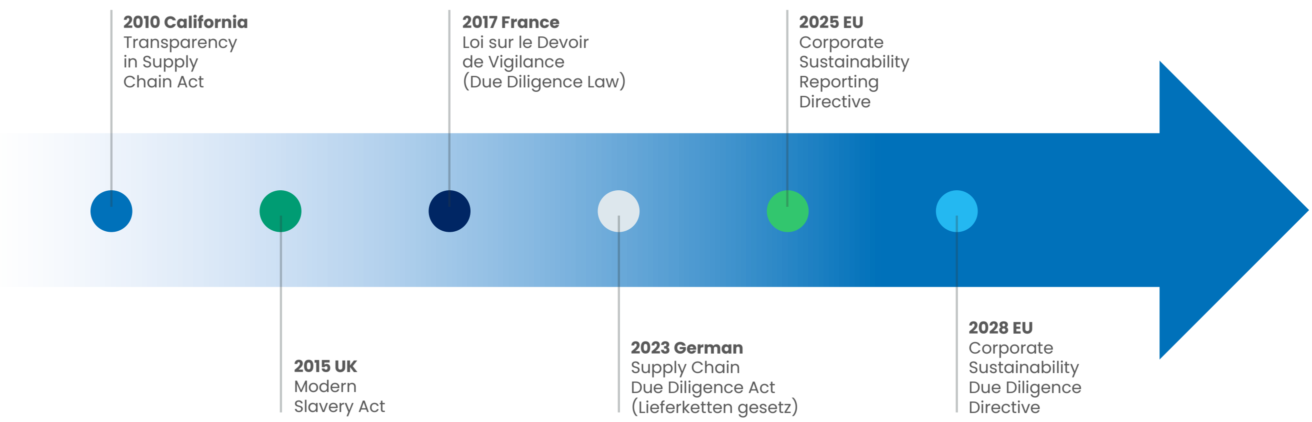
Risks in the supply chains

Engaging with investee companies on risks in their supply chains: Mitigating Human Rights Risks in the value chain

After decades of improvements, most large international companies show relatively low human right risks within their own operations. The largest part of the risks, and harm, now resides further down the down the supply chain, sometimes several steps beyond Tier 1 suppliers.

Today, companies are under pressure from growing regulation and due diligence requirements to consider the risks in the supply chain (see box).

Supply Chain Risks: Rising Regulation



Source: Candriam / Permission: N/A

This is increasing the pressure on companies to identify and address human rights risks in their value chains.

What are we doing?

As a responsible investor integrating ESG factors within our investment decisions, we seek to identify and analyse the sectors and the companies most exposed to supply chain risks. We see agriculture, apparel, perfume and cosmetics, and auto manufacturing as the sectors most exposed to these risks. The information available on supply chain risk management from ESG data providers tends to be relatively limited. We rely on data from initiatives such as the World Benchmarking Alliance's Corporate Human Rights Benchmark to provide some performance analysis, albeit for a limited number of companies (244). Like most human rights-related issues, investors tend to assess companies performance based on the occurrence, severity and remediation of supply chain related controversies which arise, rather than being able to do so in advance.

Engagement is therefore a crucial part of our effort to identify and address these investment risks. When we engage with investee companies in these sectors we try to evaluate their policies, governance, processes and reporting. We assess whether they have the right expertise to identify, map and manage risks in their supply chains. We like to find evidence, for example, that companies have access to the right expertise internally and externally, carry out regular human rights impact assessments in high risk areas/communities/products/types of suppliers, that they put in place heightened human rights due diligence, that they evaluate the efficiency of their processes, and that they engage with their suppliers and auditors to make sure risks are properly identified. We also ask for transparency, that is, for companies to communicate on their successes and challenges in managing supply chain risks, including case studies in their public reporting. When these are not in place, we promote examples of best practices that some of their peers might have put in place.

What's next ?

Starting in 2025, the phased-in onset of the EU's Corporate Sustainability Reporting Directive, or CSRD, will require approximately 10,000 companies present in Europe[64] to report on hundreds of sustainability data points, including several on supply chain risk management. This will enable asset managers to improve their understanding of the risk and performance of investee companies, and should be a catalyst for improvement as well as for increased engagement.

In 2025, we intend to launch an engagement campaign to focus on supply chain risk management of companies in the Apparel and Luxury Goods sectors. We will contact issuers present in our portfolios and challenge them on their practices. We hope to publish our results before the end of the year.

To see how Candriam voted on shareholder proposals asking companies to report on their human rights risk assessment in their supply chain, please refer to our voting statistics section.

64 CSRD covers publicly-traded foreign companies of a certain size, to comply with the reporting requirements. This scope was reduced by 80% in early 2025 from 50,000 to approximately 10,000. https://ec.europa.eu/commission/presscorner/detail/en/ip_25_614

Can AI Deployment be Ethical ?

Engaging on Emerging Technologies: Artificial Intelligence

The rapid deployment of artificial intelligence (AI) poses significant societal risks, including potential job displacement, algorithmic bias, and the erosion of privacy as AI systems become increasingly sophisticated and pervasive.

What Are We Doing About It ?

At Candriam we took a deep dive on Facial Recognition (FRT) issues from 2021 to 2023, beginning with thorough research and by leading a coalition of 55 investors[65] in an engagement campaign with 30 companies involved in this technology. This work enabled us to understand the challenges faced by companies, report on the best practices we observed and understood the need for regulation.

In early 2024 we decided to merge this initiative on Facial Recognition into the World Benchmarking Alliance's (WBA) Ethical AI Collective Impact Coalition, a group of 70 asset managers managing over $8.5 trillion of investors' assets who are promoting a safe use of Artificial Intelligence. Today, Candriam co-leads this AI initiative along with Fidelity and Boston Common. We are broadly encouraging all companies to do and share more on ethical AI in order to promote a more trustworthy digital economy and sustainable society. The Investor Statement provides an overview of the issue.

In practice, we engage with companies in the WBA's Digital Inclusion Benchmark to understand the principles, governance, and practices in place around AI topics. We endeavour to highlight challenges and promote the leading practices that we observe through our engagements.

We have already met with 24 large tech companies including internet platforms, telecom companies, semiconductor designers, and manufacturers. We are learning about the challenges that companies are facing and are collecting examples of best practices to share and promote.

65 AuM of $5 trillion at launch, rising until the blending with the AI group. We chose to merge because of our view that companies should not have to answer the same questions twice, and FRT falls under the broader topics related to AI.

Examples of ethical AI practices encountered

'Red Teaming' ?

In tech companies, 'Red teaming' consist of creating a group of expert to challenges any new development, deployment or use of an emerging technology. The red team will look for vulnerabilities, biases, and potential risks by using techniques such as adversarial inputs, data poisoning, and model evasion, to challenge the AI system's robustness, safety, and ethical behavior before real-world deployment.

Watermarking

AI watermarking is the process by which a unique, often imperceptible to humans, signal is embedded into AI-generated content, such as text, images, or videos, to identify it as artificially created.

What are we asking for ?

The first phase of the initiative (2022 to 2023) focused on high level expectations :

- Do companies have strong **policies** and **principles** clearly defining their commitment to ethical AI?
- Have companies put in place the right **governance** to oversee ethical AI, including **internal and external experts?**

The second phase of the initiative aims to understand how companies are *implementing* ethical and responsible practices within their operations to ensure AI use or development is safe. This includes, for example, impact assessments, due diligence, risk management, staff training, alert systems, etc.

Progress in sight

AI is now in the open! Companies are openly disclosing their development and use of the technology. Starting from a low base, we are seeing growing numbers of companies adopting ethical or responsible AI principles and guidelines. As of February 2024, 52 out of the 200 leading companies assessed in the WBA's Digital Inclusion benchmark have adopted these principles, up from 44 in March 2023. We are also seeing more and more companies staffing ethical committees to address the need for strong governance to insure high standards of compliance and risk management.

Next Steps

In 2025, we will continue our AI engagement efforts to encompass a larger number of companies. Candriam is leading the WBA working group on telecom operators. The coalition leadership, of which we are a part, intends to publish a report on our findings in the second quarter of 2025, and detail the best practices we have observed.

How Have We Voted?

As AI usage continues to grow and stakeholders push for companies to establish responsible usage guidelines through dialogue, shareholder proposals on this issue have increased. In 2024, we backed seven proposals urging companies to report on their AI usage and two asking boards to establish committees responsible for AI oversight.

An intriguing development at Microsoft's Annual General Meeting this year was the significant 39% support garnered by one of the six AI-related shareholder resolutions, a significant figure for a shareholder-sponsored resolution. This resolution raised concerns about the ethical implications of data sourcing for AI training *and the potential risks it poses to the company*. While supporting the resolution seemed straightforward, the most surprising aspect was that it was introduced by the National Legal and Policy Center, an organization known for bringing forward resolutions that are often viewed as opposing ESG principles.[66]

Engaging with Investees on Human Capital

In 2024 we concluded a four-year engagement campaign focusing on human capital management of small- and mid-cap companies. Throughout this campaign, we monitored the human capital performance of all the companies in our portfolios of European sustainable small- and mid-cap equity strategy (around 60 issuers at any one time). Our investment process places a strong emphasis on human capital for small- and mid-cap companies.

We requested several indicators from issuers. This allowed us to see not only how each indicator evolved but also how much a company is disclosing (publicly or after request).

Except for internal mobility and absenteeism rates, all the KPIs are required under EU Corporate Sustainability Reporting Directive (CSRD) due to start in 2025.

Our work provided insights into the way companies are:

- Evolving post-COVID, such as the adoption of working from home
- Facing the challenges of a tightening job market
- Improving on disclosure ahead of CSRD

Although this work was mostly quantitative, the data analysis highlighted several challenges such as high absenteeism and poor coverage of annual evaluation. So we carried out five follow-up engagements in 2022, and twelve in 2024. These dialogues did not lead to any exclusions from the portfolios, but did result in three downgrades in the 'Employee Score' within our ESG analysis.

66 https://corpgov.law.harvard.edu/2024/07/31/anti-esg-proposal-surged-in-2024-but-earned-less-support/
https://corpgov.law.harvard.edu/2025/02/06/anti-esg-proposals-have-increased-in-volume-but-fare-poorly/

KPIs requested from companies:

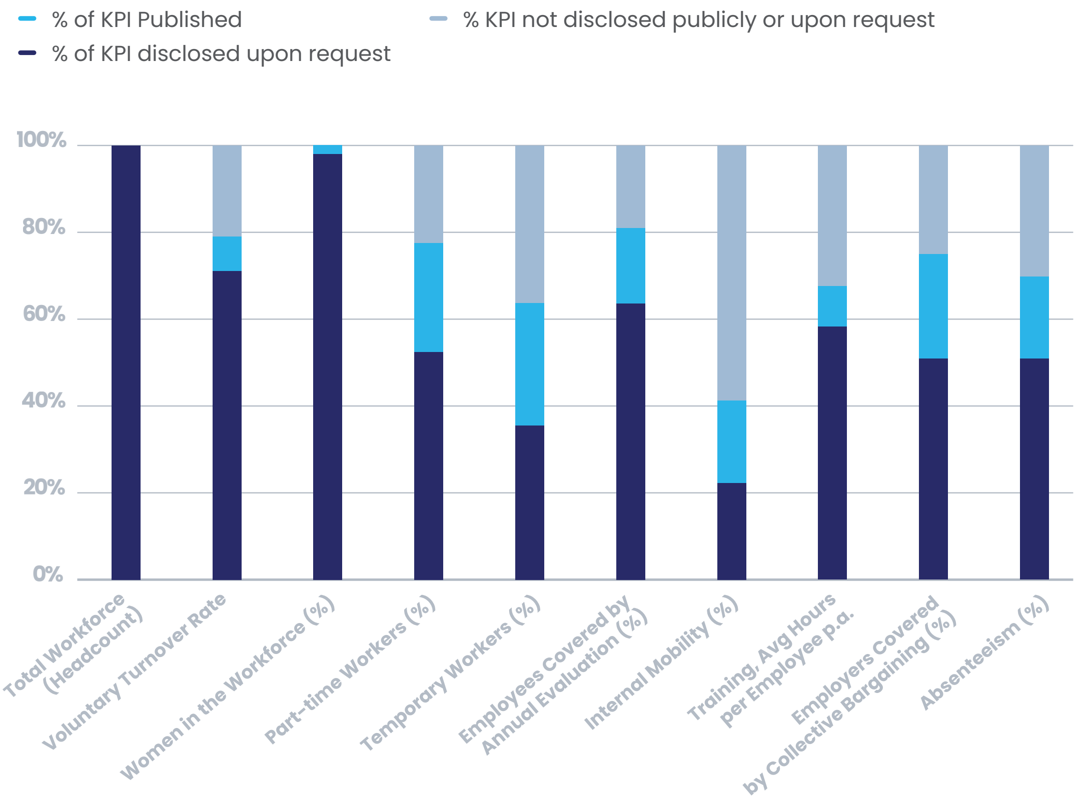
- Total workforce (headcount)
- % Workforce growth rate (year on year)
- Voluntary turnover rate of employees
- Percentage female employees among workforce
- % Women in management
- % Part-time workers
- % Temporary workers
- % Employees covered by annual evaluation
- % Internal mobility rate
- Avg number of training hours per employee per annum
- % Workforce covered by collective bargaining agreements
- % Absenteeism rate

Conclusions

- Transparency has marginally increased for the majority of the KPIs, but remains far from the -potential CSRD requirement
- Some KPIs saw a reduction in public disclosure but were available upon request (eg, data on part-time and temporary employment levels)
- Employee workforce levels jumped by 24.8% between 2020 and 2022
- Voluntary turnover has increased meaningfully
- Employee annual evaluation rose during our engagement to a high of 91.2%
- Training hours have jumped to 24.6 hours per employee per year
- Absenteeism increased from 3.5% in 2020 to 4.1% in 2022

How much are companies disclosing ?

Potential for further disclosure



Source: Candriam / Permission: N/A

For more details on this engagement campaign see our report here.

How Did Our Analysis Impact our Voting?

In 2024, we voted *Against* nine companies[67] because executive remuneration plans do not include any human-capital related KPIs despite their low human capital performance. Of these nine companies, seven had already been contacted within the context of our Human Capital Management Campaign for SMID companies.

67 Linea Directa Aseguradora SA, CellaVision AB, Rentokil Initial Plc, McDonald's Corporation, Shurgard Self Storage Ltd., Intertek Group Plc, Dermapharm Holding SE, The Kroger Co., Big Yellow Group Plc

PART 2

In Figures: Engagement and Voting Data.

2024 Engagement Statistics.

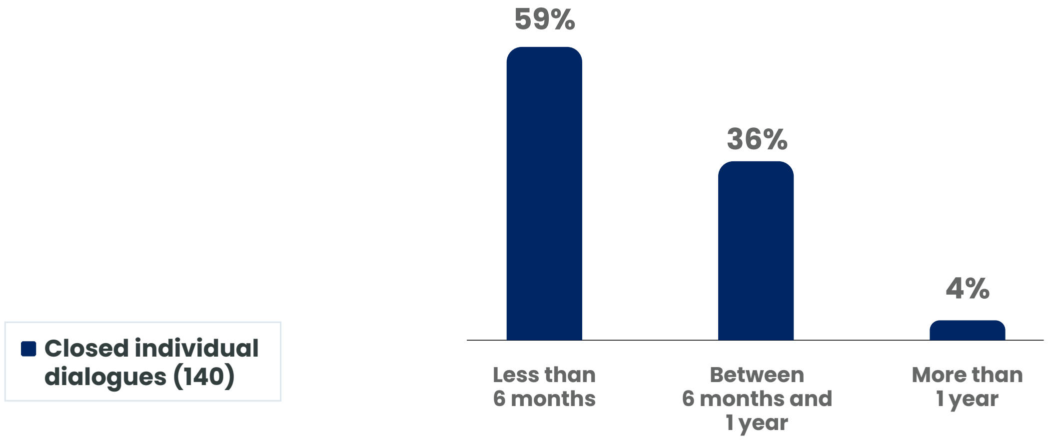
We provide a comprehensive view of our engagement activities with corporate issuers, covering key topics addressed, dialogue status as of the end of 2024, issuer responsiveness, and outcomes. For the purpose of our statistics, a 'dialogue' refers to either an attempt or a successful exchange with issuers on Environmental, Social, and Governance (ESG) factors.

