



2022

Mid-year Voting Report

CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY

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2022 Mid-year Voting Report

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Introduction

After two voting seasons under the COVID influence, 2022 did not bring any relief; it is another year where major external events shaped investor demand as well as what companies deliver.

First, Covid continues to leave its mark on 2022 annual meetings: virtual meetings, omission of dividends, modifications to ongoing performance cycles.

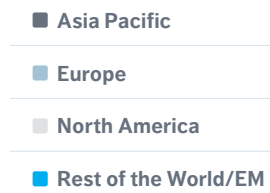
In addition, the invasion of Ukraine has triggered further humanitarian, economic, financial, and political challenges for society in general, and companies in particular. Developments in the region led companies to publicly declare their positions, clarify the potential impacts on their business activities and respond to shareholders' concerns regarding their supply-chain management, energy, and food security.

Overall, the 2022 season showed once again that companies' financial performance and ESG strategies are intertwined. Investors keep asking for concrete steps to create long-term value for all stakeholders. While meeting agendas include standard items and topics that remain of interest, including excessive executive pay, other topics are becoming more and more entrenched in general meetings: diversity and inclusion, GHG (Greenhouse Gas) emissions, tax transparency or access to fundamental rights such as healthcare.

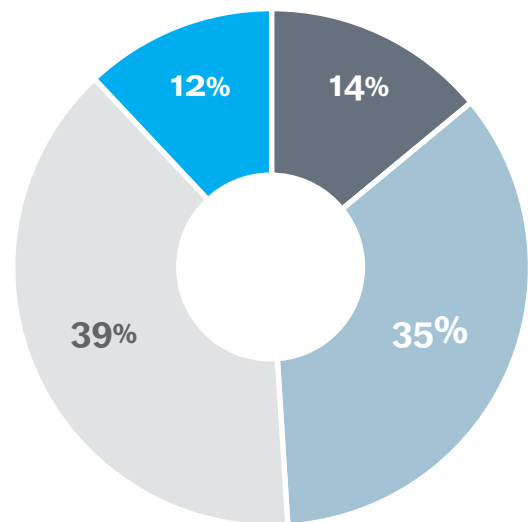
2022 so far : Themes in focus

In the first half of the year¹, we voted at 1543 meetings² with a regional breakdown shown below:

Breakdown of meetings voted by region



Source: Candriam



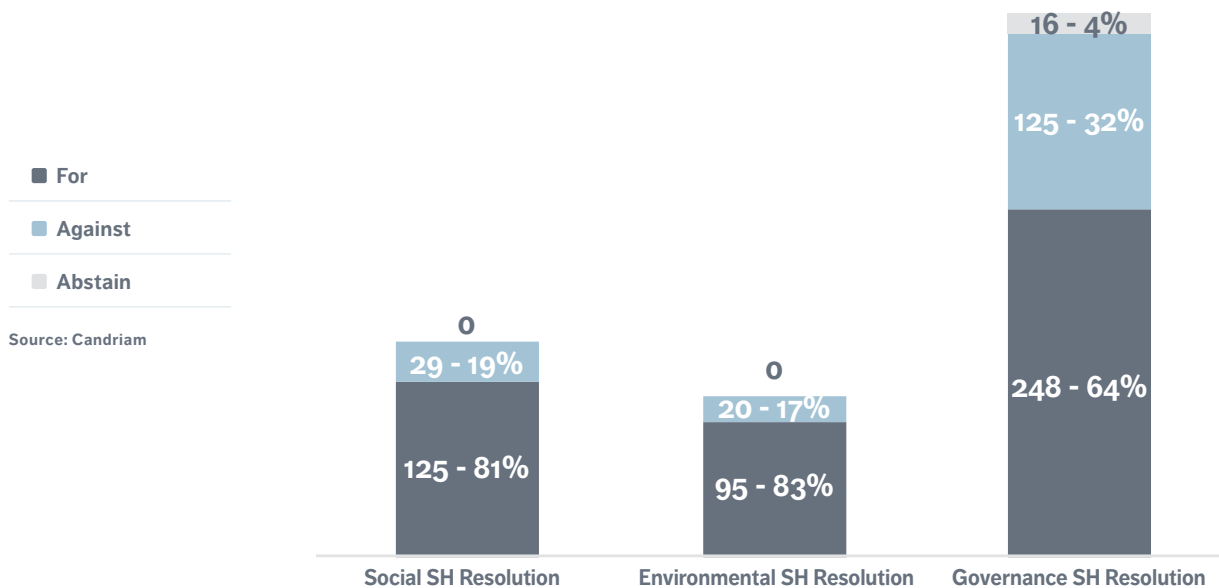
In the current environment, we have seen an increasing number of shareholder proposals submitted this year bringing non-typical discussion to the general assembly agenda. Racial equity, civil rights audit and gender pay equity proposals gained significant momentum while

