ROBECO
The Investment Engineers

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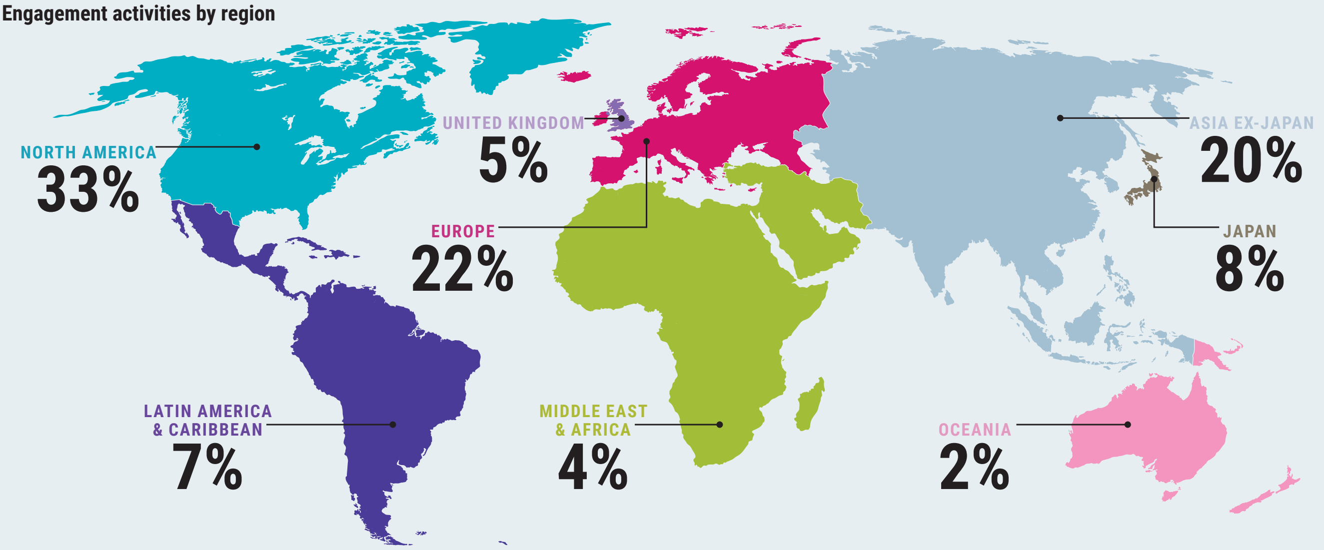
Active ownership report

Sustainable Investing Expertise by
ROBECOSAM

Q1|23 **figures** engagement

Engagement activities by region



Number of engagement cases by topic*

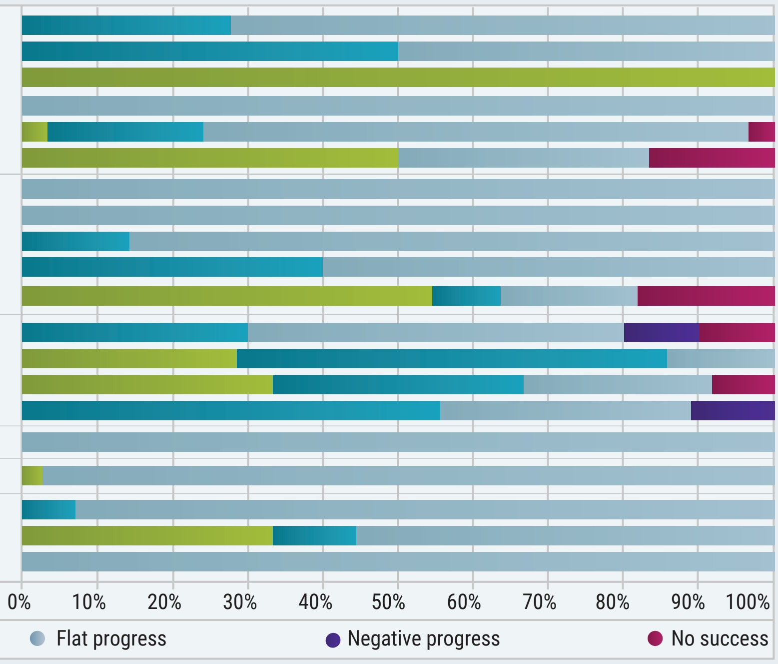
	Q1	Q2	Q3	Q4	YTD
Environment	48				48
Social	17				17
Corporate Governance	20				20
Voting Related	9				9
SDGs	24				24
Global Controversy	20				20
Total	**138**				**138**