Individual initiatives

In 2024, we engaged with 226 corporate issuers through direct dialogues, leading to a total of 273 exchanges on various topics. These issuers represent 32% of Candriam's assets under management (AuM, as of 12 Dec 2024) in corporate instruments, that is, listed equities and corporate fixed income instruments held directly by our funds and mandates.

As in the previous year, these figures reflect our commitment to a more targeted and strategic approach to engagement, as well as our preference for collaborative initiatives whenever possible to maximise impact.

Duration of Individual Dialogues Closed in 2024



Issuers Targeted by an Individual Dialogue in 2024

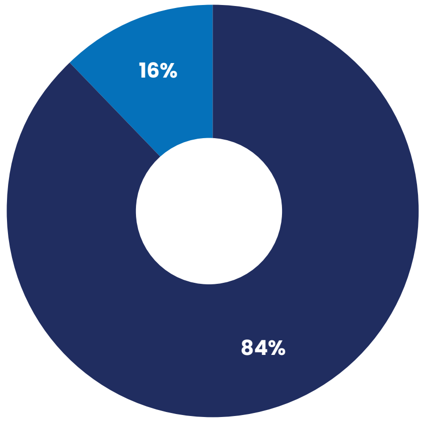
Engaged Issuer Breakdown by Region

Region	2024	2023	2022
Europe	62%	68%	62%
North America	25%	20%	24%
Asia Pacific	3%	3%	6%
Emerging Markets	10%	10%	8%

Engaged Issuer Breakdown by Response Rate

A total of 190 issuers responded in 2024 (versus 277 in 2023 and 237 in 2022).[1]

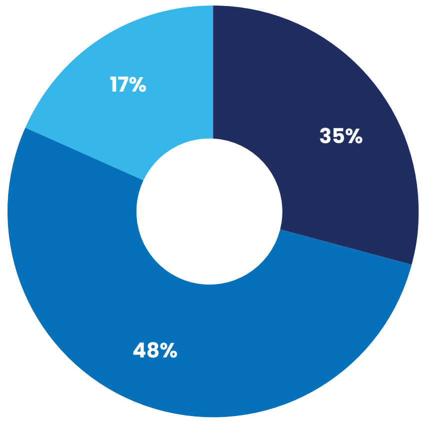
Response rate	2024	2023	2022
Responded	84%	88%	70%
Did not respond	16%	12%	30%



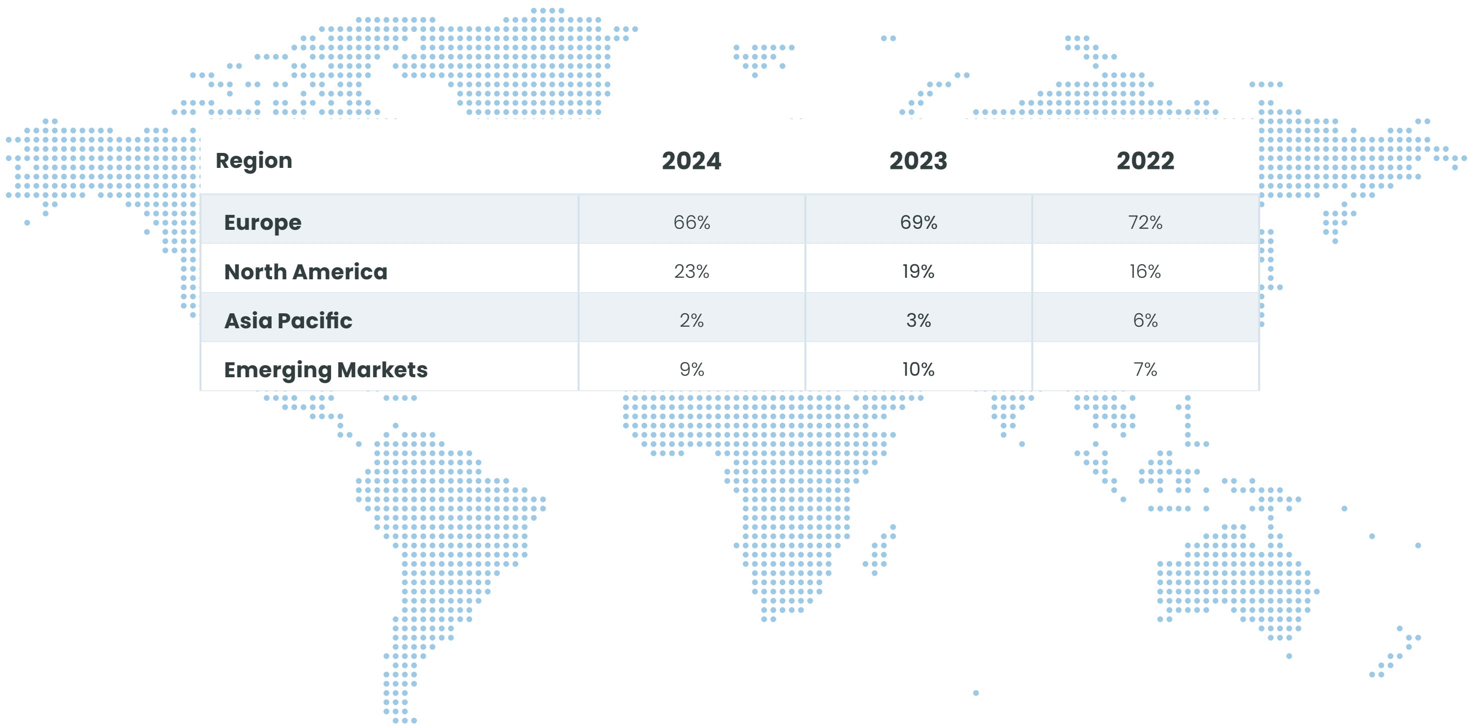
1 That is, we may engage in more than one topic with each issuer.

Main contact channel

Main contact channel	2024	2023	2022
Conference call	35%	29%	33%
(e-)Mail	48%	52%	57%
Meeting	17%	18%	10%

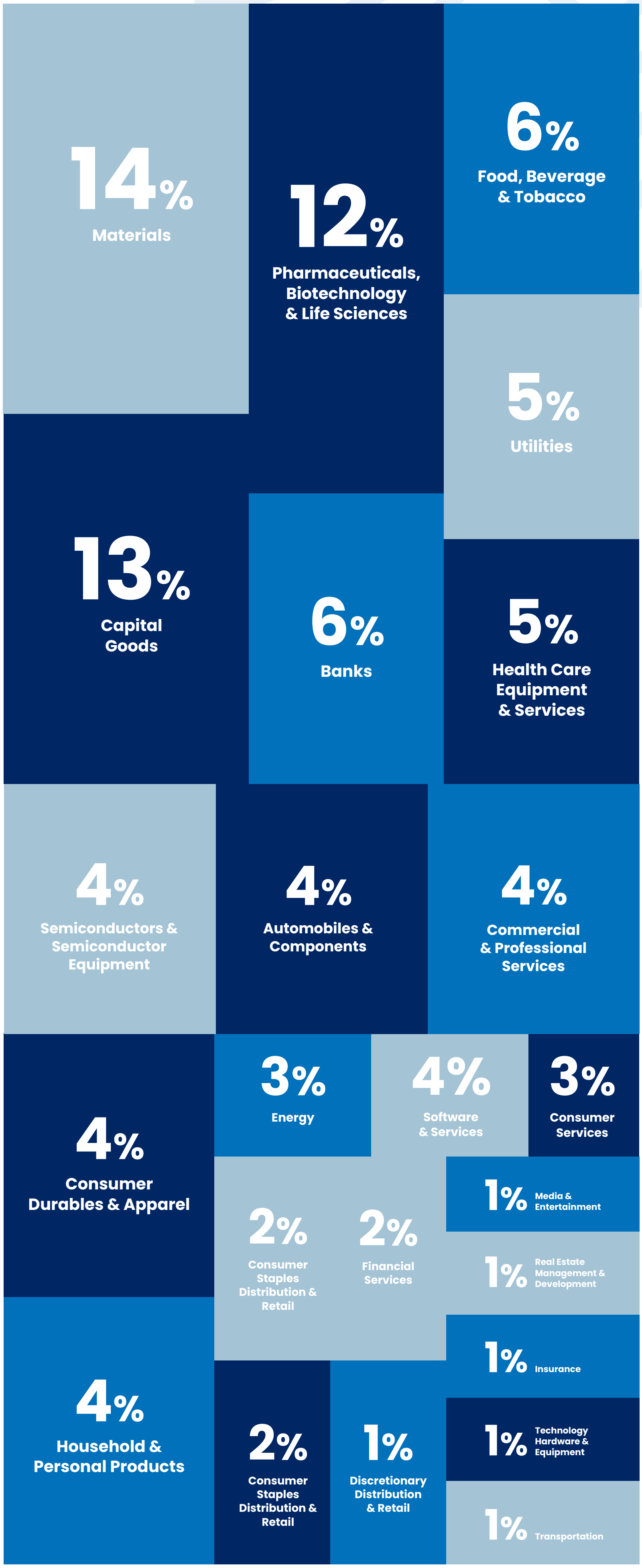


Regional breakdown of issuers who responded



Region	2024	2023	2022
Europe	66%	69%	72%
North America	23%	19%	16%
Asia Pacific	2%	3%	6%
Emerging Markets	9%	10%	7%

Issuer breakdown by sector

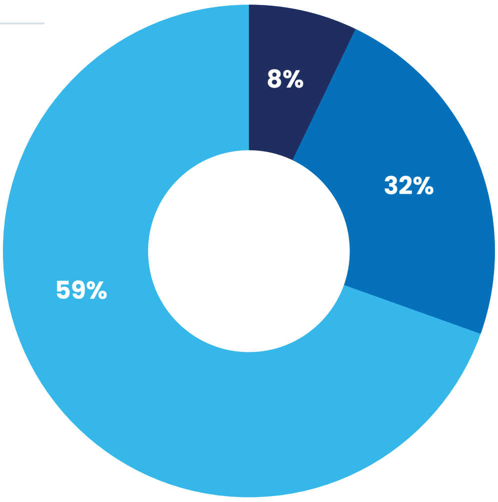


Individual Dialogues in 2024

A total of 273 individual dialogues were held in 2024 (versus 382 in 2023 and 427 in 2022).

Individual dialogue breakdown by primary objective

- **Encourage improved ESG disclosure:** More transparency (public information) is demanded regarding ESG challenge(s) assumed to be material for the issuer, and on how issuer manages them.
- **Support investment-decision making:** When ESG specialists need to confirm or challenge their opinion on the issuer, for a planned ESG profile review, after a controversy, or in the framework of continuous monitoring.
- **Influence corporate practice:** When the issuer lags our expectations and we expect the issuer to review its approach (strategy, practice) over specific ESG topic(s).



Primary Objective	2024	2023	2022
Encourage Improved ESG Disclosure	8%[2]	22%	19%
Support Investment Decision-making	59%	52%	53%
Influence Corporate Practice	32%	26%	28%

Direct dialogue breakdown by trigger

Trigger	2024	2023	2022
ESG issue(r) planned review / follow-up	23%	32%	23%
Exceptional event / controversy	8%	5%	2%
Pre / post AGM Engagement	18%	15%	12%
Thematic	46%	25%	46
Investment team's demand	22%	22%	17%
Client's demand	0%	0%	0%

*Note: the change in reporting format since 2022 has been made to increase granularity.

1 The difference between 2024 and 2023 figures is primarily attributed to the conclusion of two major individual engagement campaigns in 2023.

2 During 2024, individual engagements aimed at improving ESG disclosure were less frequent, as companies prepared for compliance with the Corporate Sustainability Reporting Directive (CSRD) on 2024 data.

Direct dialogues breakdown by status*

Status	2024	2023	2022
Closed during the year and tagged for escalation	1%	3%	<1%
Closed during the year	50%	72%	53%
Ongoing**	38%	21%	39%
Initiated during the year	10%	4%	7%

*Note: for better information and monitoring, since 2022 we are distinguishing between two different types of dialogue closure (simple closure of dialogue and closure with escalation). Escalation becomes a possibility when the company targeted is not sufficiently responsive to our requests in spite of materiality of the topic. As detailed in both our engagement and voting policies (Publications | Candriam), for escalation after a direct dialogue, Candriam is prepared to consider one or more options. These include joining or launching a collaborative initiative, engaging with main shareholders, exercising voting rights against management and potentially pre-announcing our intentions, supporting or filling a statement or a shareholder resolution at the next AGM, and / or changing the eligibility status of the Candriam systems with potential divestment.
**Engagements were already open as we entered 2024, and continued into 2025 (ongoing).

Individual Dialogue Breakdown by Theme

Thematic	2024	2023	2022
Environment	55%	29%	14%
Social	12%	29%	27%
Governance	2%	15%	17%
Overlapping ESG issues	33%	27%	42%

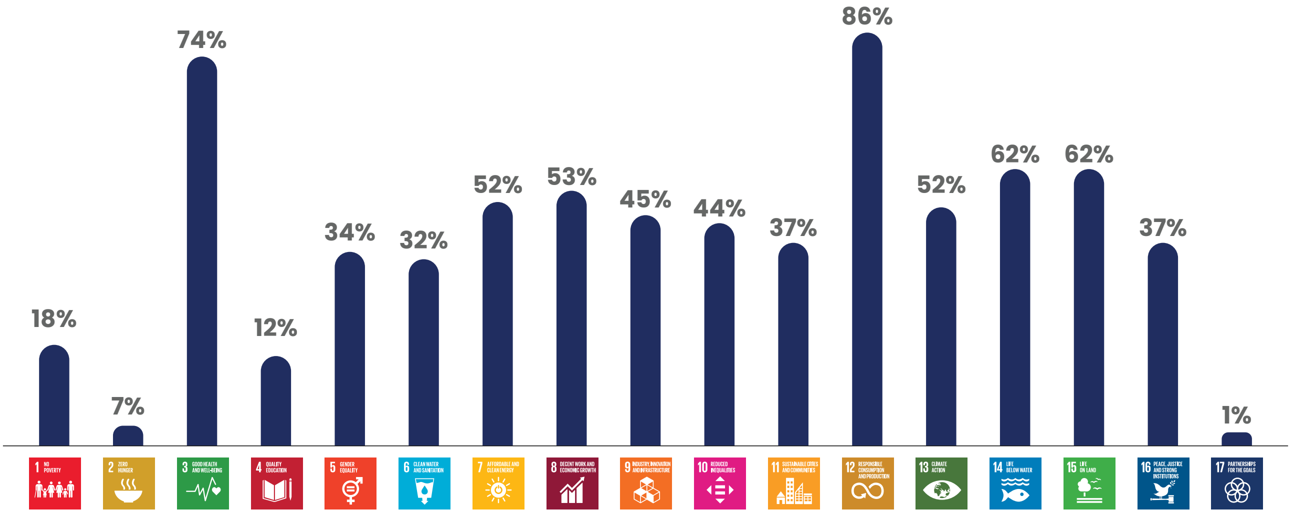
Sustainable Development Goals and Principal Adverse Impacts

At Candriam, we make it a priority to continually improve our client service, by paying close attention to client needs and staying up-to-date with regulatory changes, particularly in Europe.

To offer greater transparency and clarity, we've worked to enhance our understanding of how our dialogues align with both the United Nations Sustainable Development Goals[3] and the EU SFDR -related Principal Adverse Impacts[4] on sustainability factors faced by issuers of securities held in our portfolios.

The following statistics are based on a total of 273 individual dialogues conducted in 2024.

