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Introduction

The second quarter of the year is always a busy time for Robeco's Active Ownership team, since the majority of shareholder meetings take place. Although the Covid-19 pandemic caused some meetings to be postponed, the overall proxy voting system proved to be sufficiently resilient. Given the challenging circumstances around the world, it was especially important that we made our shareholder voices heard and encouraged companies to take action on material ESG issues.

Climate change was once again a central theme throughout the voting season, and we played an active role in bringing this issue front and center. In May, we successfully nominated a sustainability expert to the board of directors at Enel to enhance the climate expertise of the board. This accomplishment comes after a long standing engagement with the company surrounding its climate approach.

For this voting season, we also filed several shareholder resolutions on a variety of topics. On the social side, the potential for human rights abuse in the tech industry remains relatively unaddressed by some companies. Therefore, at Alphabet's recent annual meeting, we filed a resolution requesting the board to establish a Human Right Oversight Committee.

We are pleased to announce the official launch of our new engagement theme on the lifecycle management of mining. The aim of this engagement theme ranges from improving disclosure of tailing dam risks to encouraging best practices for water management.

Lastly, due to the important role of governments in our active ownership activities, we sent a letter to EU leaders calling for an economic recovery that maintains momentum on the Green Deal and sustainable finance agenda, with at least 25% of the EU's long-term budget contributing to climate objectives. The letter was prepared by IIGCC, in coordination with the Principles for Responsible Investment (PRI) and Carbon Disclosure Project (CDP).

Carola van Lamoen
Head of Active Ownership

Voting Highlights

The 2020 AGM season was unlike any of those that came before it. The coronavirus crisis has significantly changed the form and content of dialogue around shareholder meetings. Even though the vast majority of voting is carried out via proxy, the annual meeting is still an important event where investors can ask questions and make statements in the view of the wider public. Therefore, investors have pushed back on digital AGMs or hybrid AGMs over recent years, because it would limit a shareholder's ability to hold managements to account.

Michiel van Esch

This year's health crisis has restricted physical attendance at AGMs in almost all markets, and has forced companies to delay their meetings, reorganize them as online events, or stage them behind closed doors, depending on the emergency regulations passed.

Our feedback to companies is that investors should have the ability to raise questions and make statements publicly, even if the meeting is online. This has been facilitated by the Dutch emergency law for AGMs which allows us to raise questions and statements in advance. Companies can provide answers during the webcast of their AGMs, or respond on their websites. However, in other markets it has proved to be much more difficult to raise any comments during the meetings.

Apart from the format, the dialogue at AGMs has also shifted because of the crisis. With stock markets and the economy in distress, many companies have run into significant financial challenges. This has led several of them to reduce capex budgets, cut dividends, apply for state aid and adjust their financial guidance.

This has led to a debate around the sustainability of dividend policies and whether bonus payouts are acceptable during a financial crisis. Many European financial organizations have been advised to cancel or postpone their dividends, even if they were sufficiently solvent and profitable to maintain their capital allocation policies.

In our conversations, we rapidly found out that there was no single-best solution for financial prudence, as companies differ in their levels of solvency, profitability, investment needs and capital allocation. This made our voting and engagement on this topic more interesting, but also more complex.

The long-awaited arrival of the EU Shareholder Rights Directive

An anticipated novelty in European corporate governance is the first wave of 'say on pay' proposals resulting from

the EU Shareholder Rights Directive II. This updated regulation evens out several governance provisions across European companies, and dictates some rights and responsibilities for institutional shareholders.

One of the new requirements for companies is that they have to ask shareholders for an advisory vote on the implementation of their remuneration policy every year, and hold a binding vote on it at least every four years. Companies that have been criticized by shareholders for their remuneration practices will now have to account for them during the AGM.

This led to much more engagement on remuneration before the 2020 AGM season, and several companies even saw their policies voted down. One example is a Dutch publishing company that had not changed its remuneration policy in years and had been under shareholder scrutiny for several years. Our hope is that the new regulation will move companies towards remuneration practices that garner greater shareholder and societal support.

