ROBECO
The Investment Engineers

Active Ownership Report Q3-2020

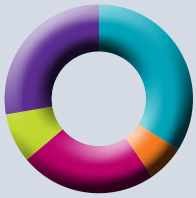
ROBECO | 01.07.2020 - 30.09.2020

BORDER TO COAST PENSIONS PARTNERSHIP

Sustainable Investing Expertise by ROBECOSAM

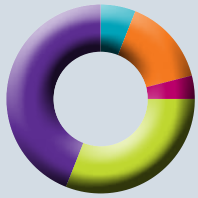
Engagement activities by region

North America	34%
Europe	6%
Pacific	23%
Emerging Markets	9%
United Kingdom	28%



Shareholder meetings voted by region

North America	6%
Europe	15%
Pacific	4%
Emerging Markets	31%
United Kingdom	44%



Voting overview

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

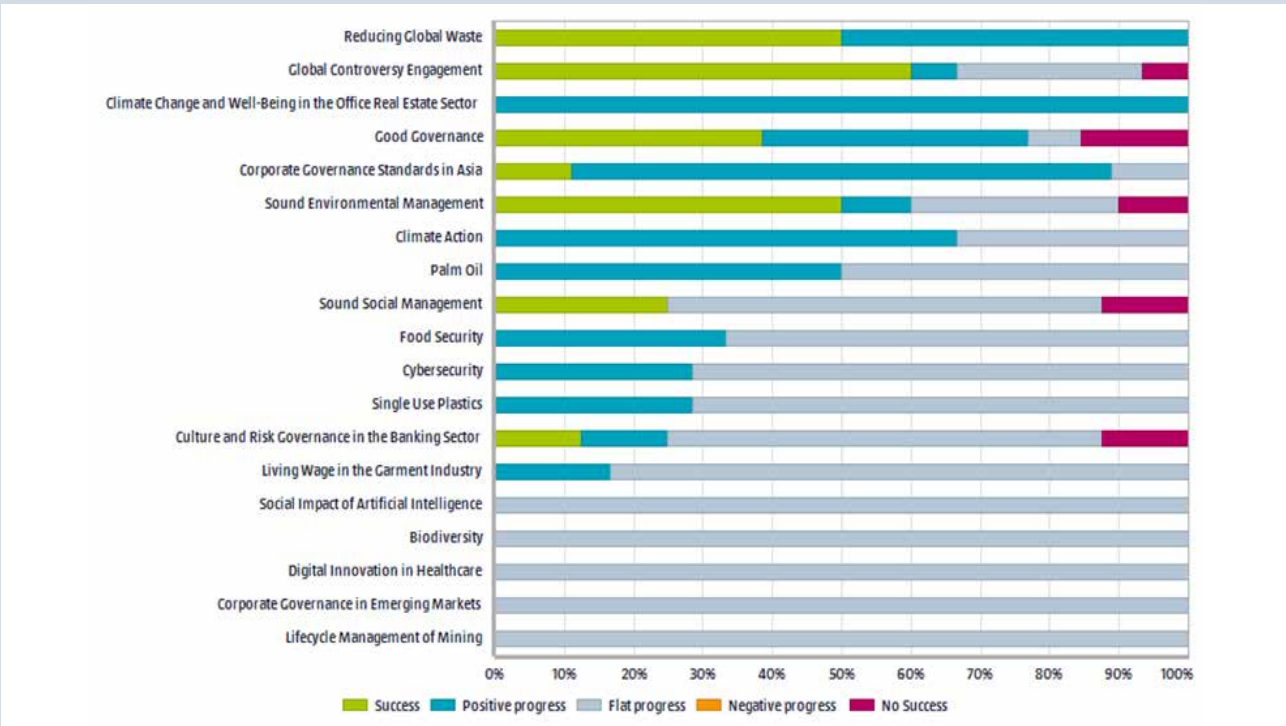
Number of engagement overview by topic

Environmental Management	15
Environmental Impact	2
Human Rights	9
Healthy Living	5
Social Management	2
Corporate Governance	10
Global Controversy	4

Number of engagement by contact type

Analysis (no actual contact with company)	3
(Open) Letter	9
Meeting at company offices	0
E-mail	23
Active voting	0
Shareholder resolution	0
Conference call	47
Speaking at a shareholder meeting	0
Meeting at Robeco offices	0
Speaking at conferences	0
Issue press release	0

Engagement results per theme



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Introduction

With the summer season behind us, we reflect on the progress made by Robeco's Active Ownership team and begin to plan our next steps. An important part of this process is the annual assessment by the UN Principles for Responsible Investment (UN PRI) and we are pleased to announce that Robeco has again been awarded the highest possible scores with an A+ for all modules in our 2020 PRI Assessment. We see our consistently outstanding scores as a credible recognition of our leading approach to SI, and as a reflection of our continued focus on sustainability and innovation.