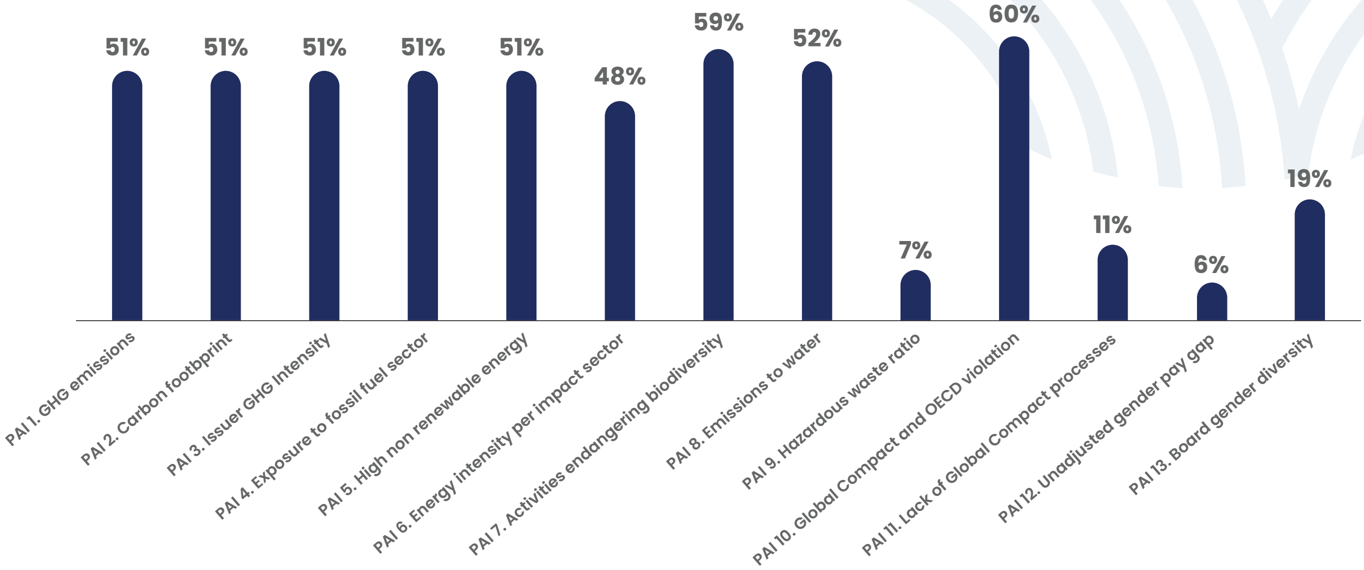
Share of Individual Dialogues Linked to each of the UN SDGs



3 United Nations Sustainable Development Goals (UN SDGs): for additional background information about them, please refer to the UN official website under https://sdgs.un.org/goals.

4 Principal Adverse Impacts (PAIs): for additional information on how Candriam answers to the European Sustainable Financial Disclosure Regulation, please refer to our dedicated webpage https://www.candriam.com/en-be/professional/sfdr/.

Share of direct dialogues linked to the 13 first PAIs



Impact on Candriam ESG opinion

At Candriam, engagement is an integral part of our investment process. We collect data, assess best practices, and, when necessary, advocate for change. In turn, our investment decisions help shape our engagement priorities. Assessing the impact of engagement remains challenging due to the diverse range of topics addressed and the time lag between initiating dialogue and achieving tangible change at the issuer level, when change is the primary objective. The most direct link between the two can be seen in the ESG opinion we form on each issuer.

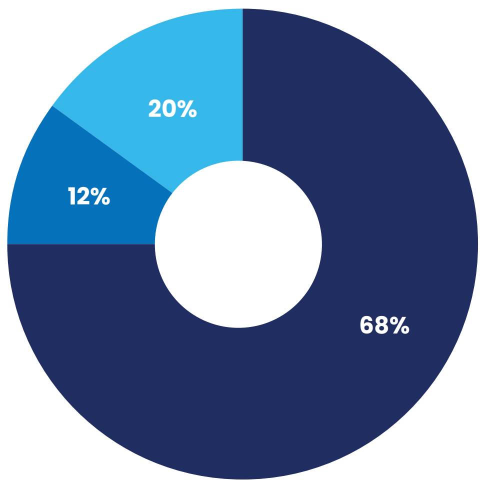
To assess our impact, we use two key measures:

- **Influence on ESG analysis:** For every dialogue closed during the year, we evaluate and record its impact on the ESG analyst's opinion of the issuer.
- **Achievement of objectives:** We assess whether the primary objectives set for each dialogue have been met.

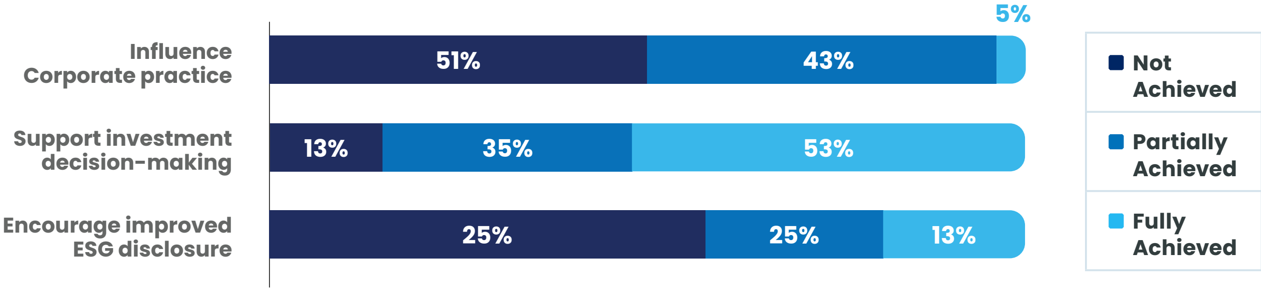
The following statistics are based on a total of 140 individual dialogues closed in 2024.

Individual dialogue breakdown by impact on ESG opinion

- Reinforced analyst's opinion
- Positive impact on analyst's opinion and related ESG scoring
- Negative impact on analyst's opinion and related ESG scoring



Individual Dialogue Breakdown by Primary Objective Achievement Level



Further details on our individual dialogues (including names of contacted corporate issuers) can be found under [2024 Details of direct dialogues].

Collaborative **initiatives**

Candriam engages with issuers on behalf of our clients through individual and collaborative dialogues. Collaboration in the context of stewardship refers to partnering with stakeholders (e.g. investors, civil society organisations, community groups, non-governmental organisations, academics, journalists), to share resources and enhance investors' effectiveness in pursuing their stewardship objectives.

Candriam's sustainable commitments

Since 2006, when we became a founding signatory to the United Nations Principles for Responsible Investment, we have committed ourselves to following these additional principles by signing the following statements:

Commitments and statements signed	Thematic	Signed in
Principles for Responsible Investment (PRI)	ESG	2006
UNGC Call to action on anti-corruption	G	2014
G20 Energy efficiency investor statement	E	2015
Montreal carbon pledge	E	2015
Paris pledge for action	E	2015
Investor statement on ESG credit ratings	ESG	2017
Adhesion to green and social bond principles	ES	2017
Tobacco-free finance pledge	S	2018
The investor agenda	E	2018
Commitment to support a just transition on climate change	ESG	2018
Task Force on Climate-Related Financial Disclosures (TCFD) supporter	E	2021
Net Zero Asset Managers Initiative (NZAMI)[5]	E	2021
UK stewardship code 2020	ESG	2022 application, approved in 2023
Task Force on Nature-related Financial Disclosures (TNFD)	E	2023, public information 2024

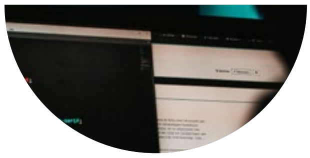
5 On 13 January 2025, the Net Zero Asset Managers initiative launched a review "to ensure NZAM remains fit for purpose in the new global context."

Collaborative initiatives

Initiative name *Type*	**Thematic**	**Joined/ Renewed in**	**Candriam role** *Initiative trigger*
Access to Medicine *Collaborative Dialogue*	S	2010	Mix of support *Thematic*
CHRB - Investor statement calling on companies to improve Human Rights performance *Collaborative Dialogue*	S	2020	Mix of support *Thematic*
Teleperformance: Duty of Vigilance Law & related concerns *Collaborative Dialogue*	S	2020	Lead *Exceptional event/ Controversy*
Investors Policy Dialogue on Deforestation *Collaborative Dialogue*	E	2020	Active Support *Thematic*
Marine Microplastic Pollution **Collaborative Dialogue**	E	2020	Mix of support *Thematic*
Engagement on Uyghurs Slave Labour in the Supply Chain *Collaborative Dialogue*	S	2020	Mix of support *Exceptional event/ Controversy*
Kingspan Governance Structure Engagement *Collaborative Dialogue*	SG	2021	Lead *Pre/post AGM Engagement*
Global Banks Climate Change & Biodiversity *Collaborative Dialogue*	E	2021	Mix of support *Thematic*
Corporate Accountability for Digital Rights *Collaborative Dialogue*	S	2021	Mix of support *Thematic*
Net Zero Proxy Advice: IIGCC Investors Letter to Proxy Advisors *Collaborative Statement*	E	2021	Passive support *Thematic*
Linking Access to Vaccine with Pharmaceuticals' Executives' Remuneration *Collaborative Dialogue*	SG	2021	Mix of support *Thematic*
IIGCC/CERES Banks Engagement *Collaborative Dialogue*	E	2022	Mix of support *Thematic*
Letter to Starbucks on Worker Representation *Collaborative Dialogue*	S	2022	Passive Support Exceptional event / Controversy
PRI-Coordinated Collaborative Sovereign Engagement on Climate Change: Australian Pilot *Collaborative Dialogue*	E	2022	Active Support *Thematic*
30% Club France *Collaborative Dialogue*	SG	2022	Mix of support *Thematic*

Initiative name *Type*	**Thematic**	**Joined/ Renewed in**	**Candriam role** *Initiative trigger*
WBA Investor Engagement on Ethical AI *Collaborative Dialogue*	ESG	2022	Mix of support *Thematic*
FAIRR Biodiversity: Waste & Pollution *Collaborative Dialogue*	E	2022	Mix of support *Thematic*
PRI Advance: Human Rights *Collaborative Dialogue*	S	2022	Mix of support *Thematic*
BFF Bank SpA: Collaborative Engagement on Remuneration *Collaborative Dialogue*	SG	2022	Lead *Pre/post AGM Engagement*
Big Tech and Human Rights *Collaborative Dialogue*	S	2023	Mix of support *Thematic*
FIR: Forced Labour and Child Labour Engagement *Collaborative Dialogue*	S	2023	Active Support Investment team request
Intesa Sanpaolo's Climate Policy *Collaborative Dialogue*	E	2023	Active Support *Thematic*
VBDO: Plastic Engagement *Collaborative Dialogue*	E	2023	Mix of Support *Thematic*
Investor Letter to NXP Semi on links to Russia weapons systems *Collaborative Statement*	S	2023	Active Support *Exceptional event/ Controversy*
PRI Nature Reference Group *Collaborative Dialogue*	E	2023	Active Support *Thematic*
30% Club Germany *Collaborative Dialogue*	SG	2023	Mix of Support *Investment team request*
Nature Action 100 *Collaborative Dialogue*	E	2023	Mix of support *Thematic*
Investor Statement on Tobacco Control *Collaborative Statement*	S	2023	Passive Support *Thematic*
Investor Letter to Nike on Wages Owed to Workers *Collaborative Statement*	S	2023	Passive Support *Exceptional event/ Controversy*
Plastic Solutions Investor Alliance: Petrochemicals *Collaborative Dialogue*	E	2023	Active Support *Thematic*

Initiative name *Type*	**Thematic**	**Joined/ Renewed in**	**Candriam role** *Initiative trigger*
Climate Action 100+ *Collaborative Dialogue*	E	2024 **Renewal**	Mix of support *Thematic*
Investor Statement & Engagement: Labour Rights Investor Network *Collaborative Statement*	S	2024 **New**	Active Support *Thematic*
Governance: Co-filing Shareholder Proposals *Collaborative Dialogue*	G	2024 **New**	Active Support *Pre/post AGM Engagement*
Health & Nutrition ShareAction Resolution – Nestle *Collaborative Dialogue*	S	2024 **New**	Active support *Exceptional event/ Controversy*
Business Benchmark on Farm Animal Welfare (BBFAW) *Collaborative Dialogue*	ES	2024 **Renewal**	Passive Support *Thematic*
Investor Statement: Legally Binding Instrument to End Plastic Pollution *Collaborative Statement*	E	2024 **New**	Active Support *Thematic*
Investor Initiative on Human Rights Data *Collaborative Dialogue*	S	2024 **New**	Active Support *Candriam Strategic Decision*
CDP Climate, Forests & Water *Collaborative Dialogue*	E	2024 **Renewal**	Passive Support *Thematic*
Investor Statement: AMR (Antimicrobial Resistance) *Collaborative Statement*	S	2024 **New**	Passive Support *Thematic*
Investor Statement: Climate Crisis Action *Collaborative Statement*	E	2024 **New**	Passive Support *Thematic*
Workforce Disclosure Initiative *Collaborative Dialogue*	S	2024 **Renewal**	Mix of support *Thematic*
FAIRR Protein Diversification *Collaborative Dialogue*	ES	2024 **New**	Mix of support *Thematic*
Human Rights: Conflict Affected & High Risk Areas *Collaborative Dialogue*	S	2024 **New**	Mix of support *Candriam Strategic Decision*
Investor Letter: AI & Human Right Impact Assessment – Alphabet *Collaborative Statement*	S	2024 **New**	Active Support *Pre/post AGM Engagement*



Overview of New Collaborative Initiatives

Throughout the year, we joined ten new engagement initiatives aimed at driving meaningful change on key ESG issues. Our participation is guided by a commitment to fostering impact through collaboration, leveraging collective influence to enhance corporate, or sovereign, accountability and sustainability. Below is an overview of the new initiatives we engaged in 2024.

Initiative name	Type	Candriam role	Initiative trigger
Labour Rights Investor Network	Collaborative Statement and Engagement	Active Support	Thematic

PAIs: 10. Global Compact and OECD violation

A coalition of 49 investors and fiduciaries, representing over USD 3.7 trillion in assets under management, issued a joint statement reaffirming the fundamental importance of labour rights. The statement underscores that the rights to freedom of association and collective bargaining are essential human rights, enshrined in key international frameworks such as the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Recognizing the business benefits of respecting labour rights -- such as increased productivity, safer workplaces, and stronger employee engagement -- signatories call on investee companies to:

- Strengthen governance frameworks to ensure board-level oversight of labour rights policies and practices
- Take concrete action to uphold worker's rights, including implementing labour rights due diligence, training management, and committing to non-interference in union activities
- Enhance transparency by disclosing key labour rights metrics, such as collective bargaining coverage, litigation risks, and expenditures on union avoidance efforts

Initiative name	Type	Candriam role	Initiative trigger
Governance: Co-filing Shareholder Proposals	Collaborative Dialogue	Active Support	Pre/post AGM Engagement

PAIs: 13. Board gender diversity

This initiative regroups the companies that were targeted by a shareholder proposal on governance issues that was co-filed by Candriam:

- Banca Mediolanum SPA: slate 2 submitted by Institutional Investors (Assogestioni)
- BFF Bank SPA: slate 2 submitted by Institutional Investors (Assogestioni)
- Total Energies SE: consultative resolution led by French SIF

Initiative name	Type	Candriam role	Initiative trigger
Health & Nutrition ShareAction Resolution – Nestle	Collaborative Dialogue	Active Support	Exceptional event / Controversy

As a leading player in the food and beverage sector, Nestlé faces high expectations, particularly given the progress made by some of its peers in recent years. We have been engaging with them on nutrition through the ATNI (Access to Nutrition Initiative) collaborative initiative, alongside parallel individual dialogues.

In late 2023, Nestlé presented its new nutrition strategy, prompting concerns from investors -- concerns that had previously gone unaddressed in individual dialogues. In response, we escalated our engagement by co-filing a shareholder resolution for Nestlé's 2024 AGM, urging the company to set a verifiable target to increase the proportion of its sales from healthier products.

This initiative encompasses all exchanges with Nestlé before the AGM, as well as continued discussions following the meeting, reinforcing our commitment to driving meaningful change in corporate nutrition strategies.

Initiative name	Type	Candriam role	Initiative trigger
Investor Statement: Legally Binding Instrument to End Plastic Pollution	Collaborative Statement	Active Support	Thematic

PAIs: 7. Activities endangering biodiversity
10. Global Compact and OECD violation

In April 2024, the Intergovernmental Negotiating Committee (INC-4) took place in Ottawa, Canada, to advance the development of an international legally binding instrument (ILBI) on plastic pollution. Ahead of these negotiations, a coalition of financial sector organizations - including UNEP FI, PRI, the Finance for Biodiversity Foundation, the Business Coalition, the Dutch VBDO, and the CDP Carbon Disclosure Project -- issued a joint statement demonstrating investor support for an ambitious global agreement to end plastic pollution.

By endorsing this statement, we recognize the financial sector's role in addressing the material risks associated with plastic pollution through our investment and financing activities, in alignment with legal and fiduciary responsibilities. The statement also reaffirms our commitment to integrating plastic-related risks into decision-making processes, engaging with companies and policymakers, advocating for greater corporate disclosure on plastic-related issues, and supporting initiatives that promote a circular economy for plastics.

