ROBECO
The Investment Engineers

Active Ownership Report Q4-2020

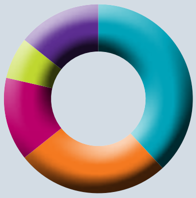
ROBECO | 01.10.2020 - 31.12.2020

BORDER TO COAST
PENSIONS PARTNERSHIP

Sustainable Investing Expertise by ROBECOSAM

Engagement activities by region

North America	38%
Europe	26%
Pacific	14%
Emerging Markets	7%
United Kingdom	14%



Shareholder meetings voted by region

North America	10%
Europe	17%
Pacific	22%
Emerging Markets	15%
United Kingdom	36%

Voting overview

2020	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total number of meetings voted	107	517	123	121
Total number of agenda items voted	1.337	7.870	1.527	1.056
% Meetings voted against management	70%	71%	65%	42%

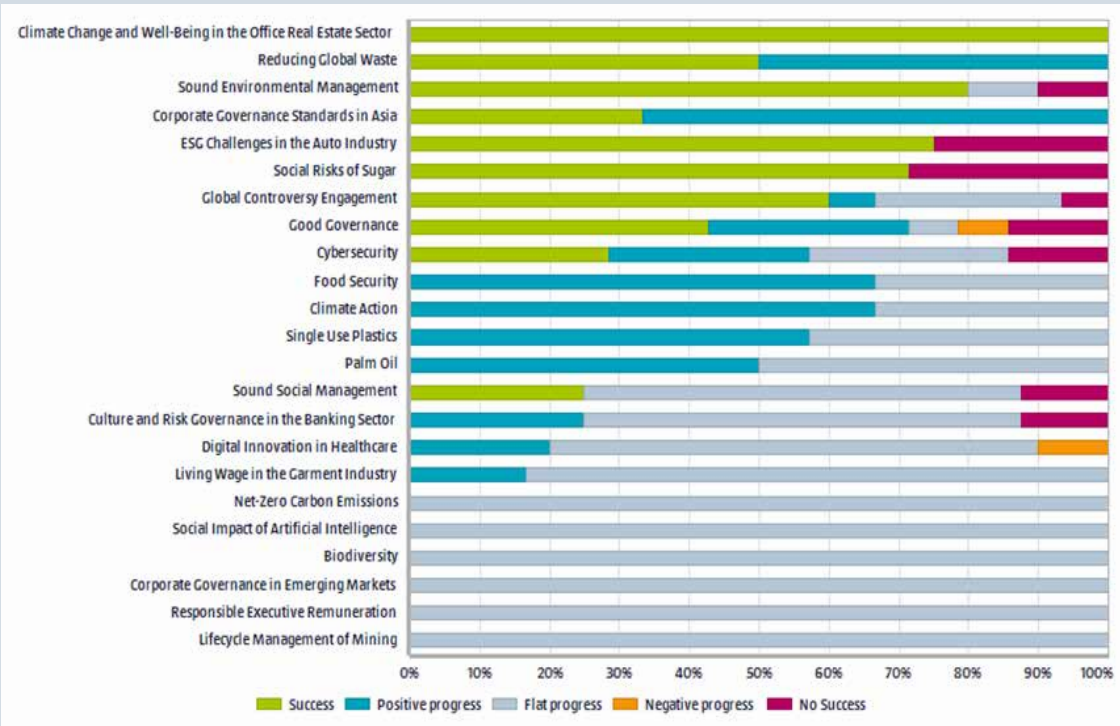
Number of engagement overview by topic

Environmental Management	19
Environmental Impact	6
Human Rights	15
Healthy Living	7
Social Management	5
Corporate Governance	29
Global Controversy	3

Number of engagement by contact type

Analysis (no actual contact with company)	25
(Open) Letter	11
Meeting at company offices	0
E-mail	54
Active voting	0
Shareholder resolution	1
Conference call	48
Speaking at a shareholder meeting	0
Meeting at Robeco offices	0
Speaking at conferences	5
Issue press release	0

Engagement results per theme



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Client Introduction

Although turbulent and challenging, we look back on 2020 as another successful year for Robeco's Active Ownership activities. The Active Ownership team made significant strides in its engagement work, despite the changed work environment due to the Covid-19 pandemic. Being restricted to remote engagement for most of 2020 did not inhibit the team's ability to effect change at investee companies and to strengthen the engagement line-up throughout the year.

Several engagement themes were launched during the past quarter. Our new biodiversity theme picked up pace in the fourth quarter, focusing on companies with supply chains exposed to high-risk commodities such as cocoa, natural rubber, soy, beef, and tropical timber and pulp. Furthermore, we reinforced our focus on climate, with the launch of our new Net Zero Carbon Emissions theme. This theme focusses on four industries that are among the biggest contributors of worldwide carbon emissions: oil & gas, utilities, cement, and steel. Lastly, we introduced our Responsible Executive Remuneration program that aims to improve alignment between executives, investors and societal stakeholders in Europe and the US.