Throughout the past quarter there have been several developments around our engagement programs. We have officially launched our new engagement theme on improving corporate governance in emerging markets, which aims to facilitate tailor-made corporate governance improvements in China, Korea, and Brazil. We continuously look for innovative ways to effectively engage on material issues, which was demonstrated by our active participation in a joint investor meeting with the vice president of Brazil to discuss the preservation of the country's tropical forests.

Carola van Lamoen
Head of Active Ownership

ESG Challenges in the Auto Industry

Cristina Cedillo

In 2017, Robeco's Active Ownership team started an engagement program in the automotive industry. The industry is facing new pressures as well as huge opportunities.

Rising recall costs following multiple safety failings over the past decade raise questions about the industry's efforts in ensuring the highest product quality. At the same time, carmakers have had to answer fundamental questions related to their future product offerings. This specifically relates to how quickly they are able to shift from the internal combustion engine to alternative powertrains such as electric vehicles, as climate concerns call for zero-emission fleets.

With the shift towards zero-emissions mobility, the automotive industry can play a role in making a positive contribution towards the Sustainable Development Goals (SDGs), in particular to SDG 11: Sustainable cities and communities. Electric vehicles and sustainable transport systems can create environmental and social benefits that can contribute to the SDGs.

As investors, it is important to understand how car manufacturers are dealing with these challenges, how they will address the huge risks, and how they plan to profit from the opportunities that will arise from the transition to automated, connected, electric and shared vehicles. In 2020, we are concluding our dialogue with nine focus companies. We observed significant progress throughout our engagement, leading to the successful closure of 66% of the engagement cases. In this article, we reflect on the key results and takeaways of our engagement.

Zero-emission transport: a treacherous road towards a clear goal

The International Energy Agency's 2019 World Energy Outlook highlights in its Sustainable Development Scenario that in order to limit temperature increases to well below 2°C, global emissions need to decrease rapidly to 17% below 2010 levels by 2030, before achieving carbon neutrality in 2070. However, the current plans and ambitions announced by policy makers imply

that global emissions will continue rising until 2040. Recent policy announcements signal an increasing appetite for setting higher climate ambitions. At the UN Climate Action Summit held in New York in September 2019, a group of 65 countries and the EU joined an alliance to achieve net zero emissions by 2050.

These developments point towards the same aspiration – the transition to zero-emission transport. The passenger vehicle segment must be overhauled if the world is to achieve the goals of the Paris Agreement. The transition poses significant risks to auto manufacturers if untimely strategic decisions are implemented. But it also brings opportunities, with the potential for financial outperformance for those that shift their fleet towards electric mobility at the right time.

When we launched our engagement, the idea of achieving zero-emission transport was not being seriously considered by any major car manufacturer. Yet, three years later, there is broad industry acknowledgement of this ambition. Policies setting ambitious fleet emissions targets, particularly in the EU and China, have been a critical driving force of change in the industry. More recently, the rise of successful battery-electric vehicles by new industry entrants is challenging the status quo, while gaps in technological innovation among incumbents start to become visible.

As investors, we have been calling on car makers for leadership in the transition to zero-emission vehicles. This entails taking action to align their business strategy with a net-zero ambition by 2050 or earlier. Robeco engaged with carmakers on this topic both individually and collectively under the Climate Action 100+ initiative. We also played a proactive role in developing engagement priorities as the automotive industry sector coordinator for the Institutional Investor Group on Climate Change (IIGCC).

Throughout our dialogue, we have seen some automakers began to respond with significant long-term commitments that aim to achieve net-zero emissions by 2050. All companies under our engagement have set targets around emission reduction or electrification of their fleets. Examples include two companies in the peer group that have set ambitious commitments, one of which has been certified as being aligned with a 1.5 degrees scenario by the Science-based Target Initiative (SBTi). A third company has also set a mid-term (2030) emissions reduction target that has been certified by SBTi, and was considering setting a long-term target by the time we ended our engagement. Finally, a fourth company is in the process of merging with another car manufacturer in order to become better positioned to weather the industry's transition to automated, connected, electric mobility.