To achieve these goals, we call on governments to adopt a robust ILBI with clear objectives, binding commitments, and measures covering the entire plastic life cycle. This initiative aligns with the Kunming-Montreal Global Biodiversity Framework, which envisions a future in harmony with nature by 2050. As part of our ongoing commitment, Candriam previously signed the Biodiversity COP15 Financial Sector Statement in 2022 and supported its adoption.

Initiative name	Type	Candriam role	Initiative trigger
Investor Initiative on Human Rights Data	Collaborative Dialogue	Active Support	Candriam Strategic Decision

PAIs: 10. Global Compact and OECD violation

The lack of consistent, decision-useful human rights data -- beyond high-risk sectors -- hinders investors' ability to assess and manage risks and opportunities, differentiate corporate performance, conduct effective stewardship, and comply with evolving regulatory requirements.

To address this gap, the Investor Initiative on Human Rights Data (II-HRD) was launched as a collaborative effort among institutional investors to enhance the corporate human rights data landscape. By improving data availability and quality, this initiative enables investors to systematically integrate human rights considerations into their investment and stewardship decisions.

The initiative, originating from the World Benchmarking Alliance's Social Collective Impact Coalition (CIC) in 2022, is led by , Aviva Investors, Scottish Widows, and the Church Commissioners for England. It also calls on ESG data providers and proxy voting advisors to strengthen their human rights analysis and reporting, providing sufficient data to investors so that they can develop actionable insights.

Initiative name	Type	Candriam role	Initiative trigger
Investor Statement: AMR (Antimicrobial Resistance)	Collaborative Statement	Passive Support	Thematic

PAIs: 7. Activities endangering biodiversity

In 2020, alongside the UK government, the Access to Medicine Foundation and FAIRR launched the Investor Action on Antimicrobial Resistance initiative (AMR) to address the growing global threat of drug-resistant infections. Originally open only to initiative members, the initiative's statement has since been made publicly available for broader endorsement.

The statement highlights the overuse and misuse of antibiotics in human medicine, animal farming, and agriculture, as well as environmental contamination, all of which have contributed to AMR becoming a systemic risk comparable to climate change. Tackling AMR requires a 'One Health' approach, bringing together governments, policymakers, organisations, academia, investors, and businesses.

However, since the UN General Assembly's 2016 High-Level Meeting (HLM) on AMR, progress had stalled. When a second HLM was scheduled for 2024, this statement was adopted to urge global leaders to revitalize efforts, enhance coordination, and reaffirm their commitment to combating AMR effectively. The September HLM agreed to financial incentives to stimulate R&D and encourage 'prudent use and equitable global access'.

Initiative name	Type	Candriam role	Initiative trigger
Investor Statement: Climate Crisis Action	Collaborative Statement	Passive Support	Thematic

PAIs: 15. Sovereign GHG intensity
16. Sovereign social violation countries

In 2024, the Founding Partners of The Investor Agenda -- AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, and UNEP FI[6] -- issued a renewed Global Investor Statement, calling for stronger public policies to support a Paris-Aligned climate transition.

The statement urges governments to uphold their climate commitments, adopt a whole-of-government approach, and facilitate public and private capital flows toward a just and net-zero transition. It outlines key policy measures across national climate plans (NDCs), sectoral transition strategies, private investment frameworks, and nature-related challenges, reinforcing the urgent need for decisive climate action.

Initiative name	Type	Candriam role	Initiative trigger
FAIRR Protein Diversification	Collaborative Dialogue	Mix of Support	Thematic

PAIs: 1. GHG emissions / 2. Carbon footprint / 3. Issuer GHG Intensity / PAI 4. Exposure to fossil fuel sector
5. High non-renewable energy / 6. Energy intensity per impact sector / 7. Activities endangering biodiversity
8. Emissions to water / 9. Hazardous waste ratio

Expanding on its Sustainable Protein campaign, FAIRR launched a new initiative addressing both climate and health objectives. We joined Phase 2 in October 2024 to support efforts that encourage companies to integrate protein diversification into their climate strategies, invest in sustainable protein options, and promote healthier, eco-friendly diets. This initiative aims to reduce the environmental impact of animal agriculture and accelerate the shift toward more sustainable food systems.

Initiative name	Type	Candriam role	Initiative trigger
Human Rights: Conflict Affected & High Risk Areas	Collaborative Dialogue	Mix of Support	Candriam Strategic Decision

PAIs: 10. Global Compact and OECD violation
16. Sovereign social violation countries

In an increasingly volatile world, we have been directly engaging companies on their presence in Conflict-Affected and High-Risk Areas (CAHRAs) for several years. We are now joining a collaborative engagement to enhance our expertise and learn from peers.

Led by the Investor Alliance on Human Rights, in collaboration with Peace Nexus and Heartland Initiative, this initiative seeks to strengthen corporate governance and practices in CAHRAs. Its primary objective is to support investors in conducting Heightened Human Rights Due Diligence across their portfolios.

6 Asia Investor Group on Climate Change, Carbon Disclosure Project, [Ceres Investment], Institutional Investors Group on Climate Change, UN Principles for Responsible Investment, UN Environment Programmed Finance Initiative.

Initiative name	Type	Candriam role	Initiative trigger
Investor Letter: AI & Human Right Impact Assessment – Alphabet	Collaborative Statement	Active support	Pre/post AGM Engagement

As part of ongoing engagement on AI, this private investor letter, initiated by SHARE (Survey of Health, Ageing and Retirement in Europe), reflects growing investor concern over AI-related risks at major tech companies. The increasing number of AI-related shareholder resolutions highlights this trend.

Addressed to the Board of Directors of Alphabet Inc., the letter raises concerns over the company's human rights due diligence, which appears insufficient in identifying and mitigating risks linked to AI-driven targeted advertising -- a sector that accounted for 75% of Alphabet's 2023 revenue. Investors are calling on Alphabet to commit to a Human Rights Impact Assessment to address these risks effectively.

Statistics on Collaborative Engagements.

In 2024, we targeted 5,430 corporate issuers through our collaborative dialogues and statements, representing a total of 8,164 dialogues on various ESG topics across 42 initiatives.

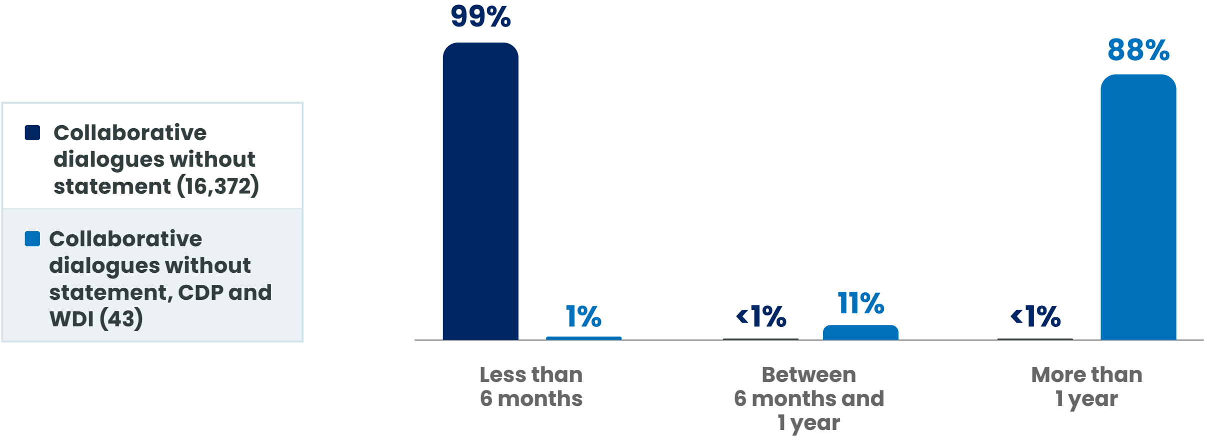
The size of two of the data initiatives supported, namely the CDP (Carbon Disclosure Project) and the WDI (Workforce Disclosure Initiative), overwhelms and possibly skews the presentation of our statistics. Together these two initiatives target 5,339 issuers and account for 7,270 dialogues in total.

For clarity, our report systematically presents data both with and without these two initiatives. This presentation is offered in consideration of stakeholders such as UN PRI, who do not view extensive surveys as comprehensive engagement initiatives. Candriam recognizes the value of these surveys despite their size and standardization, acknowledging their role in enhancing ESG transparency and contributing to the global ESG ecosystem, which currently suffers from a shortage of pertinent and precise data.

Collaborative dialogues represent 86% of Candriam's assets under management (AuM) in corporate instruments (including only stocks and bonds, direct lines), held in funds or in mandates for which Candriam is the investment manager. Within this universe, corporate issuers engaged through large initiatives such as CDP and WDI represent 36% and 31%, respectively, for issuers engaged through other initiatives, and 19% for non-corporate issuers.

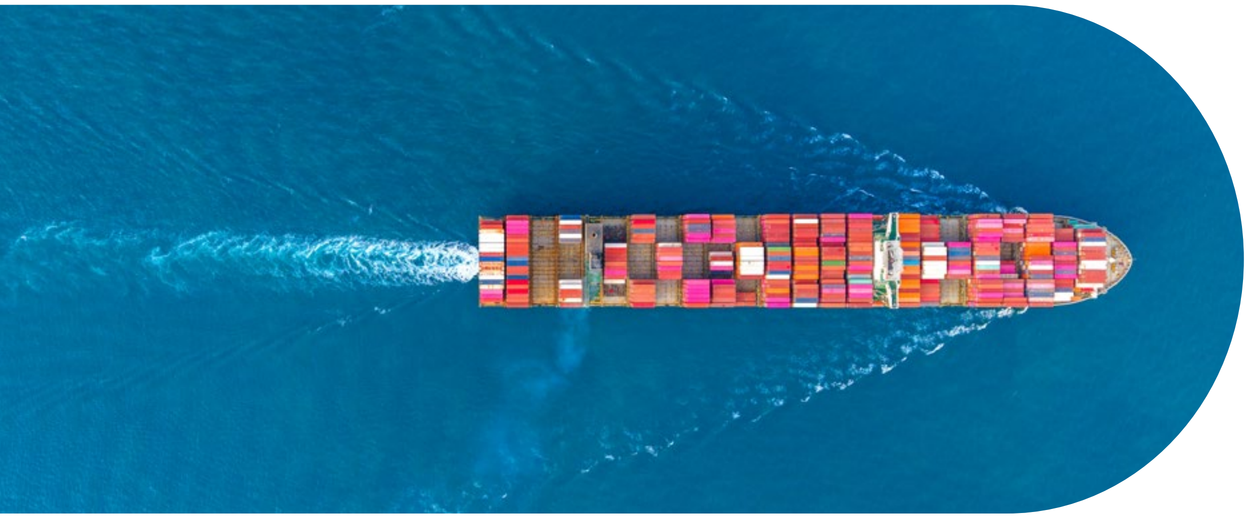
Duration of collaborative dialogues

Collaborative dialogues closed in 2023



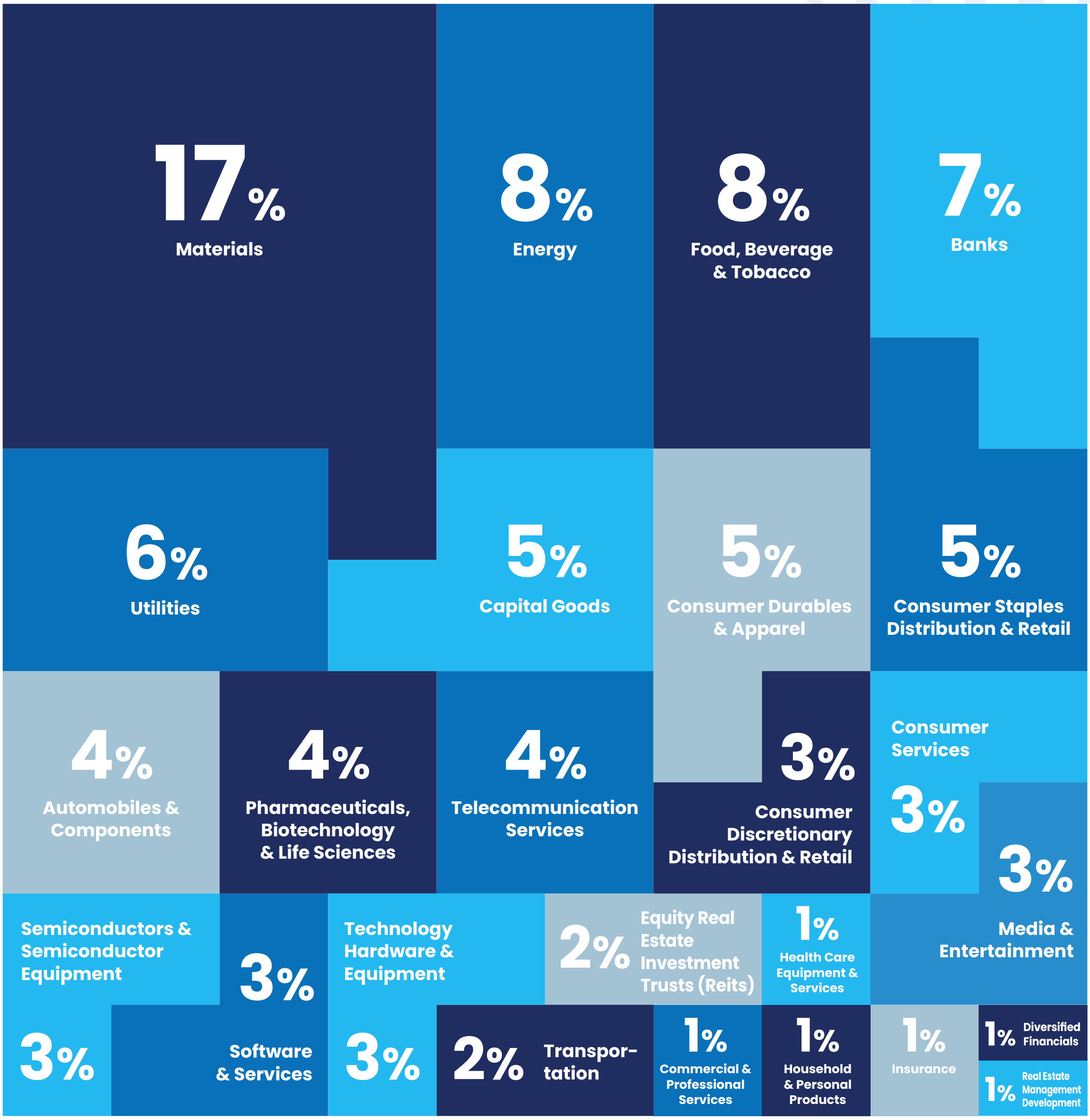
Issuer breakdown by region

Region	Ex. CDP and WDI	All
Europe	38%	27%
North America	30%	27%
Asia Pacific	10%	21%
Emerging Markets	21%	24%



Issuer breakdown by sector

The chart below presents data on the 644 corporate issuers engaged through collaborative dialogues in 2024, excluding those only covered by CDP or WDI initiatives.



Sector	Ex. CDP and WDI	All
Automobiles & Components	5%	3%
Banks	4%	5%
Capital Goods	6%	13%
Commercial & Professional Services	1%	4%
Consumer Discretionary Distribution & Retail	3%	3%
Consumer Durables & Apparel	4%	4%
Consumer Services	4%	2%
Consumer Staples Distribution & Retail	5%	2%
Energy	8%	4%
Equity Real Estate Investment Trusts (Reits)	1%	3%
Financial Services	3%	4%
Financials	0%	0%
Food, Beverage & Tobacco	8%	5%
Health Care Equipment & Services	1%	3%
Household & Personal Products	1%	1%
Insurance	1%	2%
Materials	19%	11%
Media & Entertainment	4%	3%
Pharmaceuticals, Biotechnology & Life Sciences	4%	4%
Real Estate Management & Development	0%	2%
Semiconductors & Semiconductor Equipment	3%	3%
Software & Services	2%	4%
Technology Hardware & Equipment	2%	5%
Telecommunication Services	4%	2%
Transportation	2%	4%
Utilities	7%	4%

In collaborative engagements, asset managers on behalf of their investors can take on different roles:

- Lead investors: Directly engaging with issuers and driving discussions
- Active participants: Providing meaningful support to coordinators or lead investors
- Passive supporters: Contributing leverage through additional AUM while benefiting from the initiative's scale

In practice, coordinators and supporting investors share responsibilities, with lead or active roles determined by factors such as expertise, company relationships, geographic proximity, and influence.