environmental topics were animated by scope 3 emissions reduction targets, policy alignment and net-zero scenario for financial institutions and companies within the energy and utility sectors.

¹ From 1 Jan 2022 through 30 June 2022.

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

Votes Cast for Shareholder (SH) Resolutions by theme



2022 was the record-breaking year for racial justice proposals:

25 companies in the Candriam policy voting scope, operating in a wide range of sectors, received shareholder proposals requesting a third party to conduct an audit to assess impacts of companies' activities on civil rights, diversity, equity and inclusion, and the impacts of those issues on companies' business. In 19 cases (out of 26 proposals), we considered that such audits would strengthen the company's commitment towards addressing diversity, equity, and inclusion efforts in its business operations, and we consequently supported them.

Sectors which performed well financially during the Covid crisis are among the most challenged by investors. First, **healthcare and pharmaceutical companies** were asked to report on public health costs caused by limited sharing of vaccine technology. In the case of Johnson & Johnson, we supported Harrington Investments precatory proposal requesting that Johnson & Johnson report on the public health costs generated by limitations on its COVID-19 products leading to reduced availability in poorer countries, and how these costs may affect shareholders.

Second target of choice: the **tech and media** sectors. Amazon, for example, was challenged on a wide range of subjects: from executive pay to tax transparency, pay gap to unionization and employee representative candidates for the board elections. One of the most attention-grabbing proposals on the agenda required the company to publish a tax transparency report prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative; it was backed by 21 percent of the company's independent shareholders. Not only was this the first tax transparency proposal targeting Amazon, it also shows the public demand for real transparency in big corporations' tax practices.

Environmental proposals are not left out, and North American companies are now the most targeted on this topic, with of course Climate, Net Zero commitment and Alignment with Paris Agreement being the most popular questions. Among these, one shareholder resolution (As You Sow Climate resolution at Caterpillar's Annual meeting) got the support from management, despite the fact that it will force the company to go beyond its current reluctance to set up a Scope 3 emissions goal: more than 95% of shareholders supported the resolution.

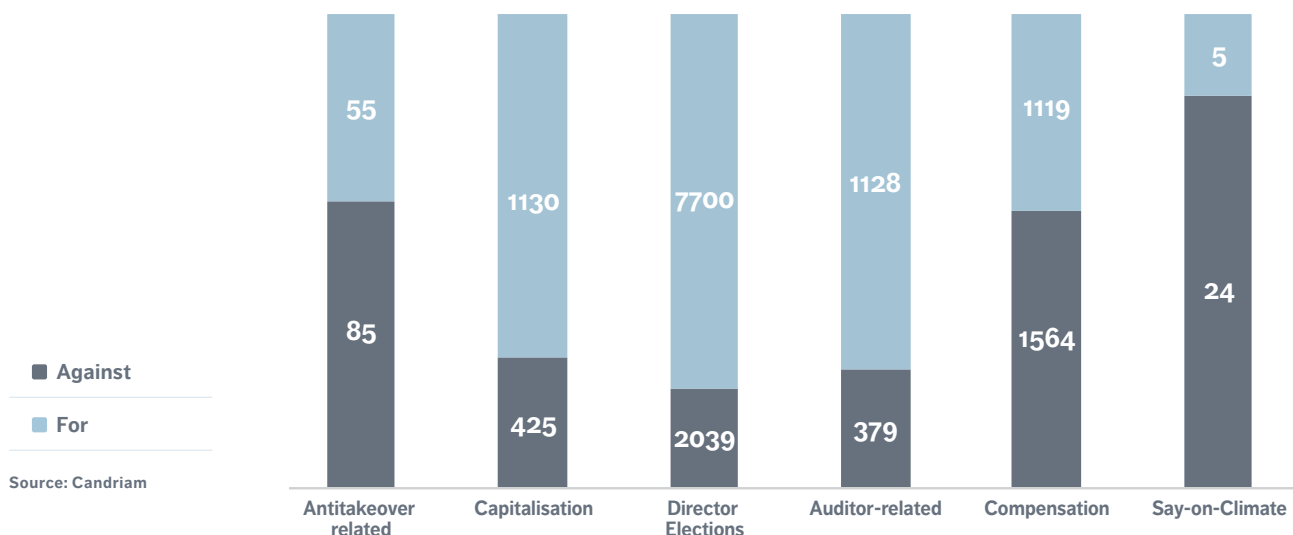
Management Resolutions: Not so Traditional Anymore