We are encouraged by the industry's acknowledgment of the need to decarbonize its products. However, we also acknowledge that this is a multi-decade transition, and what we are witnessing now is only the start of a long and uncertain road to zero-emission mobility.

Unpacking the black box of product quality

Product quality management is an essential part of the automotive industry. Even if investing in high-quality products may seem costly in the short term, it will prove to be highly cost efficient over the long run. In our engagement, we gained insights into the quality controls that carmakers have in place to identify potential defects in their vehicles, and thereby prevent recalls.

Even though each company has its own approach to product quality management, through our engagement we identified some features that were relevant in our assessment. These were governance and board oversight of product quality performance, linking product quality metrics into incentive schemes of management and staff, and supplier engagement. Moreover, recall data shows a growing trend of recall campaigns being caused by a failure of electrical components due to physical defects, operating software failure, software integration failure and software remedy failure. As vehicles become increasingly automated and connected, there is a need for the industry to adopt more sophisticated product quality management for these components. Based on our discussions and the disclosures available, we found five companies to have appropriate quality management practices in place.

Still, a lot of unknowns remain due to a lack of transparency. For most companies, it remains unclear how they measure and track product quality, and whether targets are being set. Assessing the product quality performance of car manufacturers is also very challenging because of a lack of disclosures about the annual recall costs from safety campaigns and the number of vehicles affected by them. We see significant room for improvement in companies' disclosures on this issue.

The start of a multi-decade industry transformation

We are now at the very early stages of what will be a long transition to zero-emissions transport. Many uncertainties lie ahead for the industry. But what is clear is that there will be new winners and losers, and we may be witnessing the end of the automotive industry as we know it. Carmakers now clearly recognize the need to progressively transform their product offerings into zero-emission vehicles. Meeting regulatory emissions requirements and maintaining product quality will remain important risks in the years to come. In order to retain investor confidence, carmakers will require timely strategic decisions and transparency on their planned course of action.

Case Study

The automotive sector is currently undergoing major change, driven by the megatrends of electric cars, self-driving vehicles and shared mobility. In this light, we engaged with companies on topics varying from product quality and performance, to product development, innovation and responsible lobbying. In the three years of our engagement, German carmaker BMW demonstrated both low annual safety recalls and defects and incorporated cross-functional targets and the integration of product quality metrics into staff incentives. The company has committed to compliance with the 2020 EU fleet emissions standards, but can make further progress through net-zero emissions commitments.

Stewardship in emerging markets

In 2020, Robeco started a new engagement project focused on emerging markets. Engagement in these markets can be challenging for investors based in the US or Europe, for a variety of reasons. Engagement might be less institutionalized or common, local governance provisions are different, and are likely to provide investors with less-effective tools with which to hold management to account.

Michiel van Esch & Ronnie Lim

Many companies are either state-controlled or are dominated by founder families who do not actively seek feedback from minority investors. Last but not least, cultural differences and language issues make effective communication challenging.

At the same time, companies in Asia and South America have investment potential, and many issues that investors face appear to stem from basic agency problems. Reporting requirements may be less demanding, giving investors fewer opportunities to build a conviction for their investment cases. Furthermore, the concept of dualism between corporate management and supervisory directors is often less embedded in business culture than in developed markets.

Difficult, but not impossible…

Yet, over the years we learned from experience that smart engagement can be effective in these markets. Investors need to be more agile and aware of local context for effective engagement in most non-Western regions. Frequent discussions with investor relations teams are unlikely to bring any changes if it is unclear that investor concerns are related to the board or management.
Our new engagement process is underpinned by a few ideas:

- Make use of the tools that the local market provides you
- Be practical and realistic about your chances of success
- Tap into local resources and avoid unnecessary misunderstandings
- Focus on issues where you can make a difference.

For our new project, we have chosen to engage with companies in three emerging markets: China, South Korea and Brazil. For each of these countries, we selected a handful of portfolio companies for engagement. In order to deal with more systemic issues in these markets, we decided to focus on specific policy engagements. For our

corporate and policy engagement, our work will focus on a selection of five issues, namely:

- The limited influence of minority shareholders
- Capital allocation practices
- Conflicts of interest in decision making
- Lack of independent oversight
- Poor disclosures for the international capital markets.

