ROBECO
The Investment Engineers

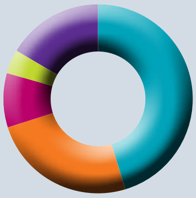
Active Ownership Report Q4-2019

BCCP | 01.10.2019 - 31.12.2019

BORDER TO COAST PENSIONS PARTNERSHIP

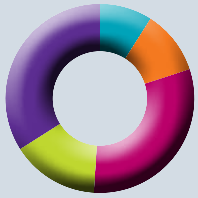
Engagement activities by region

North America	45%
Europe	25%
Pacific	9%
Emerging Markets	4%
United Kingdom	16%



Shareholder meetings voted by region

North America	9%
Europe	11%
Pacific	31%
Emerging Markets	15%
United Kingdom	34%



Voting overview

2019	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total number of meetings voted	122	525	101	98
Total number of agenda items voted	1.409	7.974	1241	888
% Meetings voted against management	77%	74%	66%	57%

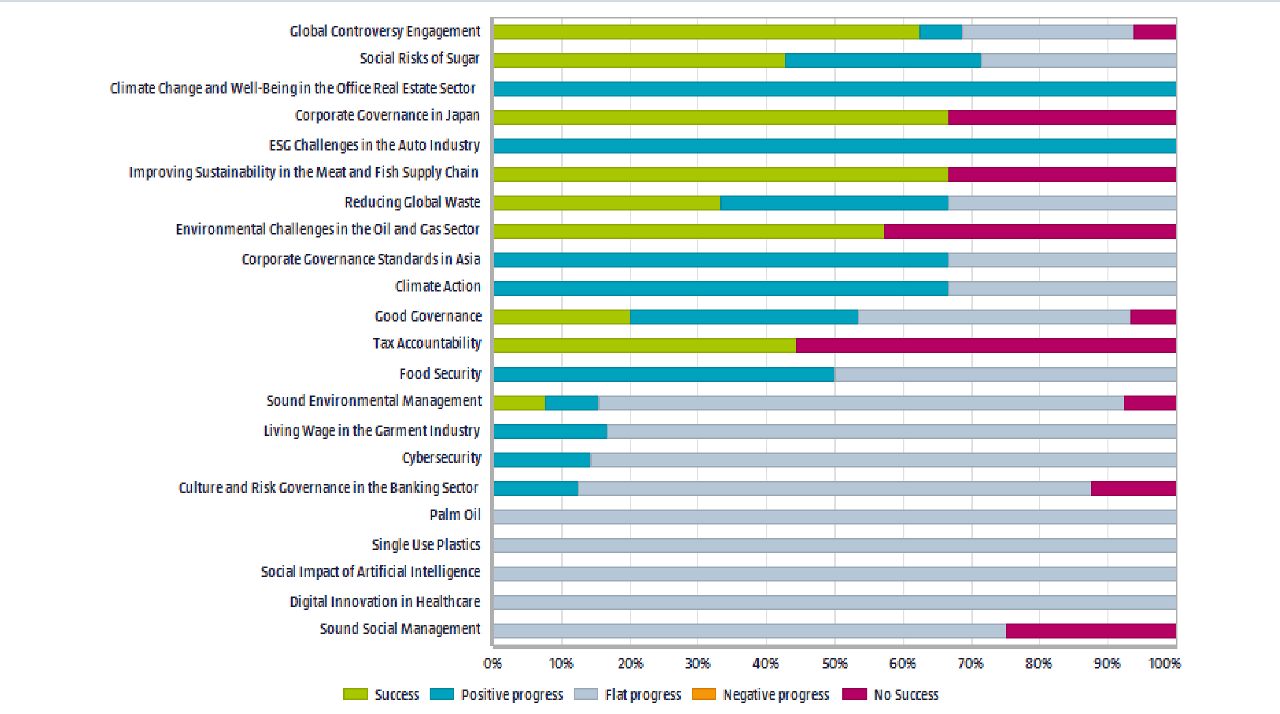
Engagement overview by topic

Environmental Management	20
Environmental Impact	5
Human Rights	17
Healthy Living	14
Social Management	3
Corporate Governance	32
Global Controversy	6

Engagement by contact type

Analysis (no actual contact with company)	24
(Open) Letter	39
Meeting at company offices	12
E-mail	53
Active voting	0
Shareholder resolution	1
Conference call	41
Speaking at a shareholder meeting	0
Meeting at Robeco offices	7
Speaking at conferences	0
Issue press release	0

Engagement results per theme



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Introduction

Over the course of 2019, we've been working hard to stay ahead of the curve with the active ownership services we provide to our clients, and the fourth quarter has been no different. We have launched new themes throughout the year and achieved some notable successes in our company engagements.

Tackling social issues has always been an integral part of our active ownership activities, and our new engagement themes on artificial intelligence and healthcare do just that. Although technological developments have led to drastic improvements throughout the world, they have also raised several societal concerns. Artificial intelligence is one such development which on the one hand has promising benefits, but on the other is prone to bias and could impede civil rights. Through our engagement we will encourage companies to responsibly manage these risks.

While health care has traditionally been an industry slow to adopt technology, it now appears to be embracing digital innovations at a growing rate. These innovations can help to control costs, improve quality, and increase patient-centric care. With these benefits in mind, we began an engagement program to contribute to the digitalization of health care.

On another note, we have partnered with Satelligence – a satellite imagery data company that monitors deforestation and other impacts of land use. These images will be incorporated into our engagement program on sustainable palm oil production. The imagery is collected real-time and allow us to monitor the effects of plantation owners, intermediaries, and other stakeholders throughout the palm oil supply-chain.

Lastly, our engagement theme focused on tax accountability came to an end during the fourth quarter. Over the last three years, we have seen several companies progress towards more transparent and robust taxation practices. Positive developments on this front have been supported by new OECD guidelines and collaborations with the UN Principles for Responsible Investment. With this report, we update you on these developments and more.

Carola van Lamoen
Head of Active Ownership

Voting Highlights

Robert Dykstra & Laura Bosch

The world of proxy voting has experienced a number of changes in recent months. Various trends in shareholders proposals have emphasized the importance of addressing environmental topics at annual meetings. On another note, regulatory developments in the US foreshadow difficulty for both proxy advisors and voters.

Codes of conduct

- ICGN Global Governance Principles

Corporate Governance: Proxy Voting

Our voting policy is based on the widely accepted principles of the International Corporate Governance Network (ICGN), which provide a broad framework for assessing company's corporate governance practices. We constantly monitor the consistency of our general voting policy with the ICGN principles, with laws and governance codes and systems as well as client specific voting policies. Our voting policy is formally reviewed at least once a year. We also take into account company specific circumstances and best practices when casting our votes.