While many E and S topics were discussed through shareholder proposals, ESG considerations are increasingly influencing votes on more traditional management proposals. E & S topics and notably climate have gained legitimacy in annual meetings, also supported by the rise of Say on Climate management proposals.

While applying our governance guidelines to target specific management items, our concerns on companies' environmental and social performance actually led us to sanction standard general meeting items such as statutory reports, board elections, audit-related, remuneration and so on with votes 'Against'.

With all concerns together, the below graph demonstrates the level of Candriam support for some management item categories until June 30, 2022. Please also note that the opposition under 'director elections' and 'auditor-related' also includes situations where directors and auditors are targeted due to ESG-related concerns, especially where climate risks represent a material headwind to a business and the reporting of these risks is deemed inadequate or financial statements are viewed to be misleading:

Management Resolution Votes Cast per Category



Looking more in depth: what has driven our votes in 2022?

Say-on-pay is not Only Numbers

As our expectations increase on the level of disclosure for say-on-pay votes, our level of opposition also increased in 2022, reaching 59.1 percent compared to 51 percent during the same period in 2021. Time-based grants, short vesting period, lack of risk mitigators, lack of information on the performance assessment of variable plans have contributed to our adverse votes. Continuing in 2022, we voted against the executive remuneration packages and policies that give a significant raise to the beneficiaries in companies which benefitted from public aid schemes while other stakeholders do not appear to benefit from the same level of support - e.g. employees experiencing redundancies, shareholders not receiving dividend for several years. Modifications to the running cycles remained companies' most common response to compensate for the loss in performance with executive remuneration. Companies that had adopted time-based equity award during the pandemic maintained their practices, even introducing entirely time-based awards. In the meanwhile, granting discretionary payments to executives without clear, transparent, and objective performance criteria is the most common way to address the below-target achievement of existing performance plans.

While the focus on the quantum of executive pay packages grows, Candriam has paid special attention during this proxy voting season to the non-financial metrics included in the variable plans submitted to shareholders' approval. While we encourage companies to reflect on their business performance when remunerating their executives, the nature, weighting, and targets of the chosen metrics require further scrutiny.

In parallel, we supported every shareholder proposal asking companies to disclose their CEO pay ratio to allow better understanding of the executives' packages compared to the wider workforce.

Bringing More S to G: Ethnic Diversity

In line with the changes brought to our voting policy this year, this was the first year where we sanctioned boards failing to include members from underrepresented ethnic minorities. The targeted regions were only the ones where the collection and communication of such data are permissible, and the implementation of the new requirement has led us to vote against the chairperson of nomination committees at 14 companies in the United States of America, Canada, Australia, the United Kingdom, and Ireland.

Combined CEO & Chair

One of the most concerning subjects for our governance analysis, and main trigger for our adverse votes on Director elections' item during the first half of 2022, was the combined roles of CEO and Chairperson. We voted against the election of the CEO as a board chair at 202 general meetings held during the period. Shareholders' concern relates not only to having a CEO-Chairperson but also to the lack of an independent board chair overseeing the management activities. Like in previous years, we have seen and supported 33 shareholder proposals requiring the company to appoint an independent chair.