Besides our direct engagement, Robeco also joined forces with other investors to file several shareholder proposals in the past proxy season. Additionally, Robeco is taking initial steps in extending its engagement program to sovereign entities. Robeco had a successful first engagement with Brazil earlier in the year. This quarter Robeco, together with 35 other investors, wrote a letter to the Indonesian government to express concern over the risk of deforestation that might stem from proposed deregulation of environmental protections.
After a unique year in which the world has shown immense resilience, we believe active ownership will be as important as ever in a sustainable recovery.

Carola van Lamoen
Head of Sustainable Investing

Net Zero Carbon Emissions

In order to achieve carbon neutrality by 2050, total carbon emissions need to fall by around 45% from 2010 levels by 2030, according to the World Energy Outlook report published by the International Energy Agency. The Intergovernmental Panel on Climate Change (IPCC) confirms this outlook, saying that once this 45% reduction has been achieved, the world must then continue to reduce emissions to achieve net zero carbon by 2050.

Sylvia van Waveren

This clear statement from leading scientists has triggered an increase in societal commitments and actions. Several governments and countries have introduced pledges to achieve net-zero carbon emissions by 2050 or 2060. Companies have also acted accordingly; we have witnessed a flurry of significant climate announcements by European companies this year. However, according to research by the Transition Pathway Initiative, which assesses global publicly listed companies on their carbon performance, so far just a few major companies have aligned their emissions pathway with the Paris Agreement goals of limiting global warming to 2°C or lower.

While it is encouraging to see that an increasing number of business leaders are committing to a low-carbon future and setting targets to achieve net-zero by the mid-century, more action is needed. As investors in high-emitting companies, engagement is a robust and critical tool to ensure that companies, key industries and the global economy are on a transition pathway that is aligned with the need to limit global warming to 1.5°C. In light of this ambition, in Q4 2020 we began our 'Net-Zero Carbon Emissions' engagement program that will run for three years.

A smooth decarbonization journey

The aim of the engagement program is to encourage companies to begin a smooth decarbonization journey and thereby ensure their long-term license to operate. Following the introduction of the new Net Zero Company Benchmark by Climate Action 100+, we have identified eight engagement objectives. We will seek to better understand how companies view the transition, and what their main challenges are.

At the same time, we will inform them of our expectation to have strategies in place to decarbonize their businesses

and the products they sell. Lastly, we will call on them to make science-based commitments to climate action, ensure a just transition, and improve their disclosure on emissions-related topics, including their cost-benefit analyses of making the transition to net-zero.

We will focus on 13 companies in four key industries that account for a significant share of global carbon emissions at either end of the spectrum. On the one hand, we will focus on the energy producers, i.e. oil and gas, and utilities. On the other hand, we will focus on the high energy consuming industries such as cement and steel. We believe that focusing on both the energy producers and consumers is essential for the transition.

Relevance to investors

The relevance of our engagement program hinges on the systemic risks climate change poses to the global economy and financial system. These companies face significant transition risks encompassing legal issues, advancing technology and market changes. Companies also face physical risks from extreme weather events such as hurricanes and floods, and the longer-term issue of a rising sea level. This may cause damage to assets, or bring cost increases due to supply chain disruptions.

Besides these risks, there are also opportunities for companies. Companies can spur growth by pursuing efforts to mitigate or adapt to climate change, using the consequences of the transition for their advantage. This includes exploiting opportunities for resource efficiency and costs savings, switching to lower-emission energy sources,, seeking product and service developments, and pursuing new lower-carbon markets.

Contributions to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) are an ambitious set of 17 goals, with 169 underlying targets that aim to create a more sustainable future, with a target to achieve them by 2030. Through our dialogues, we seek to contribute to the SDGs by urging companies to make progress on SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure) and SDG 13 (climate action). We also aim to partly contribute to SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production) by protecting labor rights through a just transition.

More action is needed in the form of engagement

The net-zero transition needs to be catalysed, especially within the hard-to-abate industries such as cement and steel. The main drivers are forecasted to be electrification, efficiency gains and behavioral changes. So, to encourage further responsible behavior by the companies we invest in, we are continuously stepping up our engagement activities. This is in the long-term interest of not only these companies, but also of our clients and society as a whole.

Responsible Executive Remuneration

After an initial delay, the EU's amendment to the Shareholder Rights Directive (SRD II) passed into Dutch law on 1 December 2019. The directive aims to promote long-term shareholder value creation and increase the accountability of listed companies to shareholders. All European members states must incorporate this legislation to further harmonize shareholder rights and duties across the union.

Michiel van Esch

The legislation contains several technical requirements for various participants and seems to largely increase reporting obligations across the investment chain. Yet, several parts of this legislation are also likely to change the behavior of investors and corporates. We are already starting to see some of the effects of one specific item of the legislation: the thorny issue of executive remuneration. During the 2020 AGM season in the Netherlands, a record number of remuneration policies were voted down by investors. One reason for this is that under the Shareholder Rights Directive, all listed companies must have their remuneration policies approved every four years, and the Netherlands requires a 75% pass rate. This means that companies which had not previously asked for shareholder approval on remuneration now have to do so.