In 2024, Candriam was a co-lead for 27 dialogues, active participant in 61, and a passive supporter of 806 others.

Collaborative Dialogues Breakdown by Theme

Thematic	Ex. CDP and WDI	All
Environment	43%	94%
Social	27%	3%
Governance	0%	0%
Overlapping ESG issues	30%	3%

Collaborative Dialogues Breakdown by Primary Objective

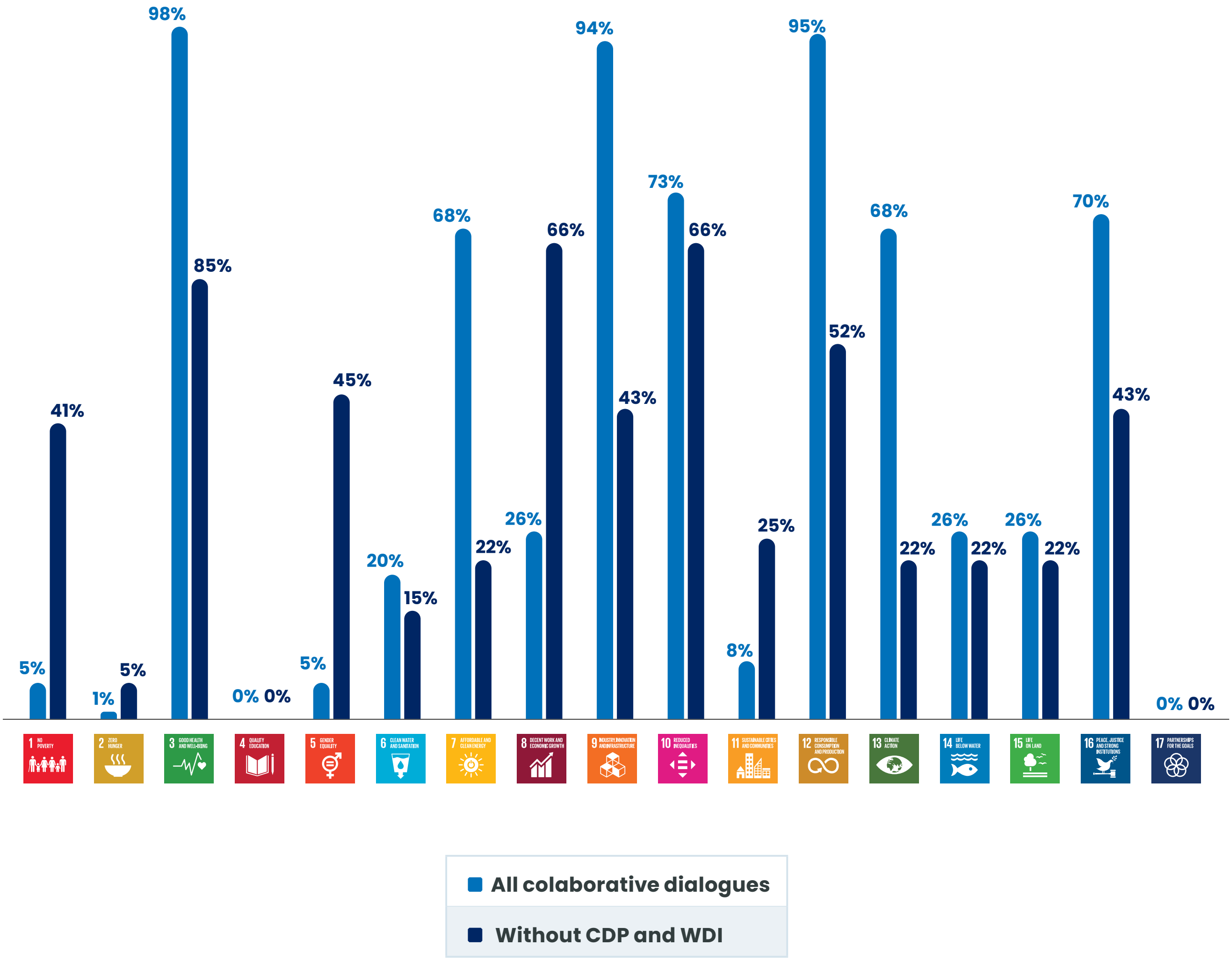
Primary objective	Ex. CDP and WDI	All
Encourage improved ESG disclosure	16%	91%
Support investment decision-making	2%	0%
Influence corporate practice	82%	9%

Sustainable Development Goals and Principal Adverse Impacts

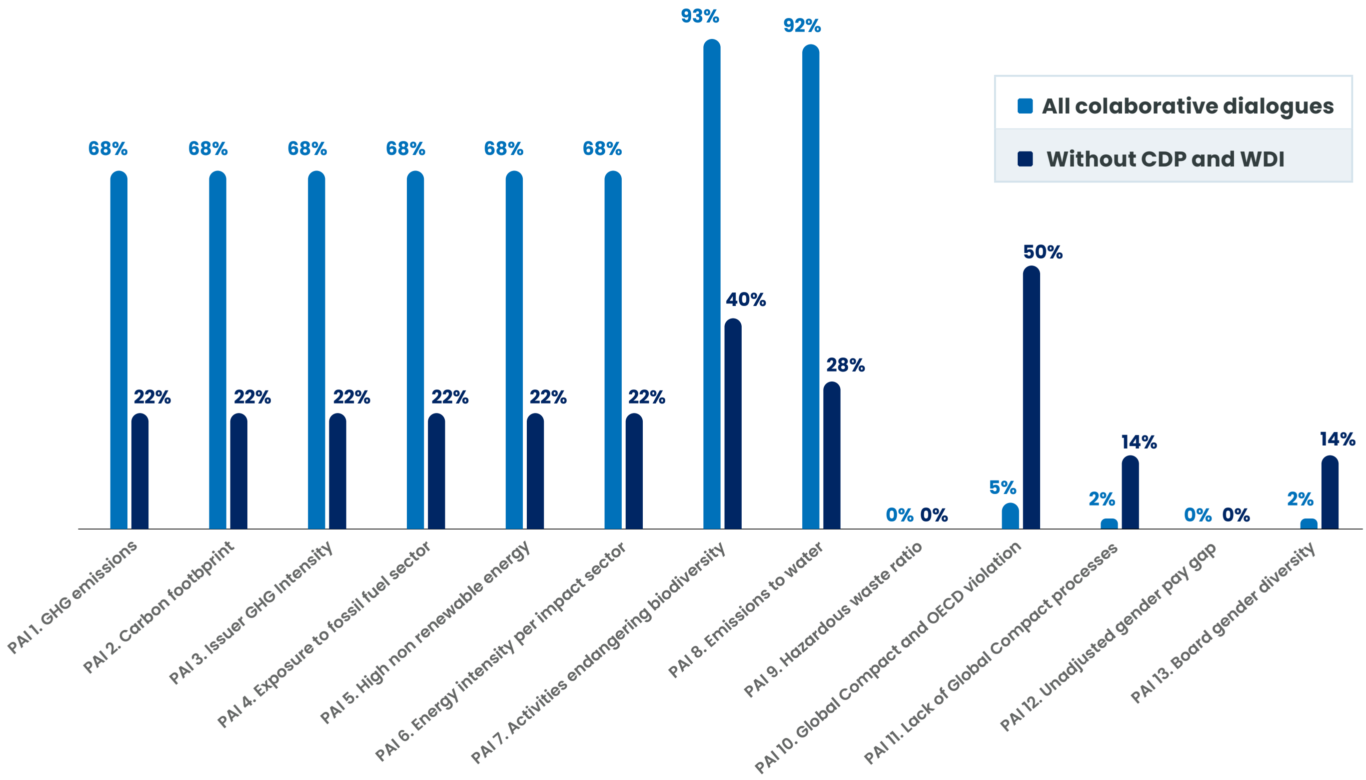
In line with our approach to individual dialogues, we present how our engagements align with United Nations Sustainable Development Goals (UN SDGs) and how they address SFDR related EU Principle Adverse Impacts (PAIs) related to sustainability factors associated with issuers in our portfolios.

The following statistics are based on a total of 8,161 collaborative dialogues with corporate issuers in 2024, including 891 dialogues conducted through initiatives excluding CDP and WDI.

Share of Collaborative Dialogues Linked to Each of the UN SDGs



Share of collaborative dialogues linked to the first 13 PAIs



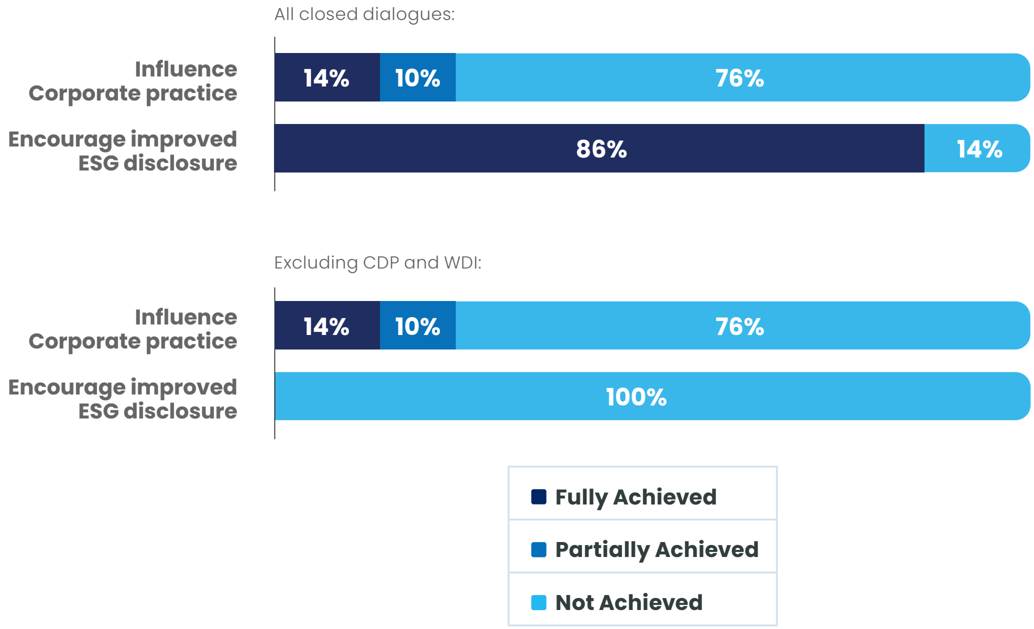
Impact of collaborative dialogues

The following statistics are based on a total of 7,421 collaborative dialogues with corporate issuers closed in 2024, including 151 dialogues conducted through initiatives excluding CDP and WDI.

Collaborative Dialogue Breakdown by Primary Objective Achievement Level

Impact on Opinion	Ex. CDP and WDI	All
Reinforced analyst's opinion	99%	99%
Positive impact on analyst's opinion and related ESG scoring	1%	<1%
Negative impact on analyst's opinion and related ESG scoring	0%	0%

Breakdown of collaborative dialogues by primary objective achievement level



2024 Voting statistics.

The Year in Figures

We believe that for Candriam to have an effective voting process, we must have a well-structured and efficient organization. At Candriam, the coordination between our Voting Team and Middle Office is pivotal to executing these shareholder and other rights on behalf of our clients.

Candriam ensures the accuracy of listed equity and bond positions, cash balances, and transactions for the funds within our voting scope through daily reconciliation with the custodians. The relevant custodian transmits the listed equity and bond positions to our proxy voting provider, ISS, who forwards the vote (the chain of voting instructions with associated voting rights) to the sub-custodian based on the listed equity positions provided by the custodian and the potential specific voting rules,[7] as reconciled by Candriam.

The funds element of our voting scope primarily includes predominantly equity funds, along with some balanced funds and pure fixed income funds. During 2024, we did not receive any invitations to participate in bondholder meetings.

All funds which fall under the Candriam Proxy Voting Policy (2024) are voted in the same way. The voting policy employed for our 2024 ballots, along with the updated policy for 2025, can be found on our website.

Candriam's proxy voting policy applies to open-ended equity funds[8] managed by entities within the Candriam group.

For dedicated funds and mandates (ie, segregated accounts), clients decided whether to delegate voting authority to Candriam, and the terms of delegation (or non-delegation) are outlined through contractual agreements determined in advance.

In cases where a client opts not to delegate voting decisions to Candriam, the client may choose to either vote directly or to abstain from voting altogether. Delegated voting for segregated client accounts can take one of two forms:

- The client specifies that Candriam applies its Proxy Voting Policy to its segregated account, or
- The client specifies that Candriam applies a custom voting policy which could take the form of:
- The Candriam voting policy with contractually specified exceptions (e.g., for particular companies or particular voting topics). In such a case, clients may override Candriam policy in specific situations, or
- The client instructs Candriam to apply the client's own specific voting policy

Under these circumstances, the client has the option to request advance notification of our voting intentions and has the authority to make amendments if desired.

At the time of this publication (March 2025), Candriam does not allow clients to direct the voting for securities in pooled accounts. Names of asset owners with voting mandates or dedicated funds managed by Candriam are confidential.

7 Eg, participation in some AGMs may require 'blocking' the voting shares for a long period. If the involved investment team believes such a blockage puts the investment strategy of the portfolios at risk, Candriam will inform ISS of a specific voting rule ensuring that not 100% of the shares will be blocked.

8 The list of Candriam Equity open-ended funds can be accessed via our Voting Dashboard

Voting scope

	Candriam Policy		Client Custom Policy
Voting funds	Open-Ended Equity Funds (Candriam ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)	Mandates or Dedicated Funds (Candriam or Institutional Client as ManCo)
No. of Voting Funds at end 2024	48	40	17
No. of Voted Meetings at end 2024	1,777	927	277
% of Voting Funds (in numbers) of total eligible for voting, within the category t end 2024	100%	Not relevant*	Not relevant*
% Voting Funds (in AuM) vs total eligible for voting, within the category at end 2024	100%	Not relevant*	Not relevant*

* Mandates or dedicated funds can be included in the voting perimeter only 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% of the meetings where we were eligible to vote in 2024. Non-voted meetings resulted from eight categories 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
- Prohibition of split votes in specific markets
- Discrepancy on the agenda to be voted by the proxy advisor
- Holding position without voting rights

On average in 2024, for every position we voted under the Candriam Proxy Voting Policy, we exercised our vote on 94.3% of the associated voting rights.

Details of our votes for Candriam open-ended funds, including explanations of 'Against Management' votes, are publicly available on our Voting Dashboard[9].

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

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

Any confirmed breach of voting principles identified for any voting fund is communicated in the annual report(s) of the respective fund(s) when relevant. Similarly, any exceptions made to the chosen voting policy is also communicated in these reports. In 2024, no breaches occurred for the funds covered by this report.

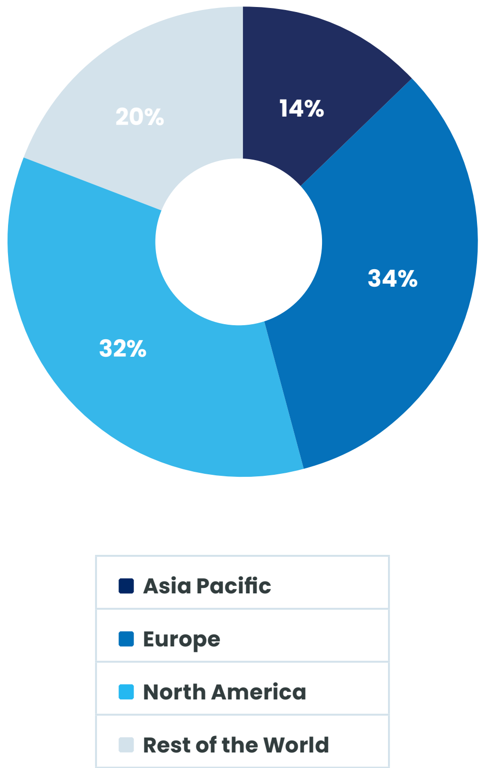
No conflict-of-interest situations arose during 2024.

9 https://vds.issgovernance.com/vds/#/NDA0Nw==/

Geographical Distribution of Meetings Voted in 2024

In 2024, we participated in 1,901 equity meetings and voted on 24,999 resolutions for our open-ended funds, dedicated funds, and mandates under our Candriam Proxy Voting Policy.