Engagement in China

Recent policy initiatives have demonstrated that China is seeking engagement with international investors on a wider range of issues which may not be usually considered part of corporate governance. For example, China's central bank is also participating in debates on global issues such as the environment and green finance. The Communist Party wants to reform China's state-owned enterprises (SOEs) in several ways, including improving supervision of capital management, and improving governance structures.

The priority on capital management means that the supervision administration's representatives should focus on improving the value of state investments in enterprises, while also delegating more decision-making autonomy to those enterprises, thereby giving more authority to the board of directors.

Our engagement will focus on issues where we believe we can make a difference, instead of selecting issues which would oppose structural factors. For example, we are initially focusing on improving corporate disclosure rather than addressing how the state sets SOE strategy. Our broad policy engagement includes conversations with regulators and listing exchanges in Hong Kong, Shenzhen and Shanghai. A significant driver for ESG regulation was President Xi Jinping's initiative to develop green finance in China. Disclosing environmental data has become mandatory for heavily polluting listed companies. While such disclosure is still regarded as a box-ticking exercise in China, Hong Kong was the first mover in this trend, after its Stock Exchange recommended companies disclose more ESG data as early as 2013.

The Asian Corporate Governance Association (ACGA) published a detailed report in 2018 which identifies the key issues and proposes solutions. 1 It recommended that Chinese companies should consider corporate governance and ESG issues not merely as compliance requirements, but as tools for enhancing corporate performance.

Investors in China view ESG as risk mitigation tools, but also as a means of enhancing the value of investments via active dialogue (engagement) with portfolio companies. The process of engagement can help investors differentiate between companies that take corporate governance seriously and those that do not, thereby enhancing the investment thesis.

Engagement in South Korea

South Korea is one of the lowest-ranked countries for its corporate governance in the Asia-Pacific region. This ranking is based on two studies: the CLSA brokerage's bottom-up corporate governance survey, and the ACGA survey referred to earlier.

Our South Korean engagement effort adopts the same approach that we use for China and Brazil, entailing a dialogue with regulators, exchanges and listed companies. Our policy focus areas for South Korea include improving minority investors' rights, the issuance of dual-class shares, and mergers and acquisitions.

South Korea has the world's smallest dividend payout ratios. Analysts from ACGA find that Korea's return on equity is depressed due to a record amount of cash that is not distributed. This is reinforced by the gap between operating cash flow and capital spending. This results in South Korean companies having one of the least efficient balance sheets in the world in a very undervalued market.

Over-capitalized companies together with weak oversight of management has led to corporate investments with questionable economic rationale. In order to foster a constructive dialogue with investors, we expect South

Korean companies to disclose more information about their financial strategy, investment decisions and forecasts.

Brazil, one step forwards, one step back.

Brazil has many unique governance issues that minority investors need to consider. Many companies are controlled through shareholder groups, the government, or families/ founders. This means that on many occasions, a majority investor can dictate decisions. In recent years, a widespread corruption scheme was uncovered called Lava Jato (named after a conversation at a car wash where the scheme was detected), implicating several Brazilian companies and government officials.

This context may seem daunting, yet there are also opportunities for improvement and some (fragile) changes have already been made. First of all, over recent years the Brazilian stock exchange has tried to improve governance practices for listed companies, or at least for its top listing segment (the Novo Mercado). Measures taken include requiring a single share class and a minimum of independent directors on the board.

Yet, in Brazil there are also opportunities for engagement. As majority shareholders control most of a company's board, minority investors often have the opportunity to nominate a member to the board. This is relatively common practice and is sometimes even welcomed by the board. A recent example is CCR, a Brazilian transport and infrastructure company which welcomed an investor-led nomination.

Climate change and well-being in the office real estate industry

Sylvia van Waveren

The management of climate change issues within companies is a recurring theme in our engagement programs. Because the real estate sector has a large share of the annual global emissions of carbon and other greenhouse gases (over 30%), we have been engaging with this sector for the past five years. Since 2017, we have focused our efforts on the office real estate industry.

Having green and healthy office buildings can bring about various economic benefits for real estate companies. The proactive management of a building with regards to its environmental performance and its carbon emissions can lead to lower energy costs. Additionally, it enables office owners to charge premium rents for environmentally friendly, healthy buildings, because tenants will benefit from having happier and healthier employees.

In 2020, we are concluding our dialogue with the companies in the office real estate industry. In this article, we reflect on the key results and takeaways of our engagement.