In many cases, these companies did not get the shareholder support rates they were expecting. Investor expectations on executive remuneration in Europe are changing, and the work for remuneration committees is becoming far more complex than just a question of aligning executive pay with performance.

What makes executive remuneration a hot topic?

For the public, executive remuneration is often a topic of social justice. Even though this is also considered an issue by some investors, the question of remuneration is much broader. Executives are paid from company funds, and so a balance needs to be struck between keeping remuneration costs under control, but also paying a competitive package to attract and keep talent. Most companies try to set their pay level for executives at an ever-increasing market median, which means "average pay" tends to get higher every year.

Still, most investors are interested in how executives are paid. In their seminal paper, 'The theory of the firm' (1976), academics Michael Jensen and William Meckling investigated the nature of 'agency problems', and specifically on how to align the interests of managements with those of investors. As a resolution to managements focusing too much on increasing the company's sales instead of shareholder returns, they argued that incentives should be targeted differently. In their view, investors should be looking at how management is rewarded to set the right incentives. The pay for performance debate has been an annual feature ever since.

After the financial crisis, many critics argued that management remuneration programs were too focused on risk taking, rewarding strong financial results while poor performance was insufficiently reflected. Many banks that were selling unnecessary payment protection schemes were found to have incentive structures that were too geared towards achieving KPIs for high sales.

In the meantime, the design of popular remuneration plans has changed and now includes many different pay components. Some argue that these plans have become overly complex and that the multitude of components blurs the relation between pay and performance. One of the reasons for the introduction of stronger shareholder rights on remuneration within SRD II is to address this complexity.

Financial and non-financial performance indicators; Pay for Purpose

Traditionally, variable executive pay is associated with financial KPIs. This means that it is determined by whether they achieve one or more key performance indicators. Executives then receive cash, company shares or stock options if they meet a specific target for revenue, profits or shareholder returns.

In recent years, companies have also started to introduce non-financial metrics, on the basis that in order to run a company effectively, one also needs to look into issues of safety, employee engagement and operations. The common criteria for including these metrics was that they added to the bottom line in one way or another, but this is now changing. On August 19, 2019, a group of American CEOs led by JP Morgan's Jamie Dimon seemingly revitalized US corporate governance by explaining that a corporation has a broader purpose than just creating returns for shareholders.

A stakeholder approach to corporate governance was already commonplace in many countries in Europe, but listed companies are now increasingly aware of the externalities of the impact of their goods and services. Two paramount examples are climate change and the Sustainable Development Goals. Many companies are attempting to measure their contributions towards achieving these goals, and a few are now starting to include their impact in their remuneration policies.

Now that we are here, what's next?

In the second half of 2020, Robeco's Active Ownership team conducted a research project into the current state of remuneration practices. Based on the changes in Europe, and the momentum for engagement on remuneration in the US, we will engage with a set of our portfolio companies to further improve their remuneration practices. The principles for the engagement project allow us to set clearer expectations for remuneration committees than just voting for or against a proposal or director at the AGM. The focus of our project will be:

- To solve for the agency problem and align the interests of management with those of investors, without creating perverse incentives that encourage excessive risk taking or too much focus on the short term
- Include incentives that align with our investment thesis
- Introduce ESG criteria that are relevant and measurable and can be tracked by investors
- Ask for explanation on the height of total pay in the context of the organization's pay structure, its financial position, and the size of the company
- Clear reporting on the conditions of the remuneration plan and reporting of progress on performance.

Case Study

Engaging on remuneration is not a new topic for the Active Ownership team. Conversations with remuneration committees are common, particularly through our voting activities. In the UK, where there is a long-standing tradition of exercising voting rights on remuneration, we note how seriously remuneration committees take these shareholder consultations. One example is Royal Mail, a company for which a salary increases in 2018 initially triggered a shareholder revolt. But it then led to a consultation process in which financial metrics were better focused on the current strategy, and pension provisions were better aligned with those of the workforce. Simultaneously, the number of KPIs pertaining to sustainability were reduced in order to improve focus on the most relevant ESG aspects for a mail delivery service, led by health and safety, and the quality of service.

Culture and Risk Governance in the Banking Sector

The global financial crisis of 2007-2009 laid bare the severe consequences of excessive risk taking in the banking industry. Since then, banks and regulators have worked towards addressing the governance failures and curbing corporate culture that enabled it.

Cristina Cedillo & Michiel van Esch

Over the past three years, Robeco has engaged with nine banks with the purpose of gaining a better understanding of their risk profiles. It entailed a thorough analysis of the most material governance issues of the banking system. This engagement has focused on culture, incentives and risk governance in banks. While our dialogue has provided insights into the internal controls in place and their governance, getting a grasp of their implementation and level of effectiveness remains challenging.

Moreover, recent developments such as money laundering incidents in several banks and the 2020 investigation on 2,500 leaked documents by the US Financial Crimes Enforcement Network (the FinCEN files) have revealed prevalent weaknesses in risk management systems. The FinCEN files are confidential reports submitted by banks to inform FinCEN about suspicious behavior, but they are not proof of wrongdoing or crime. In this article, we share the key insights we have gained in our engagement so far and share our rationale for extending our dialogue for one more year.