Environmental Shareholder Resolutions Encompass Various Shades of Green

The risks associated with the energy transition and physical impacts of climate change have put the energy sector under greater scrutiny in recent years. As a result, oil majors and utilities companies have increasingly been targeted by shareholder activism calling upon them to properly address environmental issues linked to their operations. This activism most commonly takes the form of shareholder proposals submitted for a company's annual general meeting.

Growing concerns around the impact of climate change have also led to a shift in investors' voting approaches. For instance, increased collaboration amongst investors has led to a convergence of requests put forth to their issuers, starting from climate risks disclosure, to emission reduction targets, climate stress testing and climate risk governance. Similarly, the recommendations of the Task Force of Climate-related Financial Disclosures published in 2017 have become a reference point for engagement on climate issues and more broadly on ESG issues.

The increased pressure from investors using voting rights has also contributed to companies anticipating shareholders' concerns and addressing them through different channels outside proxy

statements, which has coincided with a rise in the direct engagement between investors and companies. This increasing level of companies' responsiveness has concurrently contributed to a decline in the overall level of shareholders proposals submitted. For example, the most recent proxy season in the US saw the lowest number of shareholder proposal submissions in the last five years, from a high of 549 in 2015 to 420 in 2019.

This trend is in part explained by the varying means for companies to address shareholder concerns. In 2018 US proxy season, 48% of filed environmental proposals were withdrawn, while only 37% of filed proposals went to a vote. Historically, these figures were reversed, as a greater proportion of proposal would go to a vote compared to proposals that were withdrawn. However, given that engagement between institutional shareholders and companies has increased, it is likely that the decline in proposals filings could be related to discussions and engagement outside of the proxy process.
In the end, environmental issues are increasingly scrutinized by shareholders and corresponding shareholder resolutions can expect a growing level of support, as investors encourage more companies to improve disclosures and practices on such issues.

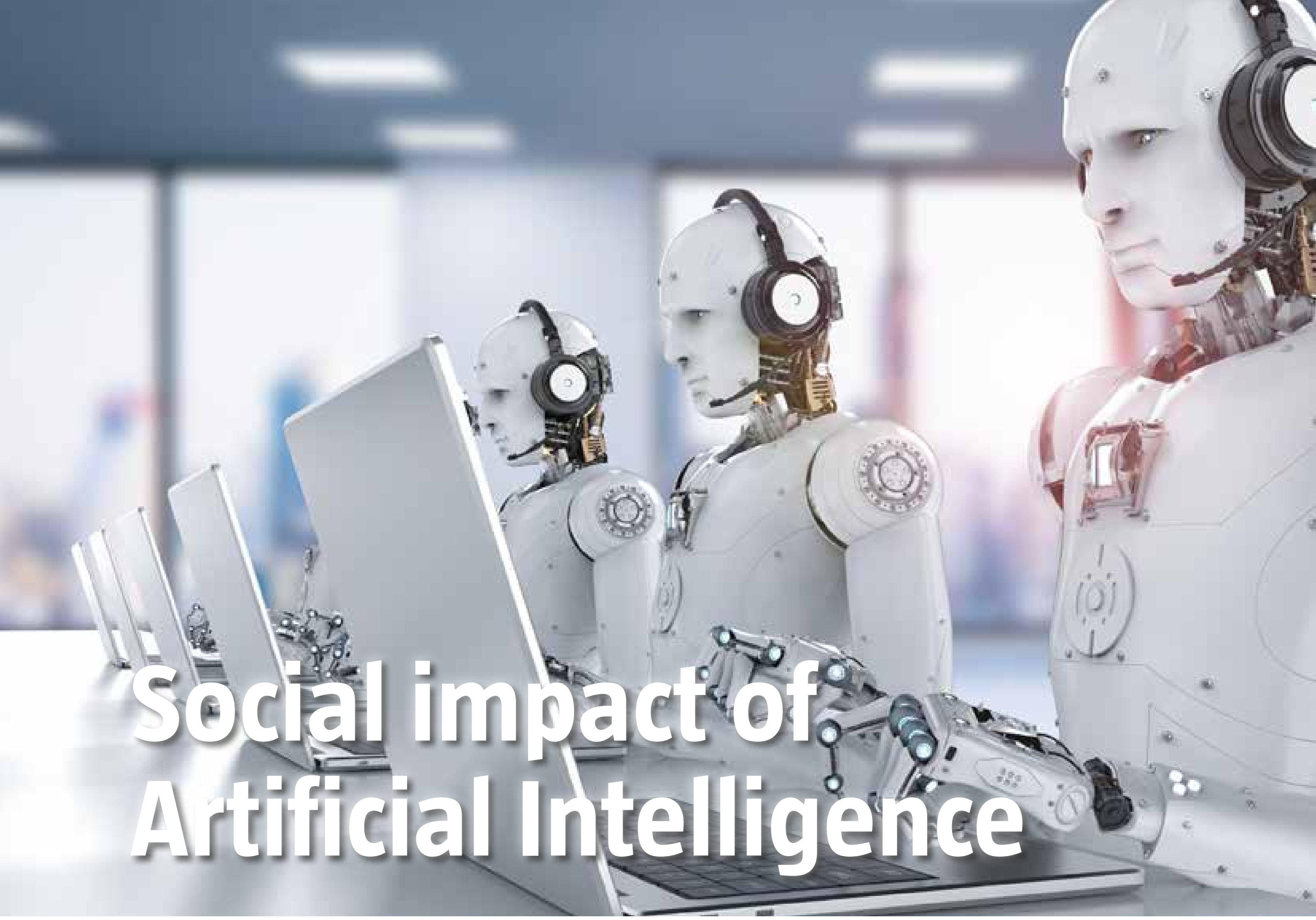
SEC Proposed Rules on Proxy Voting Advice and Shareholder Resolutions

On November 5th, 2019 the Securities Exchange Commission (SEC) proposed a set of changes to several rules related to filing shareholder resolutions and the service offered by proxy voting advisors. We believe that the changes proposed can severely hinder shareholders' rights and do not represent the long-term interest of minority shareholders. Shareholder resolutions serve as a useful tool to inform corporate management and boards of shareholder priorities and concerns. This has been a strong mechanism in the United States, creating accountability with management and facilitating engagement dialogue between investors and companies in the last decade, whilst enabling the achievement of considerable changes in corporate conduct. We recognize that shareholder proposals vary in their quality and merit, however have a strong preference that the judgement on these issues is left with the owners of the company, as opposed to making the filing process more difficult.