Companies show successful results

As investors, we value those companies that integrate sustainability into their business models to ensure the long-term value creation of the properties in their portfolios. For the real estate industry, we defined five engagement objectives to enhance policies and practices related to climate risks and employees' well-being, and transparency on these issues.

During our engagement, all companies have taken steps to improve their management of climate change issues. For example, one company undertook efforts to instill a net-zero carbon policy for its design construction modules. This means that new projects will decrease emissions by reducing the use of virgin materials and fossil fuels, and lowering the need for material replacements during the building life cycle. For existing projects, this means making buildings repurposable, and replacing energy derived from fossil fuels with renewables.

Furthermore, we saw that companies became more transparent about their sustainability activities, thereby earning and strengthening their license to operate. This encompasses issues such as proactive communication, the level and depth of sustainability reporting, and participation in green building certifications such as the Building Research Establishment Environmental Assessment Method (BREEAM) and Leadership in Energy and Environmental Design (LEED). We observed some other positive developments. Most companies increased their certifications for both the construction and operational use phases of office buildings. Some even started using energy efficiency benchmarking for energy ratings in their buildings.

We encouraged companies to strengthen the efficient measurement and reduction of their overall environmental impact, mostly by using an Environmental Management System (EMS). The EMS should cover energy consumption and carbon reduction metrics, and ideally be externally certified according to international standards. Most of our companies showed a fair increase in the floor area covered by energy consumption monitoring, something that we had strongly pushed for within the EMS objective.

We also called on companies to further reduce their energy consumption and carbon emissions. Under this objective, we focused on year-on-year absolute and relative emissions reductions across the last three years. All of our engaged companies are now committing themselves to companywide greenhouse gas reduction goals and are well on track to reach them. We are very much encouraged by these commitments.

Covid-19 became an even more important topic

The health and well-being of office workers was a prominent topic throughout our engagement. This became particularly important over the last months amid the Covid-19 crisis. We discussed to what extent this crisis is affecting their businesses and outlook for the future. We found that the pandemic's impact on this sector depended on the industry to which their tenants belonged.

For example, one of our companies is a US-based owner and developer of life science laboratory space. This will remain in high demand, especially given the current pandemic threats and other diseases faced by our modern and ageing society. Another company has a portfolio consisting mostly of offices, whose tenants are mostly based in the technology sector, one of the less impacted sectors during the current economic downturn.

However, another company holds a portfolio with 28% in retail exposure, with smaller retail units as tenants. This could well be the sector that is damaged most in the current economic downturn. The company is now in process of agreeing to three-month rent delays with some of its tenants. It is too soon to calculate the effects of this on the company's business, so we need to keep monitoring this.

Linking with the relevant SDGs

The office real estate industry can play a positive role in contributing towards the Sustainable Development Goals (SDGs), in particular to SDG 11: Sustainable cities and communities, and SDG 13: Climate action. All our peer companies are working on integrating these SDGs into their strategies.

One of the companies under engagement has explicitly aligned its sustainability objectives with the SDGs. For instance, with regards to SDG 13: Climate action, the company is committed to achieving carbon-neutral operations by year-end of 2020. It does this by reducing the energy consumption of its current properties and its entire development pipeline. The company will continue to take advantage of all onsite solar and battery installation opportunities. Finally, it will make the remainder of its energy consumption 100% renewably powered through an offsite energy power purchase agreement.

Closing the engagement theme with successful results

We are now in the closing stage of our three-year engagement and can report that all five objectives are progressing positively.

The research underpinning the successful closure comes from the Global Real Estate Sustainability Benchmark (GRESB). The GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate assets globally. By the end of 2020, we will use the GRESB annual assessment to come to a verdict on the companies' progress on our engagement objectives.

Food security and Covid-19

Laura Bosch

Covid-19 is set to lead to a global food emergency that could have long-term impacts on hundreds of millions of people around the world. Disruptions to domestic food supply chains, shocks affecting food production, and the loss of incomes are creating strong tensions and food security risks globally, especially in low- and middle-income countries.

According to a World Food Program (WFP) projection, the number of people facing acute food insecurity stands to double to 265 million in 2020 from 2019. This negative trend represents a remarkable setback to global efforts to reach Sustainable Development Goal (SDG) 2: Zero Hunger by 2030.