Shareholder proposals, an American bedrock under threat

Similar to previous years, many ESG-related shareholder proposals have been filed, especially in the US. Compared to other markets, filing a proposal in the US is relatively straightforward, since a shareholder only needs to prove that it has held USD 2,000 worth of company stock for one year.

In November 2019, the Securities and Exchange Commission (SEC) started a consultation in relation to drafting stricter requirements for filing shareholder proposals. Some of the new provisions would help prioritize shareholder proposals that are likely to gain significant support, while other provisions could weaken them as a mechanism for accountability and engagement with corporates. Robeco responded to the public consultation in order to protect the use of shareholder proposals, whilst keeping the process manageable for companies and regulators.

As of yet, the SEC has not finalized the new rules for filing shareholder proposals. This meant that in 2020, shareholders were still able to file resolutions across the full ESG spectrum, including topics on corporate lobbying, the separation of the roles of chairman and CEO, and human rights policies. Similar to previous years, several resolutions were filed on climate change. At one of the US oil majors, shareholders voted for a proposal to increase disclosure on its climate lobbying activities. This is one of the few climate change proposals that have been passed at oil and gas majors in the US, and can be seen as something of a success.

Social risks of sugar

In July 2017, we began an engagement program with eight companies in the food and beverage industry to encourage them use less sugar in their products. The engagement called on them to speed up product reformulation and innovation to ensure a successful business model in the long run. We also discussed how these companies can provide more transparency around their lobbying activities and ensure that their marketing is responsible. In this article, Engagement Specialist Peter van der Werf shares our conclusions after three years of engagement.

Peter van der Werf

Global impact of sugar during the Covid-19 pandemic

Sugar contributes strongly to the current global obesity pandemic, and to the onset of diabetes, given its presence in almost all packaged food or drinks. The economic costs of this pandemic are clear; USD 2 trillion annually, or nearly 3% of global GDP. It is estimated that obesity, along with smoking and armed violence, is one of the top three social burdens induced by humans.

Sugar has a direct link with one-third of the Covid-19 fatalities as these were associated with diabetes, according to a study by the National Health Service (NHS) in the UK. In the US, researchers found that people with diabetes who contracted Covid-19 were twice as likely to die within a week than non-diabetic patients.

Product reformulation continues in 'stealth mode'

Companies across the engagement peer group have made good progress with product reformulation. We expect them to continuously review their product ingredients and reduce sugar content where feasible.

All eight companies agreed with the need for reformulation and are reporting progress on their metrics of product portfolio renovation in their sustainability reports. When it comes to communicating this to their clients, many companies initially opted for 'stealth reformulation', i.e. only mentioning on the back of the packet that the product's sugar content has been reduced. This is due to the negative reaction that their consumers often give to prominent announcements of sugar reduction, resulting in a sharp drop in sales.

We are satisfied with the product reformulation activity in the industry which in many cases has led to a drop of 10% of the sugar content on average. However, we remain concerned about the large volumes of sugar that are still sold to consumers as part of processed foods, especially

as this pertains to some of the flagship legacy products that remain a very important cornerstone of their product portfolios.

Innovation focuses on acquisition of healthy brands

Not all companies under engagement have made the level of progress on innovation management that we expect from the food industry. The leading companies have made larger shifts in strategy towards healthy product categories, which we think provides the best future-proof strategy when it comes to minimizing the social risk of sugar. Examples include focusing on dairy products or moving away from higher sugar content beverages into lower sugar categories.

Other companies indicated that in general, having healthy attributes are an important consideration for any new product launch. However, some companies remain heavily vested in high-sugar carbonated soft drinks, or are expanding into energy drinks with a high sugar content. Or they are continuing to focus on highly processed food products which in most cases need sugar to make them palatable for consumers.