One of the amendments proposed by the SEC involves increasing the resubmission thresholds for shareholder resolutions from 3% to 5% in the first year of resubmission, 6%-15% in the second year, and 10%-25% in the third. This would put under strain novel topics that did not yet gain large traction among investors but tackle emerging issues that might impact the business over the long-run and therefore are relevant for both the company and its shareholders.

Another proposed rule change involves restricting the number of shares that can be aggregated to meet the applicable minimum ownership threshold to submit a shareholder proposal. Shareholders that file resolutions together with other investors are more likely to have tested the merits and implications of a resolution more carefully.

For many investors the use of proxy advisors is a practical starting point for their analysis when exercising their voting rights. The suggested regulatory change requiring proxy advisors to share draft reports with issuers before these are available to investors is averse to the interests of shareholders. This can jeopardize the objective advice of proxy voting advisors, given that companies are entitled to comment on the final vote recommendation. We believe that an independent third party or an appeals system is likely to have more merit related to the SEC's goal of enhancing the quality of interpretation. Moreover, shareholder meetings take place during a concentrated period in the year. Shortening the timeframes between the publication of voting advice and the shareholder meeting taking place will therefore reduce the time that shareholders spend analyzing the agenda and consulting with other relevant stakeholders prior to casting their votes. This means they are more likely to simply vote in line with proxy advisors. Therefore, we believe that the regulation will have the opposite effect of its intended effect.



Social impact of Artificial Intelligence

Danielle Essink

The benefits of Artificial Intelligence (AI) are promising and include increased efficiency, scale, and speed of decision-making. AI can also have applications for social good. More specifically, the development of AI has the potential to help solve complicated problems such as diagnosing diseases at an early stage, predicting natural disasters, or identifying victims of online sexual exploitation.

Codes of conduct
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- SDG 10: Reduced Inequalities

Human Rights: Privacy and Freedom of Expression
The first and second principles of the UN Global Compact provide a framework for companies to operate responsibly to prevent breaches of human rights. Human rights are basic standards aimed at securing dignity and equality for all. Systematic breaches of such human rights could have a negative effect on a company, its immediate surroundings, and other stakeholders. Article 12 of the Universal Declaration on Human Rights specifically draws on the right to privacy as one of the human rights which is described as "the protection against arbitrary, unreasonable or unlawful interference with a person's privacy, family, home or correspondence, as well as attacks on their honor or reputation". Additionally, Article 19 defines freedom of expression as "the right… to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers".

However, this potential comes with a set of challenges. Various social issues have already surfaced with the application of AI, which shows that its ethical development and deployment cannot be guaranteed if they are not appropriately addressed by its users. In 2019 Robeco's Active Ownership team started to engage with companies on these issues, with the aim of promoting best practices in the evolvement and usage of AI systems.

Somewhat promisingly, an increasing number of leading technology companies have recently set up ethical codes or principles for the design and implementation of AI systems. However, transparency around AI governance is low, and it is therefore difficult to assess whether strong oversight and accountability mechanisms are in place. This lack of transparency also extends to the implementation of human rights considerations in product design and development. For example, it is unclear whether companies perform due diligence on human rights to assess the unintended consequences of their technology and the resulting societal impact. A lack of proper oversight and accountability on the development and deployment of AI applications might have negative consequences for both society and the companies involved. Legislators are increasingly looking to reduce such effects. Therefore, we

believe that those companies that have solid processes to control these impacts are better positioned for the digital transformation.

Introduction to AI

AI includes machine learning, robotics, natural language processing and many other disciplines. AI is not a technology per se, but rather a collection of techniques that can simulate human behavior. The impression sometimes exists that AI is something that developed recently. In fact, the history of AI dates to the 1950s, when researchers first started considering the possibility of using machines to simulate human intelligence. The second phase of AI began in the 1980s when its commercial value started to be realized. In recent years, we have seen a breakthrough in AI research driven by three things. The first is the unprecedented availability of affordable computer power. Secondly, we have seen a rise in the volume and variety of data, and the speed of access to it. Thirdly, the emergence of new and advanced algorithms, such as machine learning and deep learning, means these systems can analyze data in a more intelligent way. Today, AI is used in a wide range of activities, fields and industries. Examples include self-driving cars, online content recommendation, facial recognition for passport control, and its use by credit card companies to detect fraud.

Social impact

AI systems are increasingly deployed in socially sensitive spaces such as education, employment, housing, credit, policing and criminal justice. Often, these systems are deployed without contextual knowledge or informed consent, and thus they threaten civil rights and liberties. The right to privacy is at risk when AI systems are used for surveillance. The right to health care is at risk when citizens are rejected for health insurance based on their health records. The right to freedom of expression is at risk, as citizens will be less willing to express opinions if they are constantly being watched.

Bias in the spotlight

The most commonly discussed issue of AI systems is that it is prone to bias. This may reflect and even reinforce existing prejudices and social inequalities. These biases could arise via the data used, but also the design or deployment of AI could encode bias. One of the most critical AI systems already being used is facial recognition technology. It is almost impossible to 'opt out' of its operation, putting the right to privacy at risk. What is especially critical is that these systems are being used in high-stakes domains such as airports, even with the knowledge that these systems are largely biased. A commonly used example is the case where the American Civil Liberties Union (ACLU) and the University of California tested a facial recognition tool by comparing the photos of sitting members in the United States Congress with a database containing 25,000 photos of people who had been arrested. The tool incorrectly identified 28 Congress members as people from the arrests database, with an error rate of almost 40% for non-white members compared to only 5% for white members. This shows that conclusions drawn based on these systems are prone to bias and could lead to accusing someone of something that he or she did not do and putting minorities at a particular risk.

Bias creates a negative impact on Sustainable Development Goal 10 ('Reduced inequalities') which aims to empower and promote the social, economic and political inclusion of all people, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status. The topic of bias is a key discussion point with the companies under engagement for this theme.

A comprehensive engagement approaches

In the fourth quarter of 2019, Robeco's Active Ownership team launched a three-year engagement project focusing on the risks associated with AI and its social impact. Its main aim is to safeguard human rights. The chief concern is that the technological development and application of AI is outpacing the development of principles (soft law, company and sector principles) and hard legislation needed to use the technology responsibly. We also address corporate governance issues, especially because most control frameworks are focused on standardization in processes and are not designed for AI. Our focus will go beyond technological knowledge and societal awareness on the board, as a different approach to governance and control will be needed to effectively manage AI.

We will focus our engagement on the Information and Communication (ICT) sector and will be engaging both companies that develop AI and those that use it in their core business models. The ICT sector has a vital role to play in respecting human rights and achieving the Sustainable Development Goals. This includes facilitating mobile banking and remote learning, and enabling greater citizen participation, freedom of expression, and the coordination of democratic movements through social media platforms.