Many countries and organizations are mounting special efforts to keep agriculture safely running as an essential business. In these uncertain times, it remains important to keep markets well supplied with affordable and nutritious food, while allowing consumers to access and purchase food despite movement restrictions and income losses.

In our engagement, we focus on companies across different stages of the food value chain, operating in four relevant industries – agrochemicals, food processing and commodity trading, agricultural mechanization, and irrigation. During our engagement dialogues over the past six months, we noted that despite the priority given to preserving food supply amid the Covid-19 pandemic, these industries have faced divergent market circumstances, and their businesses have been impacted differently.

A divergent impact across industries

Agricultural machinery manufacturers experienced the largest drop in demand for their products in the first half of 2020. As the global economy headed into an economic downturn, farmers around the globe took a cautious approach to their short-term capital investments by postponing large investment decisions such as purchasing new machinery. Tractor producers tried to better manage their inventories by selling their outstanding stock and postponing production until new orders are placed by consumers.

At the other end of the spectrum,

agrochemical producers did not experience major disruptions from a demand perspective, which remained especially stable for those companies who service end-consumers in high-income countries with largely mechanized crop-gathering systems.

Fundamentally, all four pillars of food security have been affected by this current pandemic: food availability, access, utilization and stability. These dimensions respectively look at whether the food supply is adequate; if people can obtain the food they need; whether the intake of nutrients is sufficient to maintain health, and if people can access food at all times.

The most affected areas are access to food, even though impacts are also felt through disruptions to availability, shifts in consumer demand towards cheaper, less nutritious foods, and food price instability. To cope with the current crisis, it is of paramount importance to transform small -scale farming into highly productive and sustainable farming systems, taking into account the fact that in Asia and sub-Saharan Africa, 80% of the food supply comes from smallholders.

Delayed progress towards SDG 2: Zero hunger

Therefore, our engagement dialogue becomes more relevant as the world is failing to turn the tide in this negative trend towards achieving SDG 2: Zero hunger. Even though most companies under engagement recognize their prominent role in strengthening food security systems, only a few embed this responsibility into their core business strategy.

We expect companies to explore ways to formalize their responsibility to contribute to more resilient food supply systems through their products and services. This would allow companies to tackle a structural developmental issue such as food insecurity and hunger, while also tapping into business growth opportunities in low- and middle-income countries where these challenges are more prominent. This is primarily being driven by demographic growth trends and its subsequent effect on higher future food demand, alongside significant opportunities to enhance smallholder farmers' productivity levels.

One of the best practices we identified in our engagement work links to a business strategy that was redefined by one of the global leaders in precision irrigation solutions. This company has managed to shift its strategy from only servicing commercial farmers growing high-value crops in high-income countries, to also servicing smallholder farmers growing basic crops in middle- and low-income countries.

The key to success was to partner with local governments to roll out community-wide projects to reach the smallholder farmer consumer base and transition the business model to service this market. The company's drip irrigation technology helps farmers to double their yields with only half of the water. Systematic impact evaluations of these public-private partnerships were carried out: on top of the improvements around yields and usage of agricultural inputs (i.e. water, pesticides), the company identified an outstanding improvement in community capacity building as farmers moved from being smallholders to entrepreneurs. This represents a remarkable example of how companies operating in the food value chain can leverage their expertise to accelerate the SDGs agenda.

The Covid-19 pandemic has further exacerbated the vulnerabilities and failures of our food system, and the urgent need to build more resilient and inclusive food value chains. The state of food security and nutrition was already alarming before the outbreak, with over 820 million people living without sufficient food, and a further 2 billion people being overweight or obese.

Yet, this pandemic has exacerbated this existing nutrition crisis, and it could push a significant number of people into acute hunger in 2020. Companies operating across the food value chain play an important part in contributing to the delivery of SDG 2: Zero hunger, a role that has only become more important following the global pandemic. Our engagement work continues to create the sense of urgency for companies in our peer group to positively contribute to the SDG agenda amid these challenging times.

Voting Highlights

As dissatisfaction with executive remuneration continues to rise voting analyst Carolina Vergroesen gives an insight on the effects of Say-on-Pay votes. Although shareholder proposals are often seen as progressive on ESG issues, voting analyst Robert Dykstra highlights the niche of anti-social proposals that have the exact opposite goal.