Boards oversee corporate culture, but is their oversight meaningful?

Boards play an important role in overseeing the setting of banks' risk appetite and the implementation of risk management systems. Conduct and operational risks are part of this exercise, and boards are increasingly paying attention to corporate culture.

Most of the banks in our engagement program have allocated the responsibility of overseeing corporate culture to the board of directors or a board committee, so that management sets the 'tone from the top'. What this means in practice varies from bank to bank, but the most common activities conducted by the board include assessing the outcomes of annual employee surveys,

regularly reviewing the whistleblower mechanism, and overseeing implementation the code of conduct. The outcomes of these assessments are largely undisclosed by most banks.

Moreover, a small minority of banks has defined and disclosed the metrics used to assess and monitor corporate culture. These are mostly related to customer feedback, satisfaction scores and employee survey results, particularly the level of staff comfort with reporting unethical practices. Based on our dialogues so far, it appears that these assessments are conducted in isolation from other metrics that could help identify excessive risk-taking practices across business operations. For example, riskier lending practices could be reflected by higher approval rates, lower borrower quality, and high loan growth and loan losses.

While these are all important metrics for the management of credit risk, they do not appear to be considered in the assessment of risks related to conduct and compliance with internal controls. As a result, we believe that the identification of meaningful metrics to assess and monitor corporate and risk culture remains a significant challenge for the industry.

Incentivizing prudent behavior is easier said than done

In our engagement, we have assessed both executive and sales staff incentive plans. We expect banks to design compensation plans that do not incentivize excessive risk taking. For top management, this includes using key performance indicators that include risk-weighted metrics and that do not set unrealistic targets.

It also requires company stock awards to align with longer holding horizons, and for a period following the executive's retirement. Additionally, we expect compensation plans to include policies on forfeiture and claw-back provisions that prevent executives involved in misconduct incidents from receiving past or outstanding incentive awards. We found that about half of our peer group have adopted these practices.

Sales staff incentives have proven much harder to assess due to a lack of transparency and the apparent absence of a common set of metrics across the organization. One bank in the peer group has eliminated sales targets, while another has scrapped variable pay altogether. Two other banks have set a limit to the weight that financially related metrics have in the overall incentive plan in recent years. Most banks now use a scorecard approach with a set of metrics that balance incentives and do not overly focus on a single KPI.

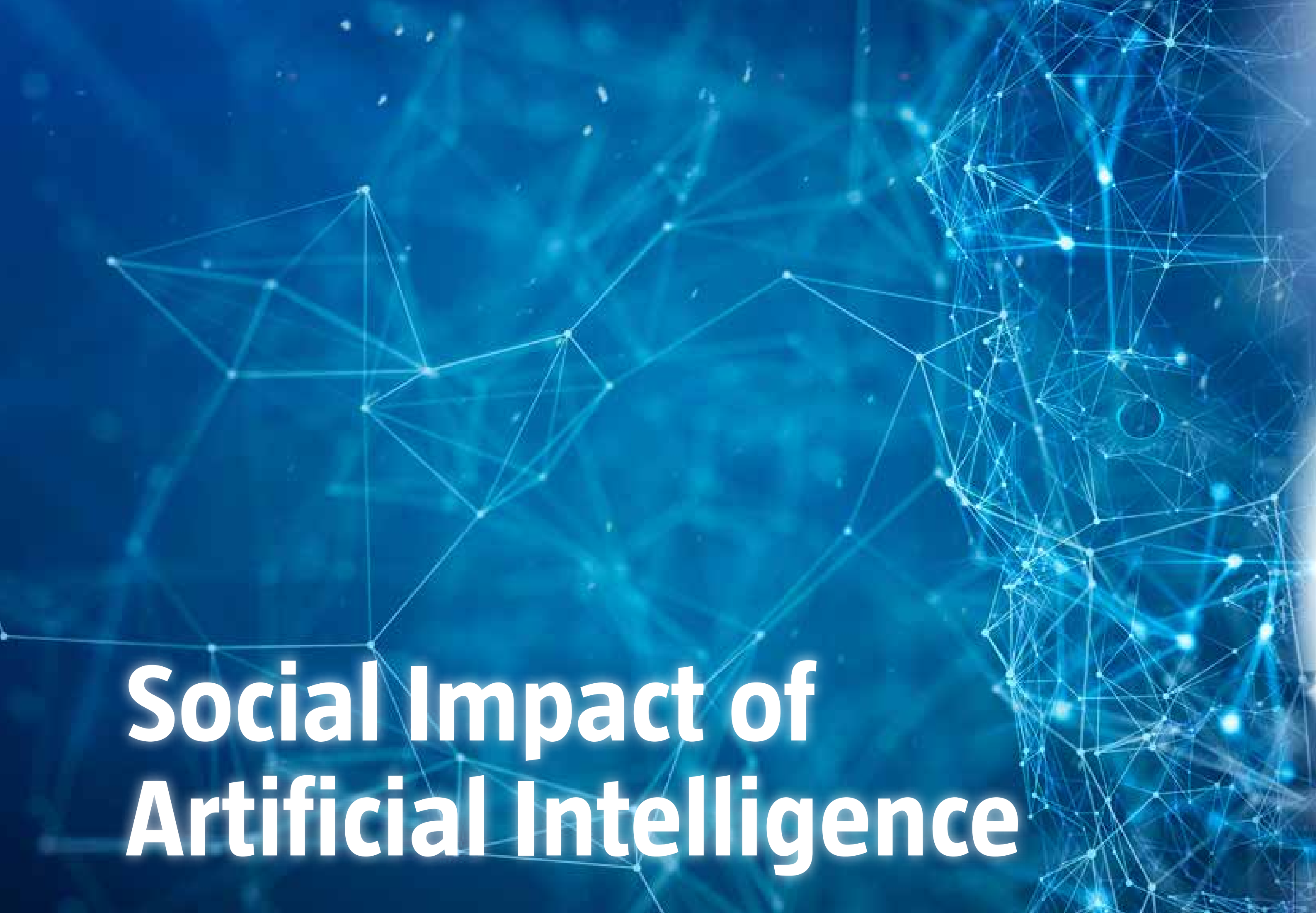
Some of these banks saw employees resigning following the adoption of these changes to the incentive plans. The one bank that eliminated the variable pay component altogether expressed experiencing challenges in attracting and retaining talent.