We expect companies to know how and where AI is used in their business, to proactively assess potential impacts, and to actively monitor its risks and unintended consequences. Our engagement objectives focus on policy guidelines for AI, impact assessment of products and services, adequate board oversight, integrating human rights considerations into product development, responsible lobbying and stakeholder engagement.

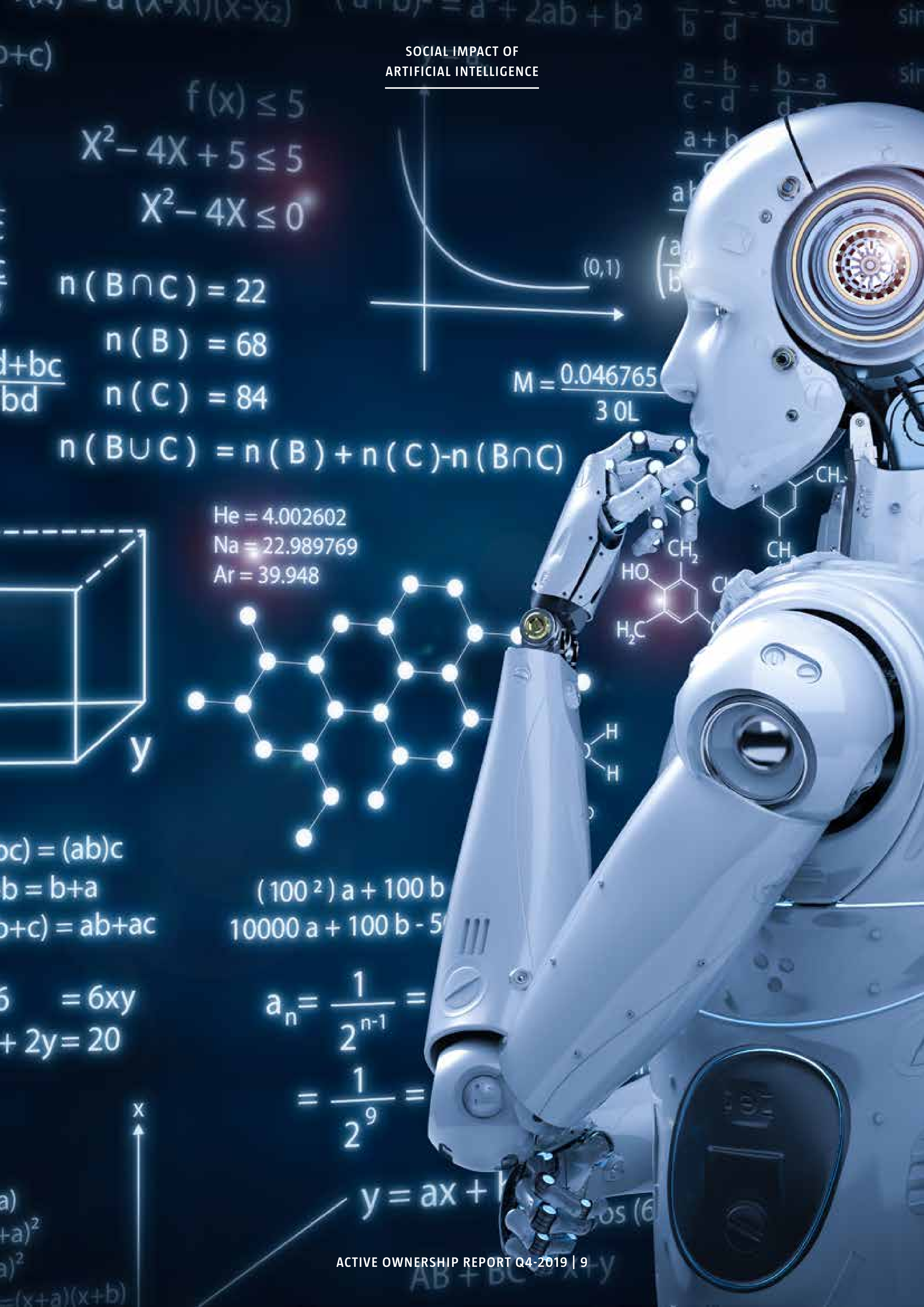
INVESTOR SPOTLIGHT

Michiel Plakman

AI is a burgeoning topic of interest for several business applications. AI can facilitate significant growth potential for our portfolio companies while simultaneously improving margin levels via operational efficiency and cost reductions. The sheer scale and effectiveness of AI can facilitate growth for tech companies, but also companies in different sectors that are largely data driven. Additionally, AI can be used for more predictive maintenance, the optimization of operation processes, better-informed business decisions, and automated material procurement for both tech and non-tech companies.

Yet at the same time, there are risks associated to AI, also from an investment perspective. As a variety of new tech applications are shown to have an impact on society, increased scrutiny and regulation can be expected from a legislative perspective. In recent years, the European Union has implemented the General Data Protection Regulation (GDPR), which set the stage for regulation that is based on the idea that people have a right to control data about themselves, and companies cannot store and use that data without an individual's consent. Major tech companies have also been summoned for Congressional hearings on misuse of AI to influence the political process. We expect a stronger regulatory stance from governments both in the US and in Europe.

It is still relatively unclear to what degree companies are well equipped to deal with elaborate regulation related to AI. And this is exactly where an important risk lies. The internet and applications of AI are built for scale and speed, and that has facilitated an enormous degree of data sharing and connectivity. It is, however, not easily contained and controlled. Therefore, the implementation of stricter regulation might pose serious risks for companies.


f(x) ≤ 5
X²– 4X + 5 ≤ 5
X²– 4X ≤ 0
n (B ∩ C) = 22
n (B) = 68
n (C) = 84
n (B ∪ C) = n (B) + n (C)-n (B∩C)
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He = 4.002602
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Digital innovation in health care

Anouk in 't Veld

Although significant progress has been made to improve the health of millions of people, there are still plenty of challenges to face before good health and well-being is the global standard. In many countries, health care expenditures have grown faster that the GDP, mainly as a result of the need to service growing and aging populations. There are also studies that indicate that a combination of siloed budgets and limited cross-collaborations have resulted in limited access to healthcare, while much of it remains of an unsatisfactory quality.