An indivisible whole

Let's see in another example how E, S and G pillars cannot be separated when analyzing companies and deciding on a final vote to cast. At McDonald's Corporation, shareholders were presented with two proxy cards to vote on. This was the result of the campaign led by Carl Icahn, in which he argued that the company failed to meet some of the commitments on animal welfare they have put in place in 2012, and that two long-tenured directors, also members of the company's Sustainability and Corporate Responsibility Committee, should be replaced. While the dissident card failed to gather shareholders' support, it showed once again the shareholders' willingness to hold the board members accountable not only for governance or environmental issues but also for social topics that are connected to companies' long-term sustainability.

Directors' ability and capability to address ESG concerns have also come in the form of climate accountability discussion.

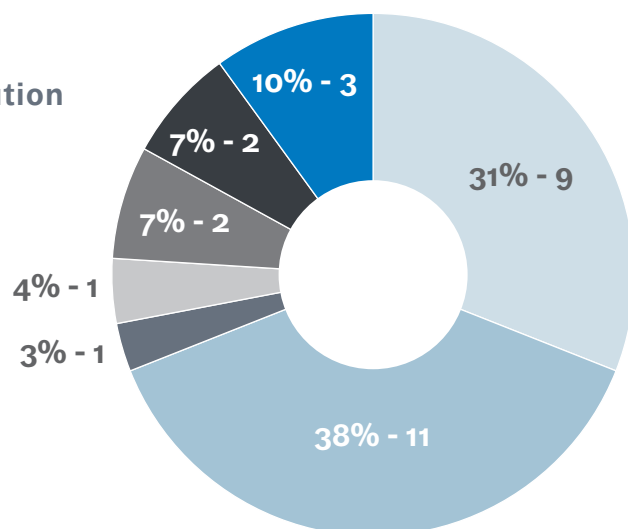
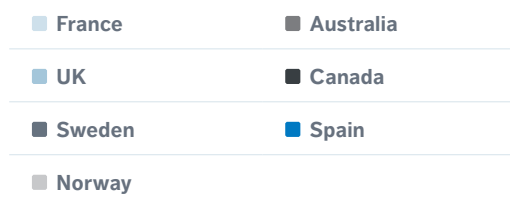
Climate: not enough time left to be patient

After the explosion of the number of Say-on-Climate resolutions (hereafter "SOC") last year, where management sponsored advisory resolutions were asking shareholders to approve the company's climate transition plan and progress, the trend is still increasing in 2022. Candriam voted 29 of them so far in 2022, compared to 19 throughout the entire year in 2021.

The level of support is substantially different as well, with 74% of vote 'For' last year, and 17% only this year. The reason for that is twofold:

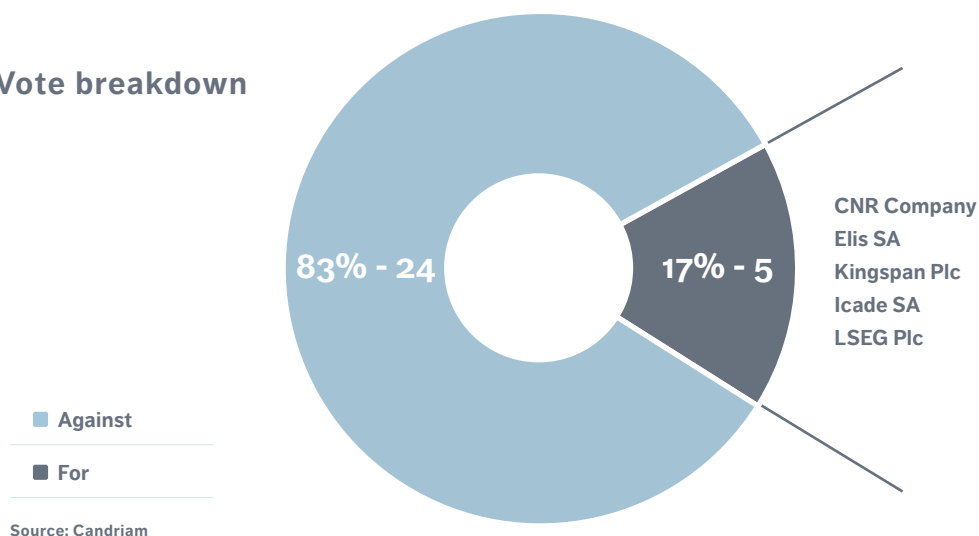
- we strengthened our SOC analysis framework
- an increasing number of companies belonging to carbon intensive industries, for which our expectations are high in terms of disclosure, targets, and actual emissions reduction, have submitted a SOC this year.