Five of the nine banks have incorporated non-financial metrics related to compliance, conduct and customer satisfaction. These metrics are usually assessed by the manager and therefore are subject to their own judgment. Only one bank confirmed that incidents of misconduct have a direct impact on staff pay – but even then, the application of this rule appears to be discretionary in practice.

This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning

The last three years have given us a sense of making progress with the banks in our program on risk culture, incentives, and regulation. Yet, many of them are still going through a transformation. Regulation is getting stricter on preventing money laundering and many banks are still reshaping their risk approach. In most cases a three-year timeframe is too short to follow an entire improvement program. As a matter of fact, many banks mention that there is no natural end to their improvement program on compliance, risk management and corporate governance.

As we recognize the enormity of the changes that some organizations need to go through, we will extend the engagement program for one year. Our expectation is that none of the banks will completely finalize their improvement programs. However, we will have a better understanding of how banks have prioritized their risk management programs, transaction monitoring, and compliance with the anti-money laundering directive when they come out of the disruptive Covid-19 crisis. We will continue to report our findings until the end of 2021.



Social Impact of Artificial Intelligence

The benefits of artificial intelligence (AI) are promising and include increased efficiency, scale and the speed of decision-making. AI can also have applications for social good. However, this potential comes with a set of challenges. Various social issues have already surfaced showing that AI's ethical development and deployment cannot be guaranteed unless these concerns are appropriately addressed by users.

Daniëlle Essink

At the end of 2019, Robeco's Active Ownership team started to engage with companies on these issues, with the aim of promoting best practices in the evolution and use of AI systems. Over the course of 2020, we have reached out to all, and spoken to the majority, of companies in our engagement peer group. We are now taking stock of developments in this first year of dialogue. In our initial conversations, some companies challenged the relevance of the issue, or would not take accountability for it. That stance already seems to be changing somewhat for some companies.

Facial recognition moratorium in the US

Some of the companies in our engagement peer group are involved in the development and sale of facial recognition technology. We found that most of these companies recognize the issues of potential misuse by customers, and have different approaches on what action should be taken towards resolving that issue. In our conversations, we often hear that regulation should set clearer expectations around the use of such technology.

One of our key engagement asks for these companies is to have in place 'acceptable use' policies to ensure that their products are used in a responsible way by their clients. In June 2020, following protests in the US over racism and biased policing, major US developers of facial recognition technologies announced a (one-year) moratorium on selling it to the police until the government passes federal legislation to regulate it.

Law enforcement agencies use facial recognition technology to identify suspects and missing children. The systems work by trying to match facial pattern data extracted from photos or video with those in databases such as driver license records. The link with racial bias is illuminated in research that shows that facial recognition systems

are much less accurate in their ability to identify black people, leading to misidentifications and false arrests.

Other concerns raised by civil liberty groups include using the technology to identify protesters attending demonstrations, thereby infringing on the right to free speech. The moratorium might create additional urgency for regulation in this area. It certainly forces developers of this software to take a stance on the issue.

Content moderation in the spotlight

Social media platforms use content moderation algorithms and human review teams to monitor user-generated submissions on their platforms based on a pre-determined set of rules and guidelines. Because of the Covid-19 pandemic, content moderators across the world needed to work from home during lockdowns. Content moderation work requires strong psychological resilience. Content that needs to be reviewed is often not suitable for working from home with family members in the room, which meant that companies had to scale down on the amount of content that could be checked.

At the same time, some types of objectionable content such as (child) abuse material was more frequently posted during the lockdowns. Artificial Intelligence was used more intensely during that period and therefore provided a positive application of AI. However, some types of content such as hate speech remain difficult to moderate through this technology.