Codes of conduct

- UN Global Contact
- OECD Guidelines for Multinational Enterprises
- SDG 3: Good Health and Well-Being

Healthy Living: Product Safety

Trends such as the liberalization of global trade and the shifting demands of consumers towards more healthy, tasty and safe options, are changing the quantity oriented food production. Therefore, food safety issues may become non-tariff trade barriers that prevent national meat industries from getting access to international markets. There is increased consumption of food that is not or less processed than branded products. There are many opportunities for companies to respond to this trend. Certification (i.e. Organic and Fair Trade) and good animal husbandry might enable companies to enter a premium market segment and charge a premium price. These options are available for both processors, retailers and restaurants.

One of the solutions that shows great potential is the digitalization of health care. While health care has traditionally been an industry slow to adopt technology, it now appears to be embracing digital innovation at a growing rate. Digitalization can help the industry to both reduce costs and improve outcomes, which is critical given the current state of many countries' health care systems. Recent reforms indicate a shift from activity-based to outcome-based models, and digitalization can surely further enhance this trend.

Digital Innovation: risks and opportunities

Digitalization is not new, as many industries have already been transformed by digital solutions. When comparing industries, it becomes clear that digitalization in health care has been relatively slow. The full implementation and integration of digital solutions requires cooperation between many stakeholders, as well as the support of regulatory bodies. Many innovations deal with critical data, and ethical concerns must be addressed over its use, such as maintaining adequate privacy and countering bias in algorithms. In addition, providers and patients need to enhance their understanding of why and how tools are used, and they may need to alter their perspectives. Nonetheless, there are numerous opportunities, from promoting healthy behavior and drug personalization, to remote monitoring, holistic analysis and improved decision making. Digitalization cannot singlehandedly solve the health care challenges. However, it can help with controlling costs, improving quality, and guiding the sector towards more patient-centric care.

Engaging to decrease risk of political pressure on health care companies

The engagement will take place over a period of three years and focus on those digital innovations that can be adopted within this timeframe, starting from the end of 2019. Our research project has led to several focus areas that will be crucial to implement if digitalization is to reach its full potential. Within our engagement we will consider the following objectives:

1. Internal digital readiness
2. Sector collaboration
3. Innovation management
4. Sales and marketing innovation
5. Cybersecurity

The first topic will focus on a company's readiness to embrace digitalization. Secondly, we will look at sector collaboration, particularly on how the firm engages with other players to maximize its impact potential. Thirdly, we will look specifically at innovation management and how digitalization is aiding the research and development (R&D) process. With the fourth objective, we will look at how digitalization influences sales and marketing practice and helps to build more transparency. Lastly, we will look at how a company is managing cybersecurity risks that come with digitalization. Looking at all these objectives will help us understand a firm's overall readiness for digitalization, and answer the following questions:

- Does the company have a sound digital strategy that is integrated throughout the organization?
- Is the company working together with stakeholders to optimize benefits and mitigate risks coming from digitalization?
- How does the company use digitalization to both optimize its processes and in new product development?
- Is the company aware of cybersecurity risks, and doing everything in its power to mitigate those risks?

Companies under engagement

We will target companies in a variety of health care sub-sectors. These include pharmaceuticals and biotechnology companies in developed and emerging markets; medical equipment manufacturers and suppliers; life science tools and services providers, and healthcare providers. In our dialogue, we will work closely together with our investment teams and external collaborative groups.

Impact on Sustainable Development Goal 3

With our engagement, we aim to contribute to Sustainable Development Goal 3: Good health and well-being. A sub-target of this goal aims to "Achieve universal health coverage, including financial risk protection, access to quality essential health care services, and access to safe, effective, quality and affordable essential medicines and vaccines for all." We believe that our engagement can contribute to this, as digital innovation truly has the potential to improve access to quality and effective, affordable healthcare.

INVESTOR SPOTLIGHT

Vera Krückel

The Robeco Trends Investing Team sees the digitalization of the healthcare sector as one of the most attractive investment opportunities for the next decade. We invest in those companies which deliver better health at lower cost through digitalization or are the enablers of digital change. We see a very attractive and broad investment universe which we have put into three categories:

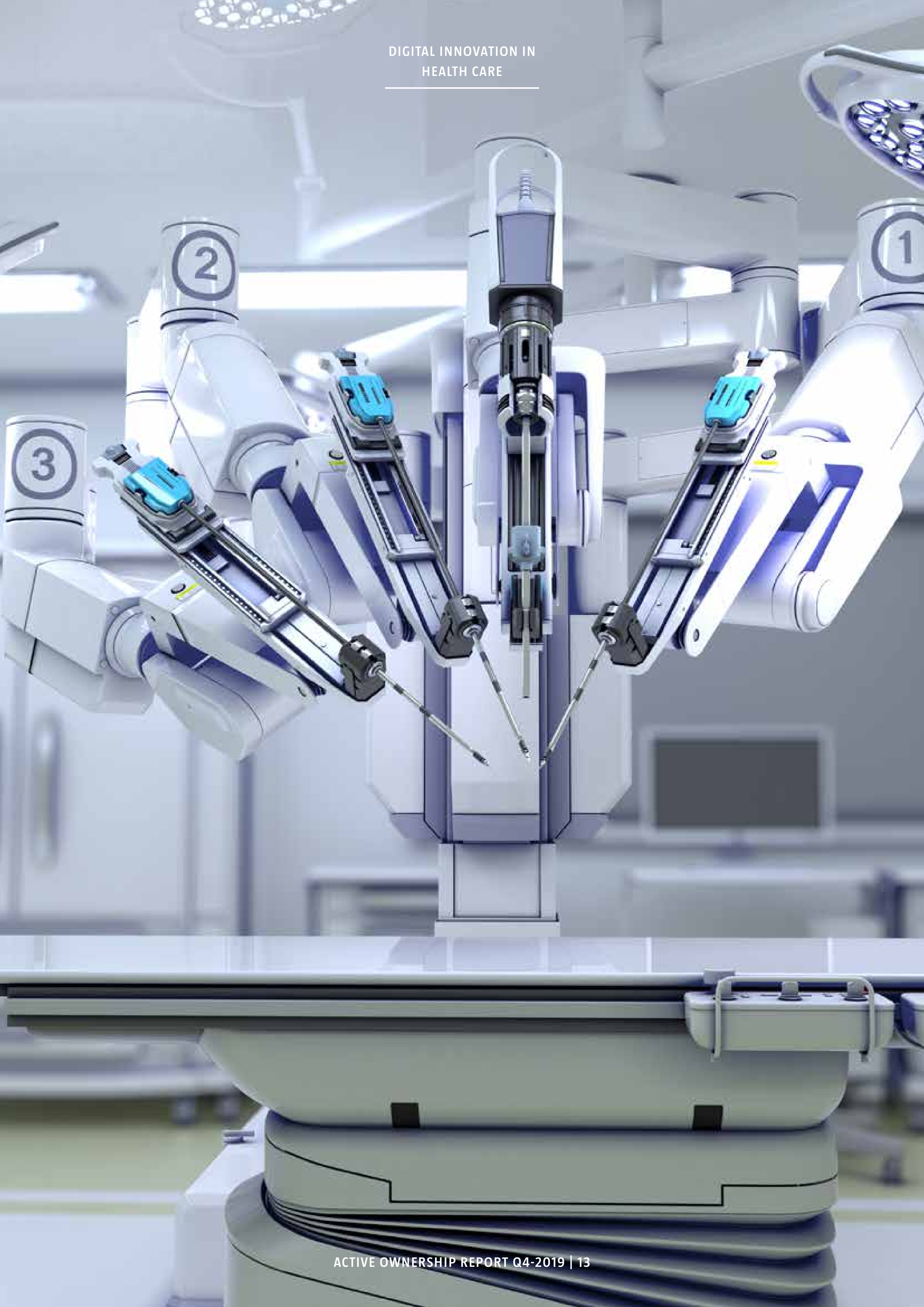
1) Efficiency providers reduce health care cost with digital tools. Examples are the automation of payment systems and reimbursement procedures, or the digitalization of the sales process.