Contribution to the Sustainable Development Goals

The lack of a broad adoption of significant product renovation and substantial innovation towards healthier product portfolios is of concern to us. A lack of progress in these areas leads us to be very cautious when it comes to our Sustainable Development Goal (SDG) assessments in the food industry. We continue to see an over-reliance on highly processed foods with a high sugar content that runs the risk of significantly contributing to obesity when it is not consumed in moderation.

Marketing efforts have slightly improved but are still geared towards maximizing consumption of all products, including those with a high sugar content. They are therefore not focused sufficiently on promoting healthy consumption among consumers.

Only a very small number of companies in our engagement peer group received a positive score in our SDG rating framework, as we assign a negative score to companies which derives more than 5% of its revenues from carbonated soft drinks, or companies that rely mainly on ultra-processed foods.

Obesity risk continues to be an overhang for the industry

We have asked all eight companies to improve their product reformulation and labeling; to engage in responsible marketing and responsible lobbying; and to make substantial innovation in both individual products and their overall product portfolio.

Ultimately, we want companies to make a positive contribution to SDG3 on Good Health and Well-being. The Covid-19 pandemic has further strengthened our view that obesity is an important global health risk with a significant economic impact.

The food industry will be held accountable for its future role in marketing high-sugar products for consumers who are not able to make dietary choices that prevent obesity. This obesity risk therefore continues to be a long-term overhang for the industry.

Living wage in the garment industry

The fashion industry has been severely affected by the Covid-19 pandemic due to its discretionary nature, impacting not only garment brands but also their supply chains. According to McKinsey, the average market capitalization of the sector dropped almost 40% in the first quarter of the year, a much steeper decline than that of the overall stock market. This epidemic has also shifted investor focus on how companies treat their employees, customers and suppliers.

Laura Bosch

Livelihoods of millions of garment workers at stake

Apparel brands and retailers have been cancelling or postponing orders as the pandemic forced store closures globally and revenue streams shrunk drastically. Factories in producing countries face major challenges to keep their business running whilst experiencing a decline in the volume of orders. In Bangladesh alone, the second-largest exporter of garments in the world, manufacturers lost more than EUR 2.7 billion in payments for orders already produced or sourced. Dire consequences stemming from this pandemic involve joblessness and financial hardship for people across the value chain. Yet, workers in low-cost manufacturing countries are expected to be hit hardest, given the lack of robust social protection systems in these markets. They are more exposed to sudden termination, lack of severance pay, inadequate social security and little or no health insurance.

Robeco is an active member of the Platform Living Wage Financials (PLWF) investor coalition which encourages investee companies to address the non-payment of living wage in global supply chains. In collaboration with the other members, we have sent letters to the companies in our engagement program urging them to respond to the challenges posed by Covid-19 in a responsible manner.

Key asks highlighted in the letter relate to upholding financial prudence whilst protecting labor and human rights standards in their own operations and across their supply chains. Collaboration with multi-stakeholder initiatives aiming to protect worker rights and offer support to overcome the pandemic is crucial to rebuilding a more resilient and inclusive supply chain.

An important sector-wide initiative has been coordinated by the International Labor Organization (ILO) which outlines a 'Call to Action in the Garment Sector'. Global brands, manufacturers, labor unions and other stakeholders can publicly endorse this statement. It aims to catalyse action to support manufacturers to survive the economic disruption caused by the Covid-19 pandemic and to protect garment workers' income, health and employment. This global action also calls for better systems of social protection to create a fairer and more resilient garment industry.

Industry shakeout

Company responses to the Covid-19 pandemic have been diverse. Apparel brands leading the PLWF assessment results have implemented measures to mitigate the impact of the pandemic across their supply chains. For instance, these companies committed to pay for all orders in process or completed, and they endorsed the ILO Call to Action. One company also supported its strategic suppliers in their efforts to secure financing from major banks to maintain their business operations and liquidity.