The geographical split of meetings voted is shown in the figure (for open-ended equity funds, mandates and dedicated funds included in our voting scope):



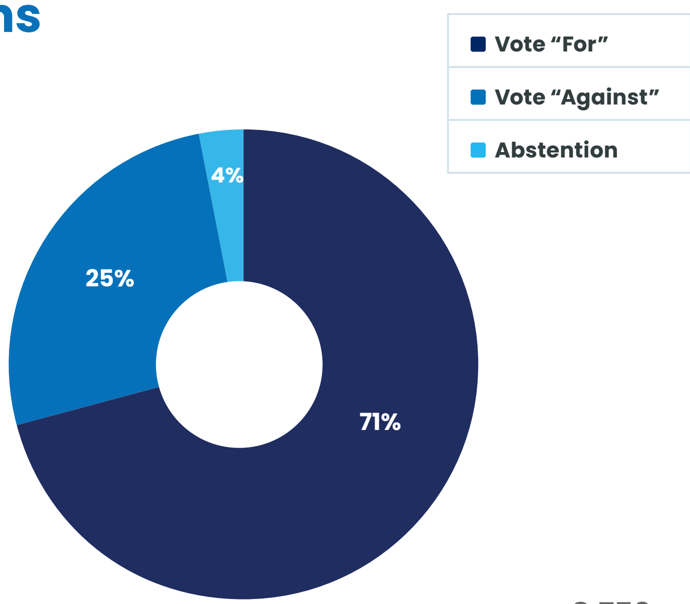
Our votes by topic.

For company-specific and resolution-specific details, please refer to our [Candriam Proxy Voting Dashboard]

Management resolutions

Overall approval rate

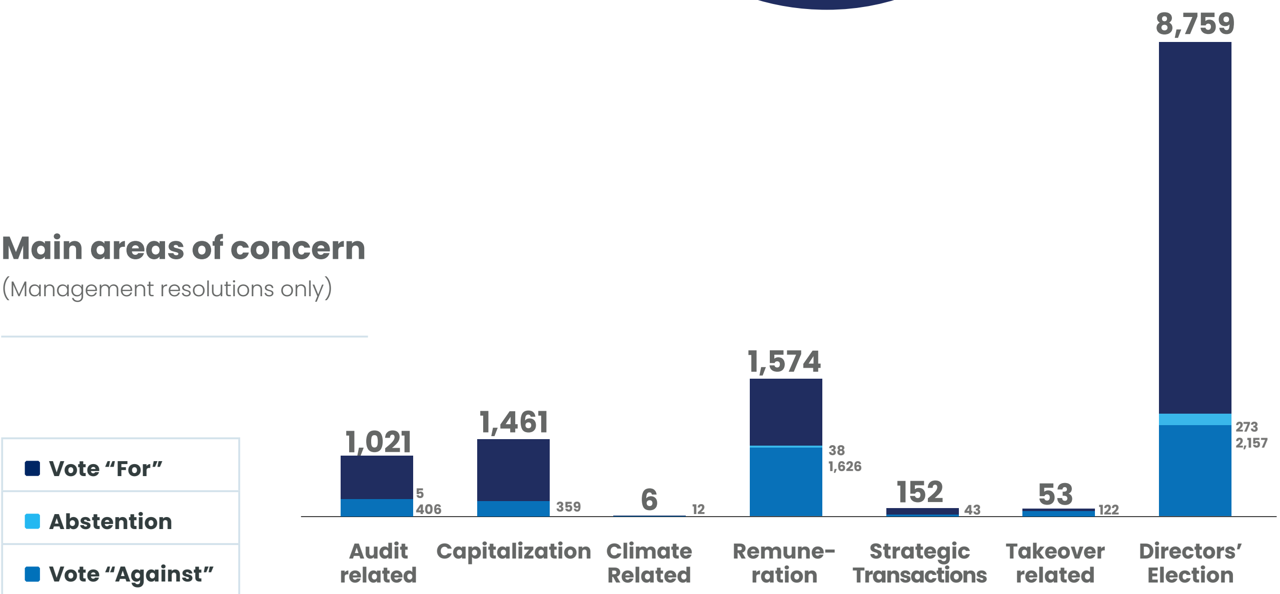
(Management resolutions only)



Candriam supported 71% of the resolutions put forth by managements in 2024 (the same approval level, 71%, as in 2023). The bedrock principles of our Candriam Proxy Voting Policy include upholding the rights of and equal treatment of shareholders, ensuring the accuracy of financial information, and emphasizing the accountability and independence of the board.

Main areas of concern

(Management resolutions only)



We consistently link our support For directors to governance topics. Specifically, issues related to board composition and effectiveness, such as director independence, overcommitment, and executive compensation, may lead us to vote against a particular director. Regarding remuneration, misalignment between pay and performance, inadequate disclosure, and poorly-structured remuneration plans (such as the absence of significant sustainability metrics, excessive pay, or the use of identical metrics in both short-term and long-term incentives) could prompt us to vote against a remuneration resolution.

As outlined in the Governance section of our 2024 Engagement and Voting Report, we believe that a robust governance framework is crucial for their successful achievement of environmental and social targets. Without solid governance, their progress may be less straightforward than anticipated. Therefore, we consistently use our votes on governance resolutions to influence the environmental and social performance of corporate issuers. We may vote against directors, remuneration proposals, statutory reports, or auditors in cases where there is poor oversight of environmental and social issues by the board, misalignment between pay and sustainability performance, insufficient non-financial disclosure, or inadequacies in auditing practices.

Overall, our voting decisions remained consistent with the previous year, with a modest impact to director elections from the changes to our Voting Policy. One notable change introduced at the start of 2024 was our requirement for European companies to appoint a lead independent director when the chair is not independent. Additionally, as of January 2024, we began requiring companies within our Net Zero coverage to establish a sustainability committee at the Board level. These changes resulted in withholding our support from electing certain directors.

For more information on the Say-on-Climate votes, please refer to the Climate section in our Thematics overview..

Election of directors

	2024 No..	2024 %	2023 %
Votes For	8,759	78.30%	79%
Vote Against	2,157	19.30%	19.80%

Auditor related

	2024 No..	20244 %	2022 %
Vote For	1,021	71.30%	67.40%
Vote Against	406	28.40%	26.50%
Abstention	5	0.30%	0.63%

Remuneration proposals

	2024 No..	2024 %	2023 %
Vote For	1,574	48.60%	49.50%
Vote Against	1,626	50.20%	49.70%
Abstention	39	1.20%	0.70%

Capitalization changes

	2024 No..	2023 %	2023 %
Vote For	1,461	80.30%	75.40%
Vote Against	359	19.70%	24.60%
Abstention	0	0%	0%

Takeover-related

	2024 No..	2024 %	2023 %
Vote For	53	29.60%	33.70%
Vote Against	126	70.40%	66.30%
Abstention	0	0%	0%

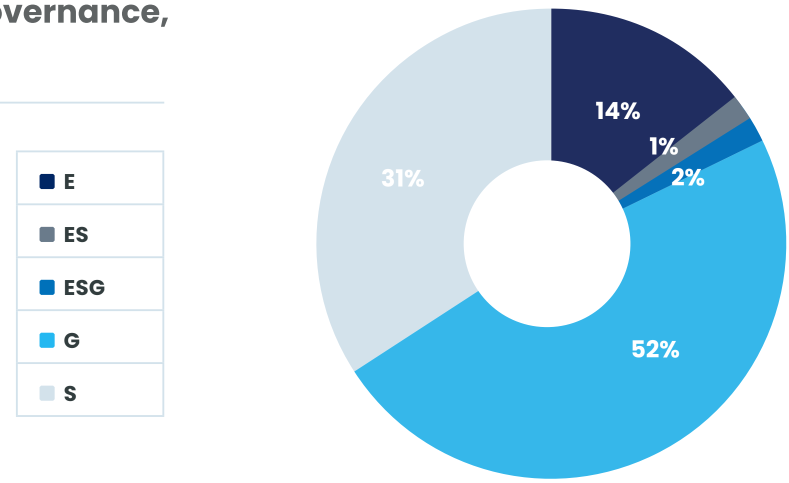
Shareholder resolutions

Candriam internally and systematically analyses all shareholder resolutions. In 2024, Candriam backed the majority of those shareholder proposals which advocated for increased disclosure regarding company sustainability strategies (66.8% of all shareholder resolutions voted).

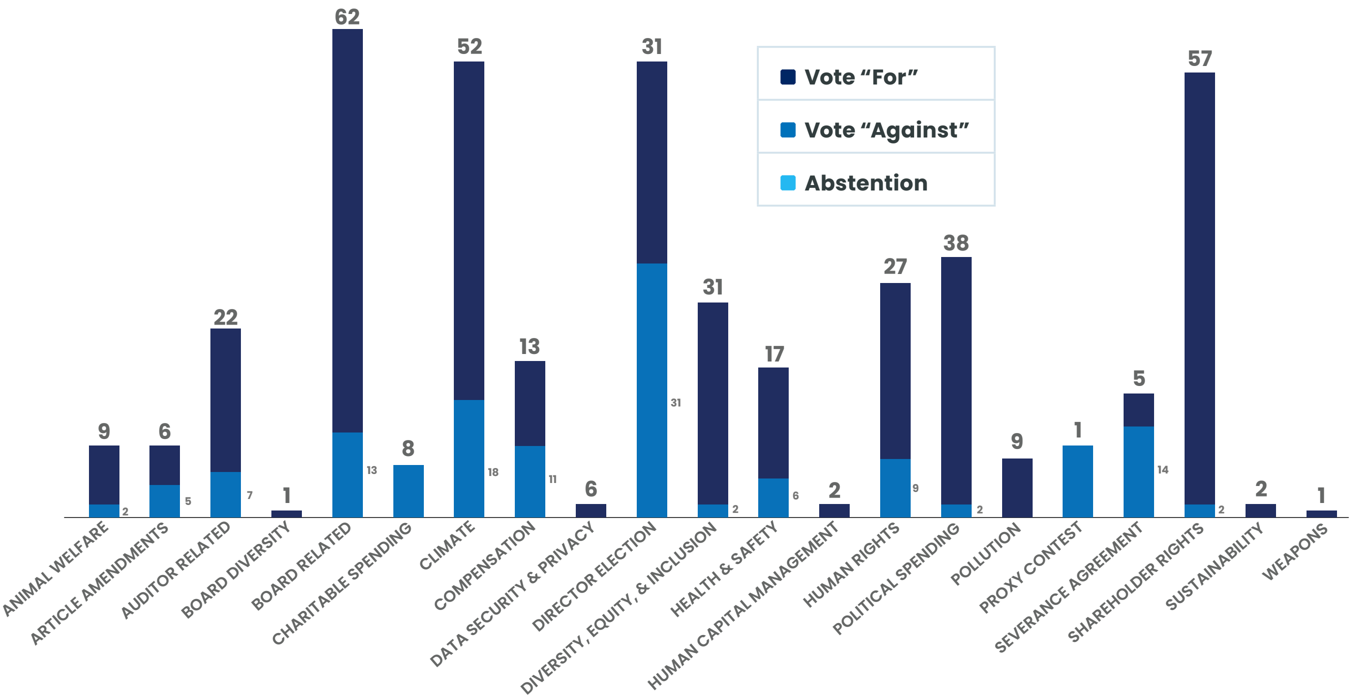
Do you want to know how Candriam compares to peers ?

ShareAction Voting Maters

Environmental, Social, Governance, or a combination?



Shareholder resolutions by subject



Note : 153 company-specific shareholders resolutions were also voted in 2024. These are not mentioned in the above chart.

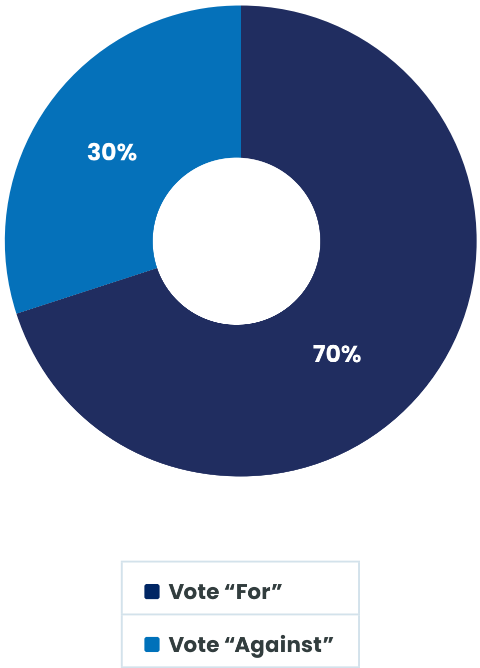
Votes on E and S resolutions

Overall, Candriam supported 70% of all environmental and social resolutions in 2024 (vs 81% in 2023). This decrease reflects the continually-rising number of anti-ESG proposals[10], together with the deeper analysis of the proposals by the Voting Team. We make a particular effort to analyse the nature of the request and to assess the risks and costs associated with ESG factors when considering environmental and social resolutions, rather than automatically voting in favour of every resolution.

With that said, our support for a measure does not indicate complete agreement with every aspect of the resolution, nor does it indicate that we are fully aligned with the rationale of the resolution. In cases where we support the motivation behind the proposal, but have concerns over the actual wording or the request, we articulate this in our rationale for the vote.

In all cases, Candriam considers the distinct circumstances under which each company operates and the efforts made to enhance alignment between their practices and the delivery of long-term shareholder value. This is why our Voting Team analyses all shareholder proposals internally, in coordination with our sector specialists.

Of the environmental and social resolutions (including all categories), 236 were flagged by our team as 'highly sensitive' as they were at the companies pre-flagged by the team ahead of the season and re-analysed in 2024 for which we wanted to exercise our full leverage and were supported.



Aligned (resolution passed)	2
Partially aligned (resolution failed with at least 20% support)	102
Not aligned (resolution failed with less than 20% support)	132

Environmental Shareholder Proposals

While we acknowledge that stewardship is not measured by the number of proposals supported, we believe our votes on shareholder proposals are a true reflection of our in-house ESG analysis[11] and the engagement we have with our investee companies.

Our support for 76.5% of these environmental proposals from shareholders underscores our long-standing priority of enhancing transparency and oversight to address environmental risks faced by investee companies.

10 https://corpgov.law.harvard.edu/2025/02/06/anti-esg-proposals-have-increased-in-volume-but-fare-poorly/

For Candriam statistics, Shareholder proposals were categorized as anti-ESG if they mention "calling for a decrease in claiming corporate responsibility for issues that span environmental, social and governance topics or are critical of investor intervention that call for companies to be held liable for social or environmental issues."

11 Please see Candriam's SRI Policies here: Publications | Candriam

This year, 2024, saw a high-profile legal dispute between two investor groups and a company over a climate-related resolution, specifically Follow This, a Dutch climate activist group, and Arjuna Capital, a co-filer of the resolution versus the petrol major company ExxonMobil.[12] As detailed in our mid-year report, this confrontation highlights the widening divide in ESG investing and reveals how the transition of established, systemic energy companies can become a politically contentious issue.

In 2024, we consistently supported all those climate lobbying shareholder resolutions which were aligned with our voting policy,[13] underscoring the importance we place on transparent reporting by companies of their advocacy practices to ensure their lobbying efforts, political spending or industry association memberships align with their stated environmental commitments and global climate objectives.

Specific to biodiversity and nature, we supported all US AGM resolutions in 2024 requesting reports on efforts to reduce plastic use (six resolutions) and on company exposure to water risk and biodiversity loss (six proposals).

Shareholder Proposals on Social Topics

With the fast-evolving geopolitical and regulatory contexts, together with the many geopolitical tensions globally, we see that the emphasis on human rights-related proposals remains unchanged from 2024. In 2024, we voted on five proposals asking companies to report on risks of doing business in conflict-affected areas, of which we supported three. We did not support the remaining two as in our view, the two companies already provide sufficient information for shareholders to assess their management of risks related to its operations in such types of regions.

We see rising attention paid to companies' supply chain risk assessments. In 2024, we voted For all proposals asking companies to report on human rights risk assessments in their supply chain.[14]

Shareholder Proposals on Governance Topics

During 2024, we voted on 355 governance-related proposals, supporting 231 (65%). The themes were mainly the independence of board chairpersons, amendment of remuneration policies including severance structure and clawbacks, adoption of simple majority vote and rights to call special meetings and to nominate dissident nominees to boards. We systematically vote For resolutions requiring an independent board chair, as this provides a safeguard at the board level for the protection of minority shareholders.