The relevance and materiality of content moderation became clear from the #StopHateForProfit campaign highlighting the profitability of harmful speech and disinformation on Facebook. The campaign resulted in more than 1,000 advertisers – including major players like Target, Unilever and Verizon – boycotting Facebook advertisements in July 2020. The focus on content moderation continued in the run up to the US elections, with stricter guidelines and procedures in place at all social media companies.

Additionally, the Sustainability Accounting Standards Board (SASB) started a standard-setting project called Content Governance in the Internet Media & Services Industry. The project will cover issues such as the removal of illegal or objectionable user-generated content, a review of third-party adverts or products, and concerns regarding the mental health of content reviewers. It will feed into general sustainability categories including customer welfare, product safety and employee health & safety for the industry.

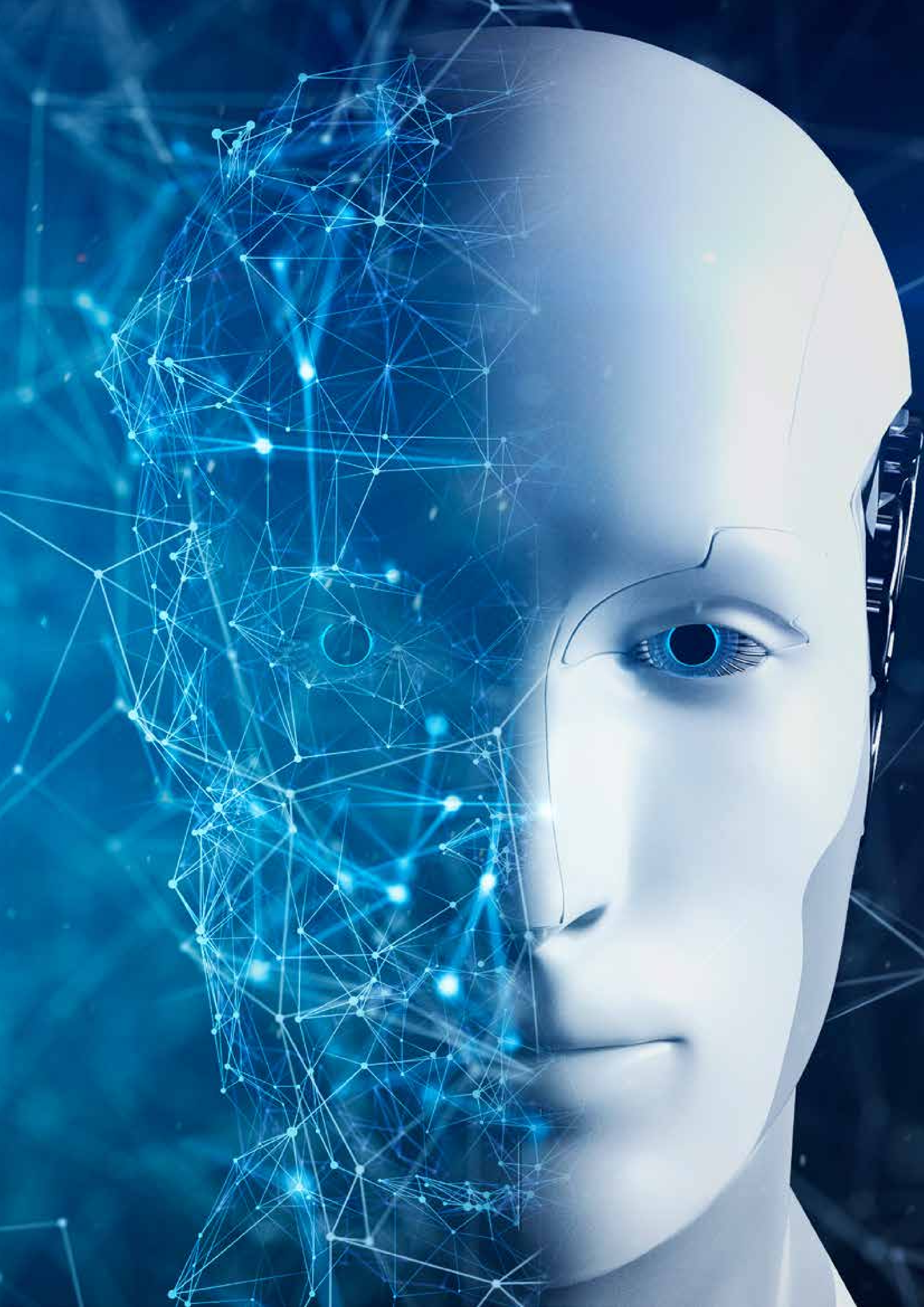
Outlook for 2021

A recent report by the Ranking Digital Rights (RDR) project – a key resource for investors – warns that 2021 will likely see increasing global threats to digital privacy, security and freedom of expression and information. RDR expects that the materiality of digital rights-related risks will only grow as geopolitical and regulatory pressures mount. We agree with this outlook and indeed note more support for regulation both in the US and the EU. The European Commission, for example, recently launched a consultation process for a new Digital Services Act, aimed at protecting users' rights and bolstering competition.