Yet, on the other end of the scale we noted that some brands in our engagement program have been in severe financial distress. Several companies have cancelled or postponed their 2019 dividends, whilst others were not able to pay suppliers for completed orders. In more extreme situations, companies had to reduce their headcount across global corporate functions as a cost-cutting business strategy to mitigate liquidity constraints.

The role of SDGs in building more resilient supply chains

The Covid-19 pandemic has highlighted vulnerabilities in the garment industry supply chain. Global apparel brands and retailers need to ensure that suppliers pay workers living wages and social benefits as a viable means to substantially reduce the pressure on garment workers and transition to a more resilient system.

Our engagement work on living wages in the apparel sector contributes positively to SDGs 1: No poverty and SDG 8: Decent work and economic growth. Working towards fair labor standards and the payment of living wages would achieve SDG target 8.8, aiming to protect labour rights and promote safe and secure working environments for all workers.

Strengthening social protection systems, which is one of the key asks from the ILO Call to Action, would contribute to SDG target 1.3, which aims to implement nationally appropriate social protection systems and measures for all.

Preparing for the next assessment cycle

One of the main means of stimulating company progress on paying a living wage is by assessing our investee companies against a robust l assessment methodology. This analysis is carried out by PLWF members on a yearly basis and the results are publicly disclosed. The assessment is conducted in the second and third quarter of the year, and will this year include a separate section on how companies responded to the challenges posed by the Covid-19 pandemic.

The methodology has also been adjusted to provide higher scores to companies moving beyond policy disclosures and showcasing their work with more granular reporting on their performance on the ground. After publishing the updated assessment, we will continue the engagement work with our investee companies to ensure they deem responsible labor practices and fair wages as being an integral part of their business model, and implement them across their supply chains.

Lifecycle management of mining

Cristina Cedillo & Sylvia van Waveren

Mining companies are exposed to significant ESG issues, as their operations can have significant adverse impacts on the environment and society. There is no doubt that the world needs mining in order to satisfy growing demand for metals and minerals. As our dependency on mining activities increases, so does the need for companies to ensure their operations mitigate environmental and social harm.

The energy transition is an important driver for future demand enabling commodities such as copper, lithium, cobalt and nickel. For example, research by Bloomberg New Energy Finance estimates that the number of electric vehicles on the road will increase from 5 million today to 530 million globally by 2040. A battery-electric vehicle requires four times as much copper as a conventional vehicle. In March 2020, we launched a three-year engagement program focusing on three critical environmental issues for the mining industry: water risk, tailings dam safety and asset retirement planning. Our engagement program aims to gain a better understanding of how companies are addressing these three key issues at the group and operational levels. We will call on companies to improve disclosures on their performance at the asset level, and urge them to take further action to mitigate any adverse impacts.

Water: An everlasting industry concern

Mining activities rely significantly on water availability. Water challenges are likely to intensify due to climate change. For example, mineral-rich regions like Chile and Australia have been experiencing more frequent and prolonged droughts, a trend that is expected to be further exacerbated by climate change.

Freshwater scarcity requires expensive solutions, such as power-intensive seawater infrastructure. As a result, companies exposed to water scarcity are likely to experience changes in their asset risk profiles, with higher operating risks and costs. Moreover, water scarcity and pollution add extra layers of risk, as they could undermine a miner's social license to operate. Prolonged droughts or polluted sources of fresh water can lead to stiffer competition for water resources

among stakeholders (agriculture, households, other miners) and lead to conflicts that have significant drawbacks for their operations.

Water risks are not particularly new for the mining industry. This topic has received significant attention from shareholders, as it has often impacted local communities and the mining industry itself. The International Council on Mining and Metals (ICMM) has developed water stewardship principles to set general minimum standards for the industry. Still, research by the Carbon Disclosure Project (CDP) shows that the mining industry is the one with the largest financial impacts from water issues, and only a small minority of companies have set targets related to water.