In 2024, we participated in several significant proxy contests where shareholders sought to challenge the composition of company boards and the selection of executives, largely due to the successful regulatory changes introduced in the US in 2022. For further information on the first ESG proxy contest and how the 2024 battle looked for the Walt Disney Company, please see case study in this document, or our mid-year report[15]

Lastly, we saw an increasing number of shareholder proposals targeting shareholder rights in 2024 (59 proposals in 2024 vs 41 in 2023). The resolutions, targeting mainly US companies, aimed at protecting the rights of minority shareholders. The proposers asked companies to adopt simple majority vote, to reduce the ownership threshold required for shareholders to call special meetings, and to provide the right to act by written consent. With the exception of two, we supported these resolutions.[16]

12 ExxonMobil takes legal hammer to climate shareholder groups (ft.com), https://www.ft.com/content/5b515165-057f-4351-9c3e-fd62f085d8e0

13 Candriam Proxy Voting Policy 2025

14 The Hershey Company, Ford Motor Company, Yum! Brands, Inc., Mondelez International, Inc., The TJX Companies, Inc., Walmart Inc., NIKE, Inc., Darden Restaurants, Inc.

15 2024_08_mid_year_voting_report_gb.pdf

16 In the cases we did not support, the companies in question did not contain any supermajority voting requirements.

Active ownership.

Candriam is an active shareholder, consistently initiating discussions with a defined set of companies in the run-up to each annual general meeting (AGM) season. Our proactive engagement aims to explain our perspectives and enable management to better meet investor expectations regarding corporate governance.

In their role as stewards of the voting policy, our Proxy Voting Committee is kept abreast of interactions with companies, allowing the Committee to assess potential courses of action. These actions may include, but are not limited to, jointly filing shareholder resolutions, initiating collaborative engagement efforts, pre-declaring votes, or presenting queries during general meetings.

For more details regarding the tasks and responsibilities of the Proxy Voting Committees, please consult Section 4.1 of the Candriam Voting Policy under the Proxy Voting Committee section.

Pre-AGM Campaign

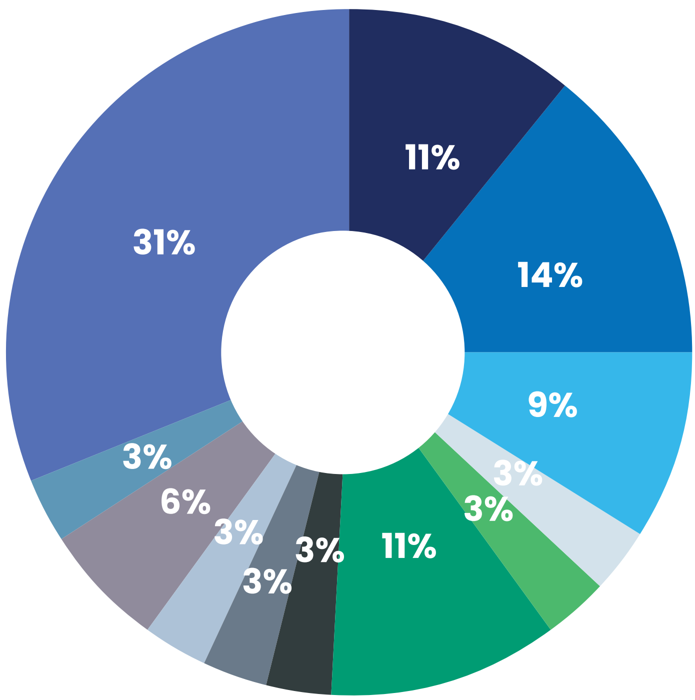
Candriam highly values pre-AGM engagement, as it provides constructive discussions with investee companies. We articulate our voting approach and expectations regarding corporate governance practices, while gaining insights from investee companies about the challenges they may be facing. Understanding how companies are addressing these challenges can help alleviate our concerns.

Similarly to 2023, we continued to include North American and emerging market companies in our pre-AGM engagement.

In 2024, we contacted 29 companies with a response rate of 82.8%. In addition to those engagements we initiated, six investee companies reached out to us to organize discussions of their ESG practices ahead of their meetings.

Geographic Distribution of Companies Engaged in Pre/Post AGM Engagement Campaign

- Belgium
- France
- Germany
- India
- Ireland
- Italy
- Luxembourg
- Spain
- Sweden
- Switzerland
- UK
- USA

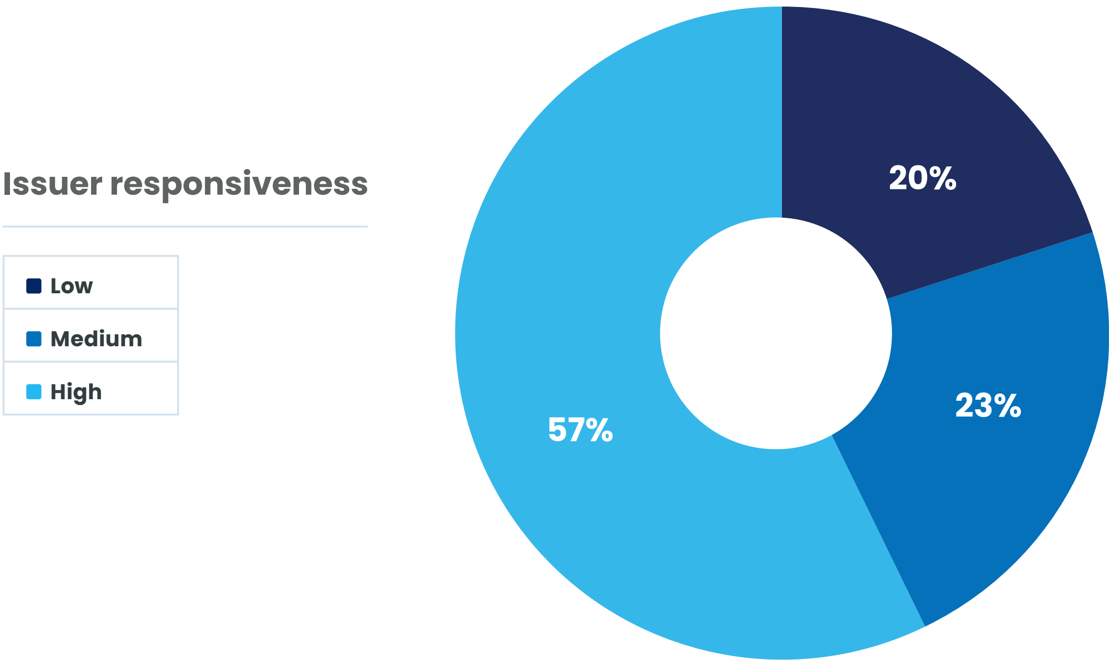


The primary emphasis of all pre-AGM engagements lies in the examination of board composition and remuneration, with additional attention to capital structure and the safeguarding of shareholder rights. We view pre-AGM dialogues with companies as valuable opportunities to exchange diverse perspectives, enabling us to explain our governance approach.

Simultaneously, these discussions offer a platform to gather insights from companies, potentially addressing or alleviating our concerns. The knowledge is systematically reflected in our votes and rationales during the proxy voting season.

Following the voting season, and in conjunction with our investment teams, we identified 11 companies grappling with ongoing challenges in their governance structures. This led to the initiation of a secondary engagement process in the latter part of 2024, timed to prepare for the upcoming 2025 AGM season. Our goal is to actively shape and influence positive changes in the practices of these companies.

Issuer responsiveness



Pre-declaration of votes in 2024

In 2024, we continued our systematic publication of our intentions, utilising both our Candriam pre-declaration webpage and the dedicated UN PRI voting webpage. This allows us to publicly signal concerns before the official voting date, and to share any observed improvements resulting from our engagement efforts.

The pre-declaration of voting intentions can serve as either an escalation measure or a response to stakeholder demands for increased transparency, aligning with our engagement objectives. In 2024, Candriam pre-declared our voting intentions at 26 meetings for 43 resolutions.

We predeclare our voting intention when it relates to a sensitive resolution (next chapter), and is linked to a specific interest recognized by the Candriam Proxy Voting Committee. For example, climate-related resolutions may fall under this category, new topics for which Candriam's current voting policy does not yet define explicit guidelines, or controversy-related voting items.

More to read under

[Predeclaration of Voting Intentions]

Other escalation tools

Utilising resolutions and/or raising queries at AGMs are standard practices among responsible investors. These methods are commonly employed to escalate engagements that have been unproductive, or to align with our investment strategies and the principles for which we advocate. We summarize our escalation cases during 2024.

Escalations

Measure	Companies	Topic	Outcome
Resolution co-filing, in cooperation with Assogestioni	BFF Bank SpA	Governance - Nomination Slate	Passed. Our slate received 51.9% support from the shareholders, ensuring election of our two nominees with valuable expertise.
Resolution co-filing, in cooperation with Assogestioni	Banca Mediolanum SpA	Governance - Nomination Slate	Passed. Two of our three nominees were elected to the Board.
Resolution co-filing, in cooperation with other investors	TotalEnergies SE	Governance - Combined Positions of CEO and Chair	The Board decided not to table the draft resolution on the agenda[18].
Resolution co-filing, in cooperation with other investors led by Follow This	Shell plc	Climate	Received 18.6% support of shares voted
Resolution co-filing, in cooperation with other investors acting through Share Action	Nestle SA	Healthy-Nutrition	Received 11% support of shares voted
Resolution co-filing, in cooperation with other investors acting through Share Action	Anonymised (a global Europe-based bank)	Climate	Withdrawn after climate strategy improvement secured.
AGM question	Publicis Groupe SA	Governance - Combined Positions of CEO & Chair	Detailed answer received
AGM question	Recticel SA	Governance – Executive Remuneration	Detailed answer received

18 Board-of-Directors-position-on-the-draft-shareholder-resolution_PDF.pdf & Additional-information-Boards-decision-25-April-2024-not-to-table-a-shareholders-consultative-resolution.pdf

Votes on sensitive resolutions.

Highly sensitive votes

The Candriam Voting Team defines a 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 instances of securities lending, during 2024, we reserved minimum positions of 50% in order to preserve our voting rights, and our average voting percentage for 2024 is 97% (compared to 97.1% in 2024 and 97.5% in 2023). 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 materialise, our Voting Team analyses the relevant resolutions and assesses whether any sanctioning vote, or vote against management, is necessary. The tables enumerate targeted resolutions by topic for these 299 highly sensitive meetings, and the alignment of our vote with that of other voting shareholders.[19] 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.

Shareholder Climate Resolutions

Of 35 shareholder climate proposals **supported** at companies flagged as 'most sensitive' for climate-related reasons, of which four were withdrawn.

Aligned*	0
Partially aligned (resolution failed with at least 20% support)	19
Not aligned (resolution failed with less than 20% support)	12

Environmental and Social resolutions

Of 12 management climate proposals **voted** at companies flagged as 'most sensitive' for climate-related reasons.e

Aligned*	3
Partially Aligned (Candriam voted *Against* and the resolution passed with at least 20% dissent)	4
Not Aligned (Candriam voted *Against* and the resolution passed with less than 20% dissent)	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.

19 When we indicate 20% dissent, we mean 20% of those shares which were voted.

Climate Sanctioning: Director Election and Discharge

Of 93 management resolutions on discharge and director elections voted *Against* because of the lack of proper board oversight for companies flagged as 'most sensitive' for climate-related reasons.

Aligned (resolution failed)	0
Partially Aligned (resolution passed with more than 20% dissent)	0
Not Aligned (resolution passed with less than 20% dissent)	93

Governance Concerns and Engagement

A total of 626 management resolutions on director elections, compensation and auditor-related topics at companies were flagged as 'most sensitive' for weak governance reasons combined with significant Candriam holdings in these companies. Of these, Candriam did not support 224 resolutions:

Aligned (resolution failed)	0
Partially Aligned (resolution passed with more than 20% dissent)	60
Not Aligned (resolution passed with less than 20% dissent)	164

ESG Metrics in Executive Remuneration

15 remuneration-related proposals were voted *Against* in 2024 at companies that were flagged in our close monitor list for the presence of ESG metrics.

Aligned (resolution failed)	0
Partially Aligned (resolution passed with more than 20% dissent)	0
Not Aligned (resolution passed with less than 20% dissent)	15

Historical dissent from shareholders

Two resolutions were flagged due to the high dissent trigger. Candriam voted Against. due to our significant holding, governance-related concerns, a high dissent level in 2023, and the lack of response from the company to address the broad shareholder dissent.

Apart from those two resolutions, 14 resolutions were voted *Against* due to our significant holding, governance related concerns, human rights, environmental flag or previous engagement together with the presence of high dissent levels in 2023. The resolutions passed, but two received more than 20% support, a significant portion of the investors aligned with our vote. Therefore, the alignment is considered 'Partially aligned' for these two resolutions.

Aligned (resolution failed)	0
Partially Aligned (resolution passed with more than 20% dissent)	2
Not Aligned (resolution passed with less than 20% dissent)	14

Meetings of specific interest

Highly sensitive resolutions, like those mentioned earlier, represent just one segment of our targeted items.

Our Voting Team consistently examines resolutions across mostly within ten categories, utilising various criteria throughout the year to identify meetings categorized as 'of specific interest.' (see Main Trigger Reason table). Whether a meeting attracts attention due to particular topics or other factors, our internal Voting team conducts a comprehensive analysis of the entire meeting agenda to determine whether to focus on a specific item.

The intention of these internal analyses is to fulfil our role as Active Owners and exert the highest possible influence as stakeholders in the company.

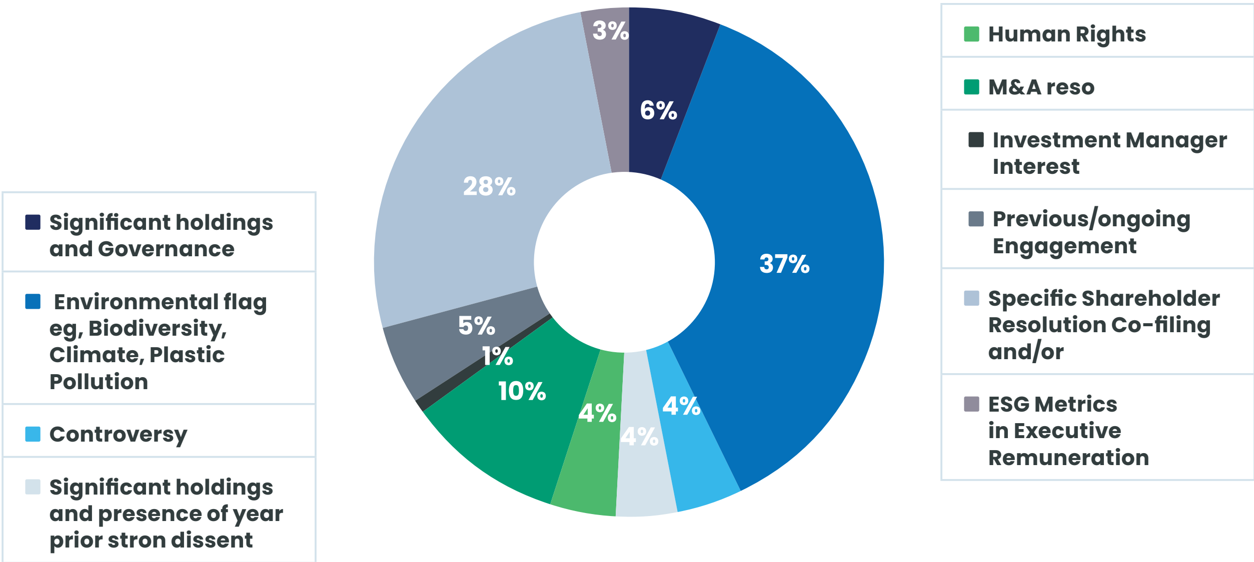
Want to know how we work with proxy advisors ?

During 2024, we internally re-analysed 608 meetings, of 566 companies, for a variety of reasons. Of these 608 meetings, 299 were deemed highly sensitive as detailed under the Votes on Sensitive Resolutions section.