2) Quantified self-tools which allow the industry to transition to continuous and cheaper care, as well as a greater focus on prevention. A good example is regular glucose monitoring for diabetes patients.

3) Disruptive technologies can completely change the way that health care is performed, such as genomics opening the door for personalized medicine.

In addition to those technology enablers, early adapters in the 'traditional' health care sector might benefit as well. For example, digital tools can make the clinical trials for pharmaceutical companies significantly more efficient and effective, which benefits those pharma companies who spend significant amounts on R&D. Similarly, hospitals can significantly decrease their administrative spending, which can account for up to 40% of their cost base. Again, early adopters will be able to provide better and cheaper care.

A word of caution is necessary though – health care is a slow-moving space and incredibly complex. Investors should not invest with traditional 'technology' horizons in mind but allow for longer timeframes. Technology alone is not enough to enable change in health care: other factors that must be considered as well are workflow integration, the buy-in of doctors, system dynamics and incentive structures, along with regulation.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Climate change and well-being in the office real estate industry

Sylvia van Waveren

The real estate sector is a major contributor to global warming, as it is responsible for more than 30% of the annual global emissions of carbon and other greenhouse gasses. To tackle this issue, we have focused our engagement in this sector on the Real Estate Investment Trusts (REITs) for office buildings since 2017.

Codes of conduct

- UN Global Compact principles 7-9
- Rio Declaration on Environment and Development
- SDG 11: Sustainable cities and communities
- SDG 13: Climate Action

Environmental Impact: Climate Change

Together with the limited availability of natural resources such as water, climate change is the biggest environmental issue affecting companies. Climate change currently affects both government policy and consumer behavior. Climate change increases the risk to companies and sectors but also offers opportunities. In order to address the risks arising from climate change, companies will have to develop strategies to manage the financial, operational and organizational impact. It is also important that companies set targets, measure performance and report progress. Opportunities will arise in new and existing markets, through process improvements and technological innovation from companies at the cutting edge.

The research underpinning this engagement program 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 around the world. In 2019, more than 1,000 property companies and real estate funds representing over USD 4.5 trillion in assets completed the GRESB Real Estate Assessment.

Relevance for investors

Having green and healthy office buildings can bring about various economic benefits for real estate companies. First, the proactive management of buildings' environmental performance through energy-efficient measures that reduce carbon emissions leads to lower energy costs. Second, they can charge premium rents for environmentally-friendly, healthy buildings because of these lower energy costs, and the increased productivity of happier and healthier employees. Third, it is also easier to market and lease out such buildings, as their occupancy rates are higher on average. Fourth, a climate change strategy reduces the risk related to the potential implementation of stricter environmental legislation by governments or local authorities.

We can report that all five engagement objectives are progressing positively. Furthermore, we have learned that the o health and well-being' objective has become an important topic, requiring separate attention.

Companies show progress under our five engagement objectives

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. With that in mind, we have defined the following five engagement objectives:

1. Climate change management. This objective evaluates the companies' initiatives and policies on this issue. This includes their response to the various risks and opportunities presented by climate change, and the integration of sustainability into their respective corporate strategies. It also covers the development of programs and targets aimed at increasing investments in green buildings, and in facilitating green renovations.

   All our companies under engagement have progressed quite well on reaching this objective. One company even undertook efforts to install a net zero carbon policy for its design construction modules. This means that new projects will reduce emissions as low as possible by cutting the use of virgin materials and energy derived from fossil fuels, while also reducing the need for materials replacement during the building life-cycle. For existing projects, this means making buildings reusable, and replacing fossil fuel energy with renewables.

2. License to operate. We believe that transparency is a good indication of the legitimacy of a company's business operations. As such, companies should be sufficiently transparent about their sustainability activities, thereby earning and strengthening their license to operate. This encompasses aspects such as proactive communication, the level and depth of sustainability reporting, and their participation in relevant initiatives and certifications such as BREEAM and Leadership in Energy and Environmental Design (LEED).

   During our engagement, we learned that most companies increased their building certifications for their offices, both at the time of construction and after it became operational. Some companies even started using energy efficiency benchmarking for energy ratings in their buildings. We regard these developments as very encouraging.

3. Environmental management systems. In order to provide a framework for the efficient measurement and reduction of their overall environmental impact, we believe that companies should have an environmental management system (EMS) in place. The EMS should cover energy consumption and carbon reduction metrics, and ideally be externally certified according to international standards.

   Most of the companies under engagement with showed a fair increase in the floor area covered by energy consumption monitoring. This is a major part of the EMS objective that we seek.

4. Reducing energy consumption and carbon emissions. Under this objective, we review and look for reductions in both areas in the companies' periodic disclosures. We focus on absolute and relative reductions year on year, and across the last three years.

   All our engaged companies are now committing themselves to company-wide greenhouse gas reduction goals and are well on track to reach these rather ambitious goals. We are very much encouraged by these commitments.

5. Health and well-being. It is increasingly recognized that office spaces can influence the health and well-being of employees. These issues are viewed as important

areas of opportunity for the real estate industry because they are a driver for workers' productivity. Furthermore, tenants increasingly expect these considerations to be adequately covered in the design process of offices and are often willing to pay a premium for healthy offices.

During our engagement, we learned that this topic became more and more important, and is reported in more detail below.