Say-on-Climate - Geographic distribution



Source: Candriam

Say-on-Climate - Vote breakdown



This season, 10 European companies, flagged by CA100+³ and its partner Carbon Tracker, were more specifically under our scrutiny; we had engaged with them on this topic, and were expecting substantial progress in their 2021 Financial Statements, compared to previous years. Out of these 10 priority companies, 8 companies did not make any or sufficient progress.

This season was also the first where we implemented new voting guidelines on this matter, where Candriam reserves the right to sanction, by voting against specific items, companies and auditors that are not taking climate into account to a sufficient level when preparing and auditing financial statements.

Following our new voting guidelines, we sanctioned these 8 companies by voting 'Against' financial statements and statutory reports, and/or reappointment of auditors and/or auditors' remuneration.

The two remaining companies, Volkswagen AG and Compagnie de Saint-Gobain SA, although they were not fulfilling all our expectations, were encouraged for their efforts and/or commitments in integrating climate into their financial statements.

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

With regard to Saint-Gobain, the company made tangible commitments to enhance next year the way they incorporate climate into their financial statements. Therefore, we did not vote 'Against' but Abstained on their financial statements and consolidated financial statements. We also voted 'For' the ratification of auditors, as a new one was appointed this year, not responsible for the shortcomings we had noticed in previous years' reports.

We will certainly continue to monitor closely the financial reporting practices of these companies, as well as their climate strategies, and will continue to express our discontent, if any, through the relevant resolutions.

³ Candriam signed up to the Climate Action 100+ initiative in 2017

Initiating Change Through Active Ownership

The importance of active engagement in pre-AGM period is growing with a lot of fruitful discussions with companies, helping them better understand and better answer investors' expectations on corporate governance matters. Ahead of and during this 2022 season, we have engaged with 42 companies with an answer rate of 76 percent. The discussions aimed not only to explain our voting approach during the last proxy season, but also to understand the challenges that businesses face, hindering their adoption of better practices. While we acknowledge the improvements made by some companies, our remaining concerns have driven our votes during the 2022 AGM season. The recent case study we released on our engagement with Kingspan Plc⁴ is one example.

Admittedly, some companies still sometimes reject shareholder resolutions or refuse to provide specific answers to our concerns, but for Candriam, like for other responsible investors, the pre-AGM period is highly intense in terms of engagement, with more challenging or tense discussions than in any other period of the year.

Filing resolutions, AGM statements or AGM questions are now standardly used as part of the responsible investors' toolbox. We usually use them to escalate an unfruitful engagement or when we think it will serve our investment strategies and the values we stand up for. Shown below is a table summarizing our engagements during the first half of 2022:

Measure	Companies	Topic	Outcome
Resolution co-filing	European Bank (anonymized)	Climate	Withdrawn after company's new commitments
Resolution co-filing	Unilever Plc	Healthy Products	Withdrawn after company's new commitments
Resolution co-filing	Intesa SanPaolo	Nomination slates	Passed
Resolution co-filing	Illimity Bank	Nomination slates	Passed
Resolution co-filing	TotalEnergies SE	Climate	The quota of shares required for the effective resolution co-filing was no longer reached after Company made new commitments.
Questions at AGM	Teleperformance Sa	Social matters & link to general governance	Company answered our questions.
Questions at AGM	LVMH Moët Hennessy	Governance matters	Company answered our questions.
Questions at AGM	SAP SE	Governance matter	Company answered our questions.

Source: Candriam

⁴[2022_05_kingspan_engagement_en_web.pdf](#)

Conclusion

*General meetings are less and less quiet places for board directors and this is a source of satisfaction for us. Indeed, the fact that shareholders increasingly challenge their companies' governance structure or strategies is a sign that **shareholder democracy is gaining ground**.*

*This mid-year voting season has once again taken place in a difficult and atypic political and economic context, but **the trend already observed of blurring barriers between E, S and G matters is here to stay**.*





€158 B

AUM as of
31 December 2021



600

Experienced and
committed
professionals



25 years

Leading the way in
sustainable investing

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