We will continue to engage with the companies in our peer group on accountability when developing or using AI. This includes the need for strong board-level oversight and due diligence to identify and mitigate social impacts. In the first quarter of 2021, an updated RDR ranking will be published with a specific focus on the digital human rights impacts of algorithms and advert-targeting technologies. This will be an important tool for the second year of our engagement under this theme.

Case Study

The 2020 voting season showed an increasing number of shareholder proposals focused on digital human rights. Robeco co-led the filing of a shareholder proposal at Alphabet's AGM asking for a Human Rights Risk Oversight committee to be established, comprised of independent directors with relevant experience. Some 16% of shareholders voted in favor of our resolution, which is a substantial part of the non-controlling shareholder votes.
In the first week of November, Alphabet announced an update of its Audit Committee Charter, which now includes the review of major risk exposures around sustainability and civil and human rights. This is in line with our request to formalize board oversight, and is a first step towards getting this in place on specific sustainability related issues, such as human rights.



Biodiversity

Our world is highly dependent on biodiversity as it is necessary for many components of life, such as the provision of food and medicines. Around EUR 36 trillion of economic value generated each year is moderately or highly dependent on nature, accounting for 50% of global GDP.

Laura Bosch

Yet, global biodiversity is at tipping point. We are facing the sixth mass extinction and could witness up to one million species being wiped out by the end of the century. In 2020, we initiated an engagement program focused on the impact on deforestation on biodiversity, linked to five high-risk soft commodities. Biological diversity is the infrastructure which supports all life on Earth, underpinning the stock of natural capital and allowing societies and ecosystems to thrive. It encompasses life in all its forms, from microscopic genes to entire ecosystems. The interactions played by these different parts have ensured that the Earth has been habitable for millions of years.

However, biodiversity is declining faster than at any other time in human history. Land use change, the overexploitation of resources, ocean acidification and pollution are key drivers of biodiversity loss. Global warming is further accelerating the extinction of species and leading to rapid changes in ecosystems. This in turn is drastically limiting natural carbon sequestration by ecosystems, which is further worsening climate change. The result is a negative feedback loop which governments, companies and regulators have extensively overlooked in past decades.

Financial materiality

Biodiversity loss presents risks and opportunities to companies and investors. It can have a direct impact upon business operations, as raw materials are no longer available in terms of the quality and quantity needed for production. The price of commodities might subsequently rise, which can have consequences for companies' bottom lines and threaten future cash flows.

Businesses will need to develop strategies to address their dependencies on biodiversity in order to maintain their license to operate and secure their supply chains. Companies can suffer substantial losses due to loss of market access, financial damages

or increased taxes stemming from their negative impact on biodiversity. Investors can play a crucial role in mitigating biodiversity loss by better understanding how it impacts companies across different sectors, and by engaging with their investee companies on the issue.

Engagement focused on soft commodity-driven deforestation

Land use change is one of the major contributors to biodiversity loss, and much of this is driven by crop production. More than one-third of the world's land surface and nearly 75% of freshwater resources are now devoted to crop or livestock production.

Our three-year engagement program focuses on biodiversity loss driven by deforestation caused by production of five high-risk soft commodities: cocoa, natural rubber, soy, beef, and tropical timber and pulp. These commodities collectively account for more than half of tropical deforestation-related greenhouse gas emissions. Our engagement dialogue covers companies whose production processes rely heavily on these commodities, encompassing different sectors such as consumer staples, consumer discretionary, healthcare and materials.

Zero deforestation and full traceability

The engagement program has been framed around five key engagement objectives. The first is committing to a zero-deforestation policy and monitoring suppliers' compliance. Companies should put forward robust time-bound commitments to eradicate deforestation across their own operations and supply chains, and must be able to monitor the performance of their suppliers. Having an adequate level of traceability of commodities sourced across their supply chain is crucial to meet this goal. This is one of the key challenges, especially for those with a larger level of intermediaries in the supply chain – beef, natural rubber and cocoa.

Biodiversity impact assessment

All soft commodities within the scope of our engagement program are produced in highly biodiverse, carbon-rich ecosystems. Thus, our second engagement objective focuses on companies' efforts to carry out a biodiversity impact assessment of their own operations and supply chains. This would allow them to account for biodiversity-related externalities and incorporate them in their decision-making processes.
Our third engagement objective focuses on encouraging companies to get involved in restoration and conservation projects at a landscape level. including in and around protected areas. For those soft commodities that can be recycled such as natural rubber, we encourage companies to embrace circular economy principles in their production processes to reduce usage of this crop.

Reporting and social commitments

Companies should provide clear reporting on their efforts around the relevant topics across our engagement objectives, such as commodity traceability, progress around achieving zero-deforestation commitments, and adherence to certification schemes. Providing a meaningful level of transparency around these topics constitutes the fourth engagement objective in our program.

Finally, our fifth objective focuses on the livelihoods of the communities where these commodities are being produced. By ensuring that farmers can earn a living from selling their produce, there is a lower incentive for them to expand their croplands or ranches to increase their production volumes, further converting and deforesting land. Companies should encourage farmers to adopt sustainable agricultural practices, such as agroforestry or multi-crop plantations, to diversify their income sources.