Health and well-being enter the spotlight

Companies are increasingly being reviewed on their efforts and initiatives to promote health and well-being for both employees and tenants. We strongly believe that a healthy building exemplifies a clean, productive atmosphere, and has a positive effect on its occupants as well as the environment. We can already report some good results of the companies under engagement.

One company improved the percentage of employees covered by health and safety checks and included mental health on these checks. Another company partnered with Fitwell, a leading healthy building certification system. It became a Fitwell champion, using this system to support healthy building design and operational practices across six million square feet of its portfolio.

Our next engagement steps

We will continue to engage with the companies in the last year of the engagement period. We will push a bit further on the steps that the companies need to take in relation to company-wide greenhouse gas reduction goals. We need to better understand how close they are to reaching their rather ambitious goals. We strongly feel that this engagement theme will come to a successful ending because these real estate companies are progressing very positively.


CLIMATE CHANGE AND WELL-BEING
IN THE OFFICE REAL ESTATE INDUSTRY

Food Security

Peter van der Werf

Two billion people, or 26.4% of the world's population, are currently facing moderate to severe levels of food insecurity, according to the latest estimates. These people do not have adequate access to food in terms of both quality and quantity. Most food-insecure countries tend to be concentrated in sub-Saharan Africa and South-East Asia, where 21% and 13% of their respective populations suffer from chronic undernourishment.

Codes of conduct
- UN Global Compact
- OECD Guidelines for Multinational Enterprises Chapters II, III, V, VII, VIII
- SDG 2: Zero hunger

Human Rights: Social Supply Chain Standards
Companies are increasingly being held accountable for poor labor conditions in their operations and that of their supply chains. This is the result of a number of different trends. The first of these is the transfer of production to low-wage countries, resulting in companies being faced with non-Western labor standards and conditions in their supply chain. Then there is a trend towards the more rapid and wider dissemination of information on the external effects of corporate activities. Furthermore, non-governmental organizations (NGOs) are playing an increasingly important role as social watchdogs and, finally, consumers are becoming more aware and more demanding in terms of corporate social responsibility. It is very important for companies, especially those that operate internationally and have well-known brand names, that generally accepted labor standards are followed throughout the supply chain.

By 2050, the global population will reach nearly 10 billion people, placing the world's food supply under considerable strain, and increasing the social impacts of food insecurity. Climate change, soil degradation and food loss are just a few of the factors that exacerbate the challenge of feeding tomorrow's population. Consequently, food security has become a priority for sustainable development, something that has been acknowledged in the Sustainable Development Goal (SDG) 2 of 'Zero Hunger'.

We began our engagement work with companies across the value chain for food production in December 2018, gauging how they promote food security through their products and operations. Our dialogue has been structured around four key fundamental objectives, covering the company's contribution to food security along with more general ESG disclosure and contributions to the SDGs.

The yield gap is largest in food-insecure regions

Food production in food-insecure regions relies mainly on smallholder farmers who have limited access to production equipment, especially mechanization. Productivity and yields remain low, which negatively impact food availability and accessibility in

these regions. Smallholder farmers will need to increase their food production by over 60% to meet growing demand, and the companies that produce agricultural machinery can expect to benefit from this. Companies under engagement acknowledge this market opportunity, yet few have implemented a robust strategic plan to expand their exposure to food-insecure markets, due to several structural challenges addressed in this article.

Agricultural machinery producers derive most of their revenues from selling to large-scale farmers in developed markets, specializing in the production of high-tech machines for use in precision agriculture. We expect companies to explore how they could adapt their products to meet the needs of smallholder farmers in food-insecure regions. Two of the companies in our engagement program produce tractors with a lower horsepower to deliberately tackle this market segment.

Are farmers getting the right price for their produce?

Another obstacle is the pricing of the smallholders' produce. Agricultural machinery requires a sizeable investment that takes a long time to recoup and reap a profit, which is not economically viable for small-scale farmers. Companies operating in food-insecure regions aim to provide financial assistance to ensure that these products remain accessible for their customers. Establishing a partnership with local banks to leverage their financial knowledge is a formula that proved successful for one of the companies under engagement. The most innovative program we have identified in our engagement work entails renting out small tractors and the necessary tools to farmers who can't afford them.

Smallholder farmers need to learn how to use machinery

Providing training to smallholder farmers on how to properly use and maintain agricultural machinery is crucial to ensuring that these products serve their purpose. Companies partner up with public and non-profit organizations to provide technical assistance on agronomic practices in food-insecure regions. This enables companies to test whether smallholder farmers in these regions can become a new customer base. We expect companies to identify critical success factors deriving from these public/private partnerships (PPP) by evaluating the impact of these programs and using this evidence to strengthen their exposure in potential markets.

Partnerships with NGOs are crucial to create impact

Companies requested our feedback on which organizations could become a reliable partner in this field. In order to address this request, we engaged with several NGOs operating in the food space to better understand what they do to contribute to food security, and how they collaborate with companies. During our discussions, we were able to identify different approaches to partnerships, ranging from direct contact between companies and farmers, to passive involvement through investments. We prepared a brochure with a summary of our engagement dialogues with these NGOs outlining the work and scope of these organizations. This will be shared with the companies under engagement to provide them with better guidance on how to establish successful PPP programs.

Corporate contribution is key to achieve SDG 2 'Zero Hunger'

In order to assess how companies, strengthen food security, we encouraged them to provide granular disclosures on their revenues from sub-Saharan Africa and South-East Asia. Although these market segments represent a single digit revenue figure for the companies in the program, they recognize that having presence in these regions is of strategic relevance for their organizations in the long run.

As agricultural markets in food-insecure regions remain underdeveloped, there is therefore significant scope for companies who can address the problems by supplying affordable machinery to create a new customer base. The next step is to quantify the impact of the agricultural machinery products on communities exposed to food insecurity and verify whether local food systems become more resilient as a result.

Tax Accountability

Michiel van Esch

Robeco started its engagement program on tax transparency about three years ago to get a better understanding of how this complex and often controversial issue affects investors. Our initial engagement framework was designed together with PwC, with whom we conducted our baseline research. Since then, the fiscal world has changed, and many of the transparency problems around taxation remain unchanged.

Codes of conduct
- OECD/ G20 Base Erosion and Profit Shifting (BEPS) Package
- The European Commission, Anti-Tax Avoidance Package (ATAP)
- OECD Guidelines for Multinational Enterprises Chapters II, III, IX, X
- SDG 16: Peace, Justice and Strong Institutions; SDG10: Reduce Inequality

Corporate Governance: Accountability & Transparency
A company's corporate governance structure specifies the rights and responsibilities of the various stakeholders such as the management, supervisory directors, shareholders and other stakeholders. An effective corporate governance system focuses on a company's long term business continuity and protects shareholders' interests. A well-functioning corporate governance system can contribute to long term shareholder value. International and national principles and codes provide guidelines for good corporate governance. Corporate governance covers a number of important issues. Relevant subjects are: remuneration policy, shareholder rights, transparency, effective supervision of management, independent audit and risk management.