Carolina Vergroesen & Robert Dykstra

The outcomes of Say-on-Pay Votes

The introduction of Say-on-Pay (SOP) regulation in 2002 was intended to improve the ability of shareholders to voice their discontent with companies' remuneration practices. It was thought to ensure that boards were held accountable for alignment between CEO pay and shareholder expectations related to remuneration. Nearly two decades after the first introduction in the United Kingdom various other countries have adopted their own versions of SOP. For example, the Netherlands (2004), Australia (2005) and the United States (2011) all followed suit. Although country specific regulations vary in the level of strictness related to the vote (advisory or binding) all different versions of SOP can be broadly defined as any shareholder vote regarding the approval of executive compensation or parts of it during a firm's annual general meetings. Since the introduction of SOP many observers and practitioners have endeavored to analyze the outcomes.

Research has identified three remuneration related improvements that occur following shareholder dissent of atleast ten percent on SOP. First, SOP can help lower excessive compensation levels. Specifically, firms have been found to lower annual bonusses, severance arrangements and salaries. Secondly, the structure of the compensation is changed to improve Pay Performance Sensitivity ensuring a tighter relation between a company's performance and the CEO's remuneration. This improvement of alignment can be seen by an increase of incentive-based pay relative to salary. Lastly, the introduction of SOP has helped to improve disclosure on company's remuneration practices. This is partially due to the legal requirement in certain markets but is also in part guided by shareholders demanding further disclosure to be able to better monitor pay practices. These findings of SOP leading to the remuneration improvements are robust. Researchers from the US Federal Reserve Board found that when

comparing an international sample of firms with and without SOP that CEO pay declines on average by 7%, and the Pay Performance Sensitivity of the compensation schemes increases on average by 5%.

Despite several studies finding that SOP can be an effective tool in monitoring executive pay there is no academic consensus on the effectiveness of SOP in all scenarios. Specifically, SOP is more likely to be effective in corporations with overall good corporate governance structures such as greater ownership dispersion and a higher percentage of independent directors. Additionally, several studies have highlighted that for SOP to lead to change in remuneration practices a certain level of dissent has to be reached. There are several factors, such as shareholder collaborations, proxy advisors, and the media that can help accrue this critical mass of dissent. As these actors continue to home in on the subject, we believe executive remuneration will continue to become better aligned with the creation of long-term shareholder value.

Anti-social shareholder proposals

Every year, shareholders vote on a handful of "antisocial" shareholder proposals. The most frequent proponents of these proposals are Burn More Coal, a special-interest group supportive of the coal industry, and the Free Enterprise Project, the conservative shareholder activist arm of the National Center for Public Policy Research (NCPPR). Generally, proponents of these proposals are critical of companies' progressive efforts with respect to environmental, social, and governance issues. As such, these proposals are generally aimed at curbing those efforts. At first glance, these proposals appear to be aimed at increasing disclosure and transparency – two aspects that typically garner widespread shareholder support. However, further investigation reveals that the proponent's intentions were much more subversive.

The Securities and Exchange Commission (SEC) in the US allows corporations to exclude any resolution from its proxy materials that is substantially similar to one it has already received. This regulation prevents shareholders from having to vote more than once on the same proposal and saves corporate resources from being spent on redundant shareholder concerns. However, proponents like the NCPPR utilize this rule to undermine shareholder proposals that would have been filed by ESG-minded shareholders. On several occasions during the 2020 US proxy voting season, sustainability-related shareholder proposals were rejected by the SEC for being too similar to their anti-social counterparts.

However, perhaps due to low shareholder support last year, these entities submitted significantly fewer proposals than they did in 2019—Burn More Coal and NCPRR together submitted 13 proposals to date, compared to 26 in 2019. Due to the broad range of issues addressed by shareholder proposals, they need to be assessed on a case-by-case basis. Nonetheless, shareholders proposals should not be used to undermine the material concerns raised by other shareholders.

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

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

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
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
Asics Corp.
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.

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.

Corporate Governance Standards in Asia
ROHM Co. Ltd.
Asics Corp.
Hyundai Motor
Samsung Electronics
China Mobile Ltd.
Hynix Semiconductor, Inc.
OMRON Corp.
SK Holdings Co. Ltd.

INPEX Corp.

Good Governance

DSM
Heineken Holding
Unilever
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
Gerdau SA
Sumitomo Mitsui Financial Group, Inc.

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, 14 companies were engaged based on potential breaches in the UN Global Compact.

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-engagement-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) statement on
- 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 reasonably designed 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 includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO2 emissions from companies, 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.

ROBECO
The Investment Engineers

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

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