Throughout our three-year engagement program, we aim to encourage companies whose business models are closely dependent on natural capital to measure their biodiversity footprint and commit to minimizing their negative impact. Both companies and investors play a crucial role in helping to reverse nature loss in the next decade. There is no time to waste when it comes to protecting nature and reversing the degradation of ecosystems.

Lifecycle Management of Mining
Newcrest Mining
Rio Tinto
BHP Billiton
Anglo American
Fortescue Metals Group Ltd.
Grupo Mexico SAB de CV
Polymetal International Plc

Net-Zero Carbon Emissions
BP
ArcelorMittal
CRH Plc
ExxonMobil
Gazprom OAO
Neste Oil Oyj
POSCO
PTT Public

Reducing Global Waste
China Everbright International Ltd.
Taiwan Semiconductor Manufacturing Co. Ltd.
Xylem, Inc.
Parker Hannifin Corp.

Climate Action
BASF
Chevron
Hitachi Ltd.
Royal Dutch Shell

ESG Challenges in the Auto Industry
Bayerische Motoren Werke
Toyota Motor
Daimler

Sound Environmental Management
Jardine Matheson Holdings Ltd.
Royal Ahold Delhaize N.V.
Danone
McDonalds
Mondelez International
Nestlé
Tesco Plc
BHP Billiton
Origin Energy Ltd.

Climate Change and Well-Being in the Office Real Estate Sector
Great Portland Estates Plc

Biodiversity
Compagnie Generale des Etablissements Michelin SCA
Mondelez International

Single Use Plastics
Henkel AG & Co. KGaA
Nestlé
PepsiCo, Inc.
Procter & Gamble Co.
Danone

Food Security
Bayer
CNH Industrial NV
Deere & Co.

Living Wage in the Garment Industry
The Home Depot
Adidas
NIKE
Burberry Group
Inditex

Social Impact of Artificial Intelligence
Alphabet, Inc.
Amazon.com, Inc.
Adobe Systems, Inc.
Microsoft
Apple
Facebook, Inc.
Booking Holdings, Inc.
Visa, Inc.
Accenture Plc

Digital Innovation in Healthcare
Abbott Laboratories
CVS Caremark Corp.
Fresenius SE
Philips
Roche
Quintiles IMS Holdings, Inc.
HCA Holdings, Inc.
UnitedHealth Group
Anthem, Inc.
Eli Lilly & Co.

Social Risks of Sugar
Coca-Cola
Danone
Kellogg Co.
Nestlé
PepsiCo, Inc.

Sound Social Management

Henkel AG & Co. KGaA
Bayer
InterContinental Hotels Group Plc
Glencore Plc
Procter & Gamble Co.
Thermo Fisher Scientific, Inc.
Aon Plc

Corporate Governance in Emerging Markets

Anhui Conch Cement Co. Ltd.
Hyundai Motor

Corporate Governance Standards in Asia

Hyundai Motor
Samsung Electronics
China Mobile Ltd.
Hynix Semiconductor, Inc.
OMRON Corp.
SK Holdings Co. Ltd.
INPEX Corp.

Good Governance

DSM
Heineken Holding
Royal Dutch Shell
Petroleo Brasileiro
Samsung Electronics
Sun Hung Kai Properties Ltd.
Hon Hai Precision Industry Co. Ltd.
Persimmon Plc
Royal Mail plc
Schneider Electric SA
Sumitomo Mitsui Financial Group, Inc.
SoftBank Corp.

Responsible Executive Remuneration

Henkel AG & Co. KGaA
Linde Plc
NIKE
Schneider Electric SA
Tesco Plc
Walt Disney

Culture and Risk Governance in the Banking Sector

HSBC
ING Groep NV
Barclays Plc
JPMorgan Chase & Co., Inc.
Citigroup, Inc.
Bank of America Corp.
BNP Paribas SA

Cybersecurity

PayPal Holdings, Inc.
Reckitt Benckiser Group Plc
Booking Holdings, Inc.
Visa, Inc.
Deutsche Telekom
Vodafone
Fidelity National Information Services, Inc.

Palm Oil

Wilmar International
Genting Bhd.

Global Controversy Engagement

During the quarter, 3 companies were engaged based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out two different types of corporate engagement with the companies in which we invest; value engagement and enhanced engagement. In both types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum.

More information is available at:
https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

The UN Global Compact

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level
2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at:
https://www.unglobalcompact.org/

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.
More information can be found at:
http://mneguidelines.oecd.org/

International codes of conduct

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

- International Corporate Governance Network (ICGN) Global Governance Principles
- United Nations Global Compact
- United Nations Sustainable Development Goals
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Robeco's Voting Policy

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this include Eumedion; a platform for institutional investors in the field of corporate governance, and the Climate Action 100+ initiative, a collaboration in the field of climate engagement with high emitters, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities.

About Robeco

Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

More information can be found at: https://www.robeco.com

Important information

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