We started our engagement to support our investment analysts and to address the societal debate around taxation. Disclosures on taxation help investors more effectively calculate a company's long-term sustainable tax rate. This is important because cash flows are reported on an after-tax basis, and so the effective tax rate becomes a relevant indicator for investors in determining true profitability.
Our conversations on tax have gone far beyond the technical approach of determining the sustainability of a long-term tax rate. After several controversies, such as when it was disclosed that Starbucks paid virtually no tax in the UK, and the EU issued a tax ruling that said Apple's tax arrangements in Ireland amounted to state aid, corporate tax structures have been under far greater public scrutiny. Governments have also increased efforts to prevent multinational corporate tax structures that make companies less liable to pay taxes at a national level in the countries in which they operate. Recently, the OECD introduced principles to reduce tax base erosion and profit shifting, which state that taxation needs to follow economic substance, and international transfer pricing needs to be at arms-length. These guiding principles are intended to level out the international tax landscape.

In our engagement, our focus has been on four key objectives:

1. Clear public tax policies
2. Meaningful tax disclosures
3. Regulatory impact assessment, and
4. Robust governance frameworks around corporate tax

Where is the added value?

Throughout our conversations with companies, we have seen progress on public tax policies. Most multinational companies published a tax policy when it became a legal requirement in the UK, but many companies treat this as a compliance document. Therefore, most tax statements do not go beyond phrases like "we comply with all applicable regulations", or "we seek a constructive dialogue with tax authorities". Even if this still holds true for most tax statements, we have seen some best practices emerging. Increasingly, tax policies include tax control frameworks, statements on incentives for tax departments, and references to the use of tax havens. An important element is often neglected, however; in order to assess if the tax payment is aligned with economic substance, corporates should better explain the main components of their value chains, and the allocation of their intellectual property. In many of our dialogues, this was essential in our assessment of the quality of tax structures, yet companies often fail to publicly set this context for their tax principles.

Country by country reporting

In recent years, the OECD has mandated country by country reporting (CbCR). Multinational companies need to disclose their tax payments to all countries in which they have activities. This framework should help solve tax conflicts and avoid double counting, while enhancing transparency. If companies reported this framework publicly, investors would have a full picture of tax payments and how they relate to economic substance. Not many companies willingly disclose these CbCR reports, unless required to do so by law. The most common objections to publishing a CbCR is that the reporting framework would disclose a lot of confidential information, allowing competitors to learn about pricing, margins and even clients in specific markets. Many companies also point out that the current reporting framework is complex, and the CbCR would include double counting and other reporting problems. Additionally, many companies do not see the need to be a first mover, or to go beyond what is legally required for reporting. However, there is reason for some optimism, as we increasingly see customized CBCRs for the biggest tax contributions, and an enhanced narrative around tax reconciliations.

The Tax Cuts and Jobs Act

Another important part of our focus has been on how companies deal with regulatory impact assessments, and how they engage tax initiatives by the authorities and the OECD. Our engagements focused primarily on organizations with a high degree of intellectual property, specifically pharma, tech and media, many of which are incorporated in the US. In 2017, the US introduced new tax regulations in the Tax Cuts and Jobs Act. This legislation lowered US corporate rates from approximately 30% to 20%, making them much more in line with other developed nations. The lower rate, in combination with a low tax window to repatriate earnings indefinitely parked abroad, led to significant cash repatriations, and largely seemed to disincentivize US companies to shift profits to lower-tax countries. Even though the new legislation seems to have largely accomplished what it was designed to achieve, it has still led to implementation issues. Some provisions, including one called 'global intangible low-taxed income' (GILTI), still leads to tax reporting issues and differences in interpretation on expense allocation. GILTI was designed to reduce profit shifting via intellectual property by introducing an additional US tax of up to 15% on any foreign-earned income below that rate.

Three years down the road

After three years of talking to fiscal departments and tax specialists, the results of our engagements are mixed. Most listed companies are willing to contribute to discussions on taxation, and we have seen improvements in policies and guidelines. At the same time, companies whose disclosures prompt the most questions are the least willing to show their colors, but the onus is not only on companies. There are few investors who ask for additional tax disclosures, and several governments also seem to have little incentive to push the needle.

Reducing global waste
China Everbright International Ltd.
Taiwan Semiconductor Manufacturing Co. Ltd.
Xylem, Inc.

Climate Action
BASF
Chevron
Hitachi Ltd.
Lukoil Holdings OAO
LyondellBasell Industries NV
Royal Dutch Shell

Environmental Challenges in the Oil and Gas Sector
BP
ConocoPhillips
Eni
ExxonMobil
Total
Rosneft NK OAO
Petroleo Brasileiro

ESG Challenges in the Auto Industry
Bayerische Motoren Werke
Toyota Motor

Sound Environmental Management
Jardine Matheson Holdings Ltd.
Royal Ahold Delhaize N.V.
Colgate-Palmolive Co.
Danone
Kellogg Co.
L Oréal
Marks & Spencer Group Plc
McDonalds
Mondelez International
Nestlé
Tesco Plc
Unilever
BHP Billiton

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

Single Use Plastics
LyondellBasell Industries NV
Nestlé
PepsiCo, Inc.
Procter & Gamble Co.
Danone

Food Security
Bayer
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.

Improving Sustainability in the Meat and Fish Supply Chain
DSM
McDonalds
WH Group Ltd. (HK)

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

PepsiCo, Inc.
Unilever
Sound Social Management
Bayer
InterContinental Hotels Group Plc
Facebook, Inc.
Glencore Plc

Corporate Governance in Japan

Asics Corp.
Mitsui Fudosan Co. Ltd.
OMRON Corp.

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
Daiwa House Industry Co., Ltd.
Sumitomo Mitsui Financial Group, Inc.
POSCO

Tax Accountability

Amgen
PayPal Holdings, Inc.
AstraZeneca Plc
Johnson & Johnson
Biogen IDEC, Inc.
RELX
SAP
Pfizer
Nestlé

Culture and Risk Governance in the Banking Sector

Wells Fargo & Co.
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, sixteen 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 team is headed by Carola van Lamoen who reports to Peter Ferket, CIO at Robeco and member of the Executive Committee. The broad expertise of the Active Ownership team is complemented by access to, and input from, investment professionals based in local offices of the Robeco Group 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

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The Investment Engineers

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