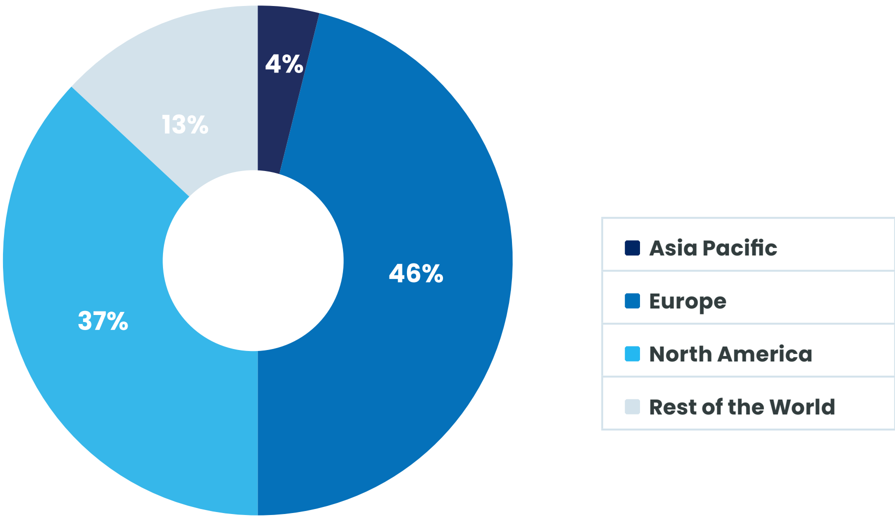
Main Trigger Reason[20]	Number of Meetings Reanalysed
Significant holdings and Governance concern	35
Environmental flag eg, Biodiversity, Climate, Plastic Pollution	225
Controversy	28
Significant Holdings and Strong Year-prior Dissent Vote	24
Human Rights Flag	23
M&A Resolution [21]	63
Investment Manager Interest	4
Previous/ongoing Engagement	30
Specific Shareholder Resolution Co-filing and/or Support	158
ESG Metrics in Executive Remuneration	18

20 Please note that the same meeting may be classified as sensitive for multiple reasons listed here. The primary concern is used for each meeting to illustrate our approach.

21 We voted *Against* 43 M&A resolutions in 2024, of which 13 received a dissent more than 20%.



The geographical distribution of all sensitive meetings analyzed in 2024 is shown in the chart below:



To illustrate our approach-- and in addition to the examples provided under the Governance and Climate sections of this report -- we offer nine case studies originating from the Environmental, Social, or Governance realms during our 2024 voting season. Each case defines the priority trigger, background details, rationale, and the overall outcome.

Comprehensive information on all our votes, including the rationale for 'Against' votes, is accessible through our voting dashboard.

Case studies.[22]

Environmental[23]

Garmin Ltd.

AGM, June 7, 2024
Priority Trigger: Non-Financial Reporting Item

Item 12: Approve Non-Financial Report

Vote: AGAINST

Rationale:

While the company provides some information regarding its business as a typical 10-K report, the information on materiality risks, [on] its management strategies equipped with targets, and [on] specific levers or strategies on its materiality topics, remains very limited and high level. This limited to absence [minimal provision of information] includes [also applies to] its climate change adaptation and mitigation, especially on its [lack of a] Net Zero commitment, while information on sourcing management that remains limited and anecdotal, which [we believe] is critical considering the presence of suppliers in high-risk countries on issues regarding forced labor.

In addition, Garmin also relies highly on third-party suppliers including the reliance on mineral/semiconductor component, which makes its risks even higher. Although it has a separate report titled "Corporate Impact Report" and "Conflict Mineral Report", the former in particular remains high-level which makes it challenging for investors to better assess its due diligence strategies from [a] sourcing and environmental standpoint, and subsequently to understand the extent to which it [Garmin] is exposed to [these] risks and how mature Garmin is in management them. More disclosures on its supplier footprint and its strategies on the grievance mechanisms and remedy would be much appreciated.

On its Conflict Mineral stance, [we believe] the information disclosed is not sufficient considering the exposure to high-risk materials such as gold, columbite-tantalite (coltan), cassiterite, wolframite, and their derivatives, tantalum, tin and tungsten. We would appreciate more detailed information about its sourcing management practices that include information about its sourcing countries, suppliers (especially those considered as high risks), and both its internal and external verification mechanisms.

As such this item is not supported

22 Please note that the rationales mentioned in this section are taken from the vote disclosure platform of Candriam. There may be some wording differences relative to the original filings, for ease of reading.

23 Please note that you can find Candriam's votes and rationale for all Say on Climate proposals voted in 2024 on [Predeclaration of Voting Intentions | Candriam]

Nestle SA

AGM, April 18, 2024
Priority Trigger: Controversy.

Item 1.3: Approve Non-Financial Report

Vote: AGAINST

Rationale:

While Nestlé provides good disclosures on its emissions and climate roadmap – with clear breakdowns of emissions and targeted reduction incl.[uding] levers and dedicated investments, [we believe] there needs to be more clarity on the regenerative agriculture definition and strategies, specific criteria targets that fall within the scope of the RegAg, and the absence of a methane reduction target [is also a concern for us].* On the latter, we particularly regret the absence of [a] target to cut its methane-derived emissions considering that methane is a critical source of emissions from its dairy business. In addition, the company reports that the previously absolute amount of reductions and removals vs Business As Usual was used as indicator, and data are not comparable, which also makes it more difficult for us, as investors, to compare. This rationale is in alignment with the ones we outlined for the Agenda Item 1.2 pertaining to remuneration report on the information on ESG objectives that are missing granularity (cf the Agenda Item 1.2) and Agenda Item 7.

In addition, we are not satisfied with the absence of consideration in assessing the level of healthiness of its overall product portfolio. While we note positively the inclusion of its 'affordable nutrition with micronutrients', we are unable to identify whether the company ['s reporting] also takes into account the progress of its product quality and healthy profile deriving from its less-healthy products.

Considering that the majority of Nestlé's sales are still dominated by less-healthy products, a KPI with more focus on the less-healthy portfolio (including positive progress on product reformulation) is highly critical to properly reflect its healthy ambition. All of which is in alignment with the objective of the Shareholder Proposal SO776 in terms of top executive accountability on Nestlé's healthy strategies. Increasingly, we would encourage the company to take into account increasing ESG risk exposures towards product quality and safety issues (e.g. issues surrounding its natural mineral water production sites) and to operational efficiency (e.g. IT hiccups resulting in supply constraints in its health business), or at the very least provide more clarity or updates in the report about these topics.

* Since [the] Nestlé AGM, and after several calls with the company, we have revised our position on the absence of a Methane-reduction specific target. Please refer to the Climate-dedicated Chapter of the present report, and more specifically to the Nestlé Case.

Social

Starbucks Corporation

AGM, March 13, 2024
Priority Trigger: Controversy

Item 1.d: Elect Management Nominee Director Mellody Hobson

Vote: Withhold

Rationale:

[We conclude] a *Withold* vote is warranted for Board Chair Mellody Hobson with the intention to enhance Board accountability at Starbucks, as well as the level of independent oversight at the Board level, in order to ensure the unbiased functioning of the Board, equipped with [a range of] different skills and expertise to address the challenges of the business. This is particularly key for a company such as Starbucks, which [operates in a sector which] is constantly facing changing dynamics and sustainability risk exposures in its own operations and value chains. The long tenure of the Board chair and the excessive number of outside mandates [she undertakes] raise questions about her impartial decision-making and oversight. Moreover, the Chairman of the Board ultimately shoulders the most responsibility among all Board members for failing to effectively supervise the management of risks to the company and its shareholders, and should therefore be held the most accountable for poor Board oversight of ESG risk exposures at the firm.

That said, we also acknowledge the company's recent efforts in agreeing to talks with the unions following the proxy fight driven by the Strategic Organizing Center. This is certainly a meaningful progress that the company has shown. To deliver [the]concrete changes that stakeholders have been asking for, we would encourage the integration of new Board members with specific expertise and backgrounds in labour rights and labour management (especially with labour relation backgrounds), responsible sourcing, and human rights, and/or the integration of external experts into its newly-created "Impact Committee".

Apple, Inc.

AGM, February 28, 2024
Priority Trigger: Human Rights

Item 7: Report on Use of Artificial Intelligence

Vote: FOR

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 request formulated by this resolution is aligned with this view.

As regulation emerges on average several years after new developments, it is essential for technology firms to display the highest standards in ethical practices in their early stages of deployment. Artificial Intelligence comes along with the probability of introducing [or developing] biases, discrimination, misinformation, and other misuses and abuses against employees, users and society at large. We [believe we] know that companies that can best avoid these issues [and risks] are [usually also] those that are the most transparent, accountable, and open to engaging with outside stakeholders such as civil society, academia, investors, etc.

The terms 'trustworthy AI' [or] '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[source data, and] 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 [and financial risks] mentioned in the proposal, they do not specifically refer to the adverse impacts that AI could generate. Furthermore, certain of the company's peers have committed to mitigate risks posed by AI.

By being transparent on 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 whole industry.

As such, we vote *For* this shareholder proposal.

The Kroger Co.

AGM, June 27, 2024

Priority Trigger: Specific Shareholder Resolution Co-filing and/or Support

Item 2: Report on Public Health Costs Due to Tobacco Product Sales and the Impact on Overall Market[24]

Vote: FOR

Rationale:

A vote *For* this item is warranted to send the right signal to the company that we expect their commitment and effort to discontinue the practice of selling tobacco products, yet this [our] decision also comes with a concern:

The focus of the resolution should not be for the company to report on the public health costs as there have been many studies related to the public health costs associated with tobacco by CDC [the centers for Disease Control and Prevention], WHO [the World Health Organization], academics, etc. Rather, the priority should be given to require the company [Kroger] to set out clear commitments to discourage and discontinue the selling of tobacco products and report on their strategies and progress.

24 Listed in the proxy statement as 'Report on Public Health Costs from Sale of Tobacco Products'

Governance

Stellantis NV

AGM, April 16, 2024

Priority Trigger: ESG Metrics in Executive Remuneration

Item 2.d: Approve Remuneration Report

Vote: AGAINST

Rationale:

A vote *Against* this item is warranted because there are [we have] concerns raised regarding 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 [Dutch] company's own selected US peers.

Furthermore, the excessive quantum [amount] 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 aim [be sufficient] to retain and reward the CEO. Alos, [the] benefit package of the company's executive chair and CEO, including the tax equalization and pension contribution, also raises concerns.

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

However, it is important to note that the inclusion of CAFÉ [Corporate Average Fuel Economy] compliance in the long-term incentive plan (LTIP) cannot be deemed as a challenging metric since it is 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 [electric vehicle] development.

That being said, we recommend the incorporation of targets aligned with the company's overall carbon reduction goals, particularly focusing on upstream initiatives for Scope 3 emissions.

The Walt Disney Company

AGM,April 3, 2024

Priority Trigger: Governance Related Concerns and Close Monitor

Management Slate

Vote: FOR

Rationale:

We note that share price performance has been very weak since 2021 on the back of higher losses in the DTC [Direct-to-Consumer] business (Disney+, Hulu) and a stalling number of subscribers in this segment. For the market, this division is the focus as Disney has lagged Netflix to invest in DTC, while linear TV [subscriptions] declined by 6% [during 2023].

As interest rates went up, free cash flow generation and profitability [came] under high scrutiny, and deleveraging [became] an important topic following the [debt-heavy] acquisition of Twenty-First Century Fox. Investors are sceptical that the current management will be able to compete against Netflix and reduce losses/enhance profitability. For a year, the management refocused its strategy by implementing a $7 billion cost-cutting programme, designed to turn the DTC business positive by the end of 2024. This began to pay off but one might wonder if it was just a 'show-me' story to counter [the involvement of hedge fund manager] Nelson Peltz. As such, we need to see more and for a longer period before assessing the efforts of this management. We also note that under Bob Iger's first mandate, Disney [generated strong profits and high growth, with the] shares meaningfully outperforming the broader market.

We continue to have reservations about the succession plans for 73-year-old Bob Iger, as no other candidate seems to be declared (the previous CEO remained for only 2 years). Yet we believe that the weakness in performance cannot attributed only to the Disney management, but also to industry facing challenges, [such as the hefty cost of content]. Setting the right mix between linear TV and DTC, and rationalising content spending are key. Cloudy points include the Hulu acquisition, the ESPN spinoff, and even how to assess the linear TV business.

As such, we believe in management's ability to progress on these points. However, Candriam will be closely monitoring all these elements.

Vivendi SE

EGM, December 9, 2024**

Priority Trigger: M&A

Item 1: Approve Contribution in Kind of 991,811,494 Shares from Canal+ SA, its Valuation, and Remuneration

Vote: AGAINST

Rationale:

While we note that the deal may potentially reduce the holding company discount, achieving that through spin-off into companies listed in different jurisdiction is not reassuring. Therefore, [we believe] a vote Against items 1-3 is warranted due to significant governance concerns surrounding the proposed transaction at Vivendi and its newly-listed entities:

- The choice of listing venues [stock exchanges] appears designed to allow Bolloré to avoid takeover bids and potentially consolidate control over the new entities
- Several "independent" directors also serve at Vivendi or Bolloré-affiliated companies, failing national regulatory standards for independence (eg, Philippe Bénacin at Canal+ and Michèle Reiser at Havas).
- [Our work shows that] some directors are overcommitted, violating our policy regarding "overboarding" as the entities will no longer be considered as group companies.
- A two-thirds vote requirement to remove those directors not proposed by the Board enables the reference shareholder to block such actions, limiting accountability.
- Since the EGM** announcement on Oct. 28, 2024, Vivendi's stock has dropped 15%, signaling investor dissatisfaction with the plan.

** EGM = Extraordinary General Meeting

Banco Bilbao Vizcaya Argentaria SA

EGM, July 4, 2024**

Priority Trigger: M&A

Item 1: Approve Issuance of Shares in Connection with the Acquisition of Banco de Sabadell SA

Vote: FOR

Rationale:

A vote *For* the proposed capital increase is warranted as it would rebalance the company's business towards more developed countries, given that 60% of their profits are generated in Mexico, with 5-10% from Turkey and 5-10% each from Peru and Colombia.

Although the deal itself is not particularly attractive due to the substantial costs associated with disentangling the joint ventures established by Sabadell's management, there should be significant cost synergies. This should help reduce BBVA's cost of equity. Sabadell has limited prospects on its own, and the profitability of both banks will heavily depend on the market environment, particularly interest rates. While the combined entity may become too large in Catalonia, necessitating the sale of some branches, we have some reservations about the impact on governance structure and Board composition. However, BBVA has assured that the interests of minority shareholders will be represented at the Board level. Regarding employment, it is crucial that job redundancies are managed with programs to support affected employees.

Environmentally, Banco Sabadell has minimal exposure to fossil fuels, and BBVA's existing environmental strategy will remain unchanged.

** EGM = Extraordinary General Meeting

Promoting Sustainable Development.

Industry associations and responsible investment working groups that we are part of.

	Name of Association	Joined in
SRI Working Groups within:	AFG - Association Française de la Gestion financière	2003
	BEAMA - Belgian Asset Managers Association	2004
	EFAMA - European Fund And Asset Management Association	2010
	ALFI - Association of the Luxembourg Fund Industry	2024
Several sustainable investment forums:	VBDO - Dutch Sustainable Investment Forum	2007
	Forum Nachhaltige Geldanlagen (Germany, Switzerland & Austria)	2010
	Swiss Sustainable Finance (Switzerland)	2014
	Forum pour l'Investissement Responsable (French SIF FIR)	2014
	Forum per la Finanza Sostenibile (Italy SIF)	2015
	UKSIF - United Kingdom Sustainable Investment Forum	2016
	US SIF - United States Forum for Sustainable & Responsible Investment	2016
Other sustainability-oriented investor bodies	IIGCC - The Institutional Investors Group on Climate Change	2020
	Investor Alliance for Human Rights (ICCR Initiative)	2021

As an asset manager, Candriam also actively promotes sustainable finance by educating the next generation of responsible investors. This is done via our Candriam Institute for Sustainable Development and especially with the Candriam Academy initiative (Home - Candriam), which offers courses designed to increase the understanding of anyone who is interested in sustainable investing and ESG factors in the investing industry. As of December 2024, the Academy provides online free training to more than 16,400 individuals across 116 countries.

Regarding how Candriam engages with policymakers, including:

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

All related information will be made available in our forthcoming 2024 CSR report, as well as additional details[26] on our guiding principles on ESG, promotion and influence, are available onour Publications webpage.

26 These, including our Guiding Principles and other documents on our website, are updated as changes occur.

€155 Bn

of assets under management 31 December 2024

600+

experts at your service

+25 years

of innovation and expertise

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