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	4				4
Conference call	93				93
Written correspondence	129				129
Shareholder resolution	0				0
Analysis	16				16
Other	1				1
Total	**243**				**243**

Progress per theme

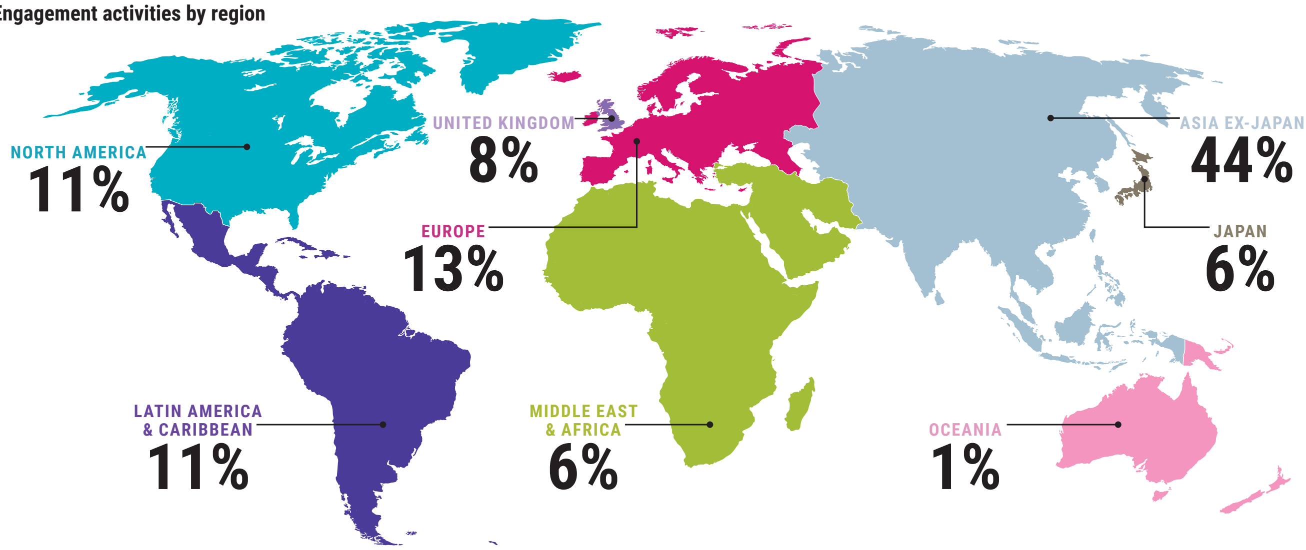
Environment	Biodiversity Climate Transition of Financial Institutions Lifecycle Management of Mining Natural Resource Management Net Zero Carbon Emissions Sound Environmental Management
Social	Diversity and Inclusion Human Rights Due Diligence Labor Practices in a Post Covid-19 World Social Impact of Gaming Sound Social Management
Corporate Governance	Corporate Governance in Emerging Markets Corporate Governance Standards in Asia Good Governance Responsible Executive Remuneration
Voting Related	AGM engagement 2023
SDGs	SDG Engagement
Global Controversy	Acceleration to Paris Global Controversy Engagement Palm Oil



* For more information on Robeco's approach to engagement please refer to the appendix at the end of the report.

