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PERSPECTIVE

The heads up on the 2021 proxy voting season

May 2021

For investment professionals only

As the 2021 proxy voting season is well underway, ACTIAM has been voting on thousands of proposals globally, exercising our voting rights attached to our clients' holdings. Accordingly, we have a proprietary voting policy based on internationally recognized best practice guidelines in the areas of corporate governance and sustainable investment, also shaped by our Fundamental Investment Principles and Material Sustainability Drivers. We use voting in conjunction with our engagement activities, both being important stewardship tools to communicate our views to companies.

Our voting policy considers how the current transition we are undergoing towards a sustainable economy will have a material impact on the companies in which we invest. We use our votes to stimulate them to take the necessary steps to be successful in this transition. Similar to what research finds, we believe that active ownership promotes companies to develop stronger oversight of their sustainability risks, and thus reduce the material risks posed to our investments, improving our long-term financial returns.

Ahead of selected Annual General Meetings taking place in the coming period, we are highlighting a few examples of how we implement our policy in practice and how we link our votes to our assessments of companies and to our engagement activities. These examples also demonstrate how we use voting as an escalator to encourage value-enhancing steps to be taken by the company.

AMAZON.COM INC.

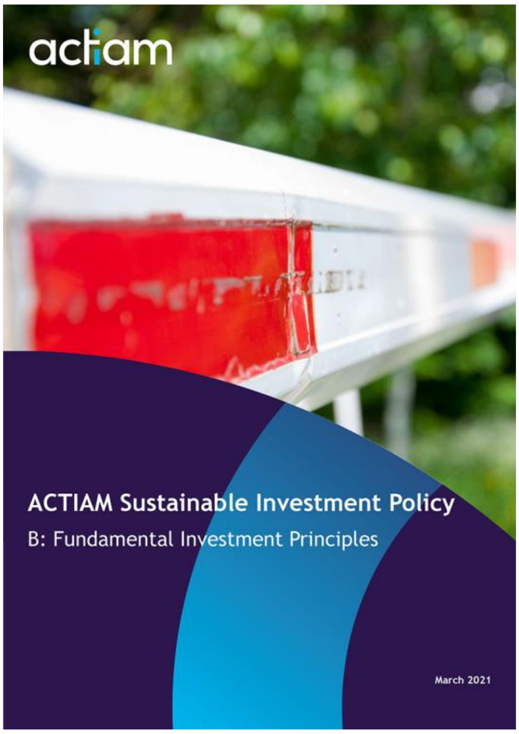
Annual meeting date: 26 May 2021

A group of investors have filed a shareholder resolution asking Amazon to consider hourly wage employees as candidates for their board of directors.

With its huge workforce, Amazon has been heavily criticized for its treatment of hourly workers, especially those working in warehouses. The company continues to experience a worsening trend in serious injury rates which are much higher than the industry average.

There have been large strikes across its locations in Europe and North America where workers are speaking out against poor and unsafe working conditions, low wages and anti-union activities.

Along with the proponents of the resolution, we see labour rights as a highly material issue for Amazon and one that it needs to manage better. Representation of its workers on the board could help achieve this. This resolution is aligned with our Human Capital material driver, one of seven sustainability drivers that guide our approach on assessing companies' management of ESG risks. This driver assesses companies' management of labour and union rights, employee health and safety, working conditions and inclusive employer practices. We are highlighting Amazon as an example since we are currently engaged with the company on these issues, but find it could be more responsive in improving its management systems for preventing negative impacts on its workforce and ensuring employee rights are integrated into its strategic decision making. It is an example of how we drive progress through our engagement discussions with voting decisions. We will be voting to support this proposal.



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TOTAL SE

Annual meeting date: 28 May 2021

At the upcoming annual meeting of Total, the company has on its agenda the fourteenth resolution[1] asking shareholders to express 'an opinion on the company's ambition with respect to sustainable development and the energy transition towards carbon neutrality and its related targets by 2030'. We see some positive aspects of Total's climate strategy including the fact that it has increased its 2030 investments targets for renewable power, set medium and long-term GHG emissions reduction targets to reach its 2050 net zero goal, and increased its 2030 carbon intensity reduction target to 20%. However, overall, its strategy falls short as it remains unclear how it will meet its goals given its current pace of fossil fuel production and investments that still significantly outpace those in renewables. It is also unclear as to whether Total will aim to achieve net zero emissions worldwide throughout its entire value chain including scope 3 emissions for both upstream and downstream activities. There is more transparency needed on how the intensity targets will translate into reductions in absolute gross emissions in the short, medium and long-term. Total has recently signed off on the construction of the east African crude oil pipeline (EACOP) in Uganda, which will run through the Murchison Falls National Park. We have started an engagement with the company on this topic, as we still expect the company to demonstrate concretely how its capital expenditure plans including this project are aligned with a 1.5 degree scenario. Whether companies are on track to become climate neutral as agreed by the Paris Agreement is an expectation we have for all our investee companies. We assess this adaptive capacity using our Fossil Fuel driver criteria, which assesses companies on their exposure to risks related to the transition towards a low-carbon economy and their capacity to manage these. We will be voting against this resolution and outlining the perceived gaps and our expectations directly to the company. We highlight this example as Total is one of the few oil majors that we hold in our portfolio and we are currently in a discussion with the company on this topic. For Equinor, being one of the only other few oil majors we hold, we also voted in favour of resolutions asking the company to provide annual reporting on progress for reaching its emissions reduction targets, as well as biodiversity risk reporting.