Tailings dam safety in the spotlight

Recent dam collapses in Brazil have brought to light the devastating consequences of poor management of tailing storage facilities. These dam disasters are not only incredibly harmful to the local communities and the environment, but they also have a substantial financial impact on the mining companies involved.

For example, following the Mariana disaster in 2015, in which a tailings dam operated by Samarco collapsed, Moody's placed the debt of the company's co-owner Vale on review for a downgrade as a result of potential liabilities. Additionally, the risk of occurrence is high, as shown by several reports that have come out since these two major disasters. Research by the Church of England Pensions Board (CEPB) and other investors including Robeco has found that more than one-third of global tailings dams are at high risk of causing catastrophic damage to nearby communities if they break.

The investor community responded by collaborating under the Investor Mining & Tailings Safety Initiative, which is led by the CEPB and the Swedish National Pension Funds' Council on Ethics. The initiative calls for enhanced disclosures from mining companies on where and how they have stored their waste. In total, the initiative reached out to 727 publicly listed mining companies for detailed information on their tailings storage facilities. By the end of 2019, a little less than half of the companies had responded. Robeco leads the engagement collaboration of investors aimed at the non-responding mining companies to disclose information about their tailings dams.

End-of-life of mines: Growing environmental liabilities

Mining companies are obliged to make provisions for the restoration and decommissioning of their assets. These provisions are liabilities to restore the environmental disturbance that was caused by the operations of the mining sites, and to rehabilitate the environment when the asset is depleted and closed. Examples of remedial work are removing industrial facilities and waste rock storage, building tailings dams and cleaning contaminated land.

Remediation sometimes costs hundreds of millions of dollars per site, and often requires costly annual monitoring and maintenance. The amount of environmental provisions is not a static number; it reflects the current expected future cash outlays and risks in the life cycle plans of a mining company's portfolio of assets. According to research by the Centre for Environmental Rights, the public disclosures of 11 listed South African mining companies about their rehabilitation costs, and their ability to cover these costs, were inconsistent, unclear and sometimes unreliable. At Robeco, we share this opinion, and advocate for a more detailed disclosure of this sizeable and material liability.

Moreover, mining companies can mitigate restoration and decommissioning costs through holistic strategic planning. For example, they may choose not to mine lower grade areas to avoid an escalation of rehabilitation costs in the future. They can also apply new mining technologies to limit environmental impacts and therefore costs.

Integrating the Sustainable Development Goals into our engagement

We aim to contribute to the advancement of the Sustainable

Development Goals (SDGs) through our engagement, particularly SDG 6 on clean water and sanitation and SDG 12 on responsible consumption and production. The mining sector can play an important role in mitigating adverse impacts on the environment and can contribute positively to the SDGs by developing solutions for water efficiency and recycling and the management of (hazardous) waste.

The energy transition, and the increasing demand for metals that it creates, must be sustainable in our view. Companies can secure their viability in the long term by adopting responsible mining practices. We as investors aim to call on companies to properly disclose their risks and liabilities, and to take further action if needed.

Single Use Plastics

Sylvia van Waveren

Plastics have become a resource used in nearly every part of our modern economy, combining superior functional properties with low cost. Their use has increased twenty-fold since the 1970s and is expected to double again in the next two decades. Today nearly everyone, everywhere, comes into contact with plastic packaging every day, and it is mostly only used once. Reducing single-use plastic is now a priority for tackling the tsunami of waste that it is causing.

While delivering many benefits, the current use of plastic packaging has drawbacks that are becoming more apparent by the day. Apart from the many environmental problems that are caused by plastic waste, there are also many economic consequences of this kind of pollution. For example, marine litter is already affecting tourism by making certain areas less attractive to go to, and thus decreasing economic prosperity in coastal areas.