HSBC BANK PLC

Annual meeting date: 28 May 2021

Following an engagement between HSBC and a group of investors collaborating with ShareAction, ShareAction withdrew their shareholder resolution that had asked HSBC for plans on how it would phase out fossil fuel financing. In turn, HSBC put forth a counterproposal to appear on this year's ballot. It proposes a phase-out of coal-fired power and thermal coal mining financing by 2030 in the EU and OECD and by 2040 internationally. It commits HSBC to setting targets aligned with 1.5 degree scenario for its financed emissions. These commitments are in line with our Sustainable Investment Policy and the approach we take with our Fossil Fuel driver. With this driver, we look at how companies are managing their exposure to risks related to the low-carbon transition. We highlight this example as one of multiple banks we have contacted during this proxy voting season about the climate risks associated with their loan portfolios and financing activities. In our recently updated climate strategy implementation plan we highlight banks as playing an enabling role in stimulating the transition. Through their loan portfolio, scope 3 emissions are a material part of the total carbon footprint of banks, and us such we are also focusing our activities on this sector. Global decarbonization is quickly accelerating and it is in both HSBC's interest and ours as an investor to phase out non-Paris aligned financing and take decisive, short-term and concrete steps to get there. We will be voting to support this proposal.

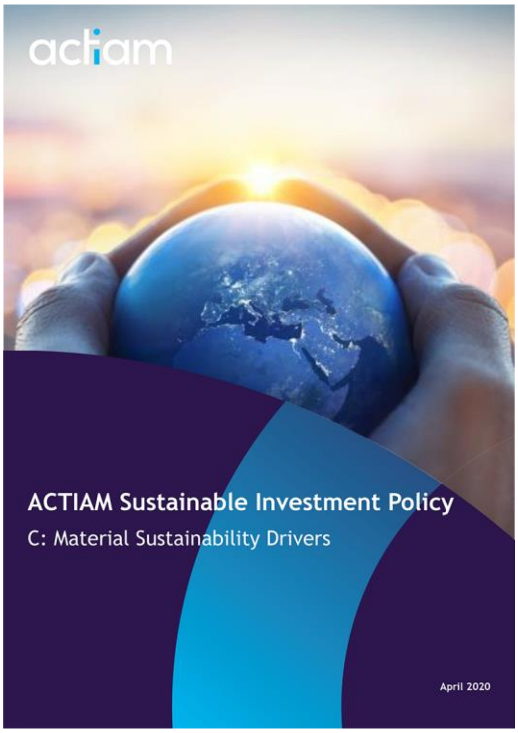
[1] Total SE Board-of-Directors-Report-on-the-resolutions.pdf (total.com)

Read more >>>

THE KROGER CO.

Annual meeting date: 24 June 2021

At the annual meeting of Kroger, the second largest global retailer, there will be a shareholder proposal requesting that Kroger conducts Human Rights Due Diligence throughout its operations and agricultural supply chain. The company demonstrates some strengths with its employee management by having increased its benefits and offering of paid sick leave, but it should also address workers' rights risks in its large and complex supply chain, which is prone to negative human rights impacts and abuses. There have previously been alleged labour violations at its suppliers. Many of its food retailer peers, have conducted Human Rights Due Diligence including Ahold Delhaize as an example, who has published results in a standalone Human Rights report outlining progress on salient issues across its supply chain. It is expected for Kroger to do the same. Human Rights Due Diligence means going beyond policy statements to address underlying causes of forced labour issues and taking steps to address these. This shareholder proposal is aligned with the approach we take with our Social Capital and Human Capital material drivers. Social capital assesses company performance across multiple dimensions including product safety, data privacy, access to health care and nutrition, controversial material sourcing, as well as community relations and impacts on human rights in the supply chain. Human capital assesses companies' management of labour and union rights, employee health & safety, working conditions and inclusive employer practices. We are highlighting this example as it demonstrates the expectations we have of retailers to look beyond their own operations and into their supply chains to conduct human rights due diligence, as these issues are becoming increasingly material. We will be voting to support this proposal.



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ACTIAM stands for: active and passive management, sustainable investment strategies and impact investing. We aim for financial results, social returns and risk management. With our focus on sustainability, we structurally lower the risks and increase the opportunities in our investment portfolios. We serve clients through both funds and mandates; we supply a variety of tailor-made solutions.

For equity investments, our objective is an optimal financial and sustainable return via passive and active solutions. Our equity team has a long-standing history in sustainable investments and realizes a solid performance, both financially and socially. All our equity funds receive no less than four stars in the Morningstar rating (source: Morningstar, March 2021). The ACTIAM Global Equity Impact product also receives four Morningstar globes in the field of sustainability! It is not without reason that we were awarded Winner Lipper Group Awards "Equity Large" in 2019.

We also pursue an active and passive fixed-income policy for our bond investments with far-reaching ESG integration. We succeed in achieving stable long-term results for our clients, over multiple cycles. The ACTIAM Sustainable Euro Bond Fund receives four stars in the Morningstar rating (source: Morningstar, March 2021).

Finally, we are a trendsetter in impact investing. In 2007 and 2008 we launched our first institutional microfinance funds, ACTIAM Institutional Microfinance Fund I and II. Our strength is making investment opportunities scalable in high-impact themes. In 2020, we were voted the best impact investing provider by the readers of Cash magazine and achieved a top score of 51 (out of 62) in a survey conducted by Phenix GEMS.

Find out what our investment solutions can do for you or go directly to our funds.

ACTIAM manages assets of over €57 billion (ultimo March 2021), making us one of the ten largest Dutch asset management companies. Our solid (impact) strategies and sound performance track record will help you to achieve your goals. We offer sustainable solutions to insurance companies, pension funds, banks and distribution partners. This is achieved through actively and passively managed investment funds and mandates.

Read more about ACTIAM or go directly to our fund overview.

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