Aim of our engagements

To address these issues, in the second quarter of 2019 we started an engagement program that aims to encourage companies in the plastic packaging value chain to move to a circular economy model. We expect companies to collaborate with each other along the global plastic value chain, as well as with governments and NGOs, to achieve systemic change towards creating a more circular plastic packaging system.

Furthermore, we aim to shed more light on the materiality of the plastic waste problem, whilst at the same time urging companies to improve their management of the plastic value chains towards a more sustainable circular model. In doing so, we plan to improve supply and demand for recycled plastic.

Progress after one year

Our engagement targets 10 companies within the industry and covers the full plastic value chain, from four chemicals companies to six in consumer packaged goods. In our first year of engagement, we discussed the companies' efforts and progress in relation to five engagement objectives: innovation, recycling, plastic harmonization, responsible lobbying, and industry collaboration and partnerships. We found that most companies were able to show good progress on three engagement objectives: innovation, responsible lobbying and industry collaboration and partnerships, but were lacking on recycling and plastic harmonization.

One example of positive progress regarding industry collaboration is a company that developed refillables for the Latin American and Caribbean market. It leverages this together with the Ellen Macarthur Foundation, an NGO which promotes the concept of a circular economy.

An example of strong innovation is a company that is helping its customers to recycle. The company has developed a unique recycled content material called Sustane, a polymer which sets new standards in recycled plastics and is designed to deliver consistently high levels of technical performance across a wide spectrum of applications. Sustane polymers have already been successfully introduced into packaging applications such as shrink film for beverages and industrial bags.

Another company has developed an innovative technology that enables black plastic to be recognized by recycling machines for sorting. This is important for two reasons. First, black plastic continues to be an important differentiator in marketing personal care products such as shampoo, and is therefore widely used by the industry. Secondly, black plastic is cheaper to make, since it contains more 'grey PCR'. This chemical has to be removed in a costly process when producing white or transparent packaging.

Another company informed us that their managers use NGOs and public authorities for their lobbying activities. They explained that with the increasing adoption of national legislation to counter plastic being dumped in the ocean, they expect this will lead to a snowball effect that will contribute to solving the issue.

Still early days on recycling and harmonization

It is still early days to report solid progress on our engagement objectives in relation to plastic recycling and plastic harmonization. We found here that the development of responsible packaging sometimes conflicts with other solutions. For example, the development of bioplastics is seen as a major solution to waste, as they degrade more easily than regular plastics, but this then complicates the recycling system even further. Bioplastics are also made of non-fossil fuel-based feedstock, which, is great for reducing the impact on climate change, but these compostable materials are in general not of sufficient quality to be used to package food. Another example is a company that has significantly invested in scaling up waste collection in Egypt, which provides economic opportunities for unemployed local people and educates the consumer about the value of recycling.. However, this type of fully traceable plastic comes at a much higher cost than virgin plastic.

Developments in recycling flexible packaging and SDGs

There is also some good news in relation to recyclability. Flexible packaging is one of the most difficult types of plastic to recycle using regular mechanical recycling methods. One company in the adhesive business is actively driving innovation in the recycling of CEFLEX flexible film. We see this as a crucial development in this field.

In relation to the Sustainable Development Goals (SDGs), there has been some improvement in the level of attention that our companies are paying to them. After our earlier requests, we are pleased to see that some companies are now mentioning the goals in their CSR reports, and that they continue to work on how to measure and report their contributions to the SDGs in more detail. Others inform us that they will start reporting on their SDG approach in next update of their impact reports. We believe that more integration of the SDG goals by the plastic companies into their thinking will lead to clearer guidelines and policies, and will therefore make an impact.

Next steps

As investors, we are able to get more insights into the materiality of the plastic waste problem through our discussions with companies. This also gives us the chance to urge them to improve their management of the plastic value chains towards adopting a more sustainable and circular model. More time is needed though to improve the supply and demand situation for recycled plastic. We will step up our engagement efforts on these topics.

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 Robeco websites.

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 Victor Verberk, Deputy Head of Investments 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.

Important information

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