Q1|23 **figures** voting

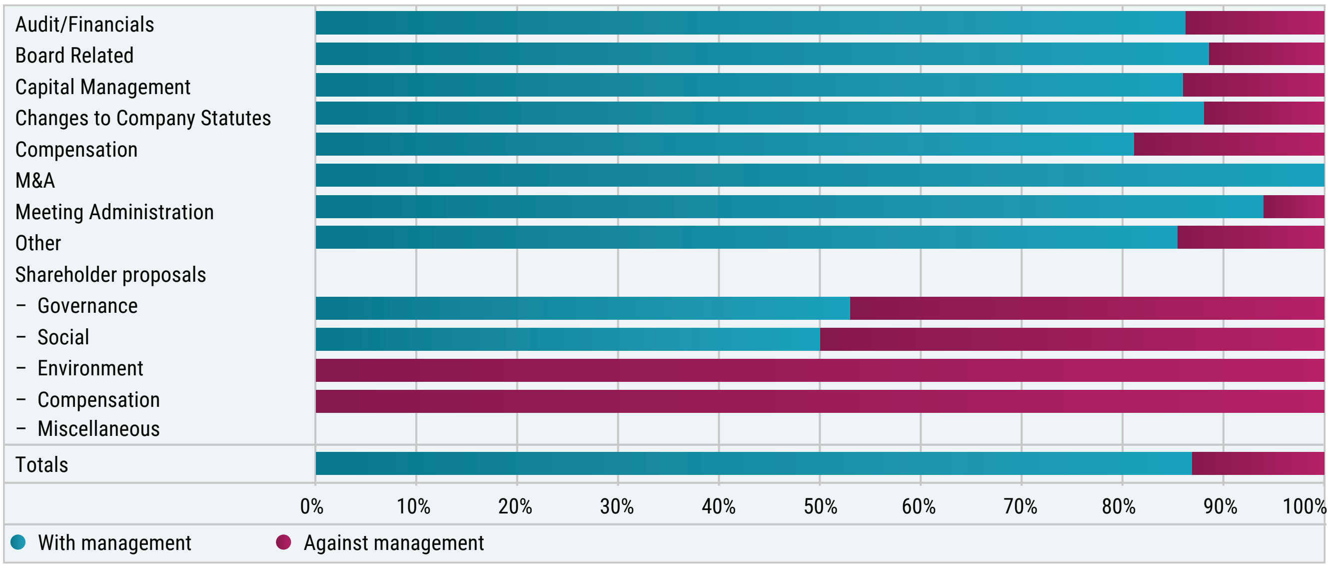
Engagement activities by region



Voting overview

	Q1	Q2	Q3	Q4	YTD
Total number of meetings voted	171				171
Total number of agenda items voted	1,868				1,868
% Meetings with at least one vote against management	64%				64%

Progress per theme



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Introduction

In times of geopolitical and economic uncertainty, shareholder advocacy is as important as ever, ensuring companies' long-term focus on sustainability does not come at the cost of short-term financial volatility. The first quarter of 2023 continues to put companies to the test, as competing pressures showcase the importance of having sustainability embedded in one's business model.

It's been a busy three months for the Active Ownership team dealing with a number of high-profile engagement themes. We closed the 2020-initiated Lifecycle Management of Mining theme, touching on one of the core pillars of the energy transition, sustainable metals and minerals. Over the three years of the engagement, we closed 90% of the cases successfully, with almost all companies having strengthened their water management policies and improved their water use efficiency and recycling. They have also pledged to uphold the Global Industry Standard on Tailings Management to avoid a recurrence of past tailing dam breaches. However, to create an industry free from fatalities and environmental pollution, a systemic and long-term collaboration with the sector is needed. This prompted Robeco to join the 'Mining 2030' global investor initiative, working towards a consensus across the finance and corporate world for a reformed mining sector by the end of this decade.

Meanwhile, we reflect on our Acceleration to Paris theme, putting pressure on some of our portfolios' worst polluters to meet the Paris Agreement. Supported by government initiatives such as the US Inflation Reduction Act which provides subsidies to support clean energy production, even some of the worst laggards have started their journey to Paris. While keeping the pressure high, we reflect on some of the largest achievements of these first 18 months, from companies strengthening net-zero emission targets, to cancelling upcoming thermal coal power projects.

Reflective of the government actions taken on the climate side, regulators around the world have started tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues. We dive into the US Securities and Exchange Commission's new rules, which will define US companies' disclosure and board's accountability in the future. From the introduction of Pay Versus Performance Disclosure Requirements, putting a halt on inconsistent CEO pay-outs, to mandatory climate governance disclosures, the new rules force companies to review their practices and form the building blocks for a more sustainable economy.

On the social side, we reflect on the last three years since Covid-19 was proclaimed a global pandemic. Our Labor Practices in a Post Covid-19 World engagement theme aims to support companies in their recovery from the pandemic, building back stronger, with their core asset at the center of their business model: workers. The first positive steps have been seen, from initial fair wage assessments for gig workers to an increasing focus on employee engagement. However, the complexity of labor markets ownership structures and responsibility, such as those created by hotels' franchising, hinder companies from taking appropriate action, requiring them to become more creative.

We are pleased with the progress made in the first quarter of 2023 and look forward to another year of meaningful engagement to help guide companies through our turbulent times.

Carola van Lamoen
Head of Sustainable Investing

LIFECYCLE MANAGEMENT OF MINING

Closing the mine

Sylvia van Waveren – Engagement specialist

Mining activities often have negative impacts on landscapes, disrupt ecosystems, and divert scarce water resources from local communities. However, the sector is becoming more important because of the increasing demand for clean technologies such as solar panels, wind turbines and electric vehicles requiring metals and minerals. As investors in the mining industry, we launched an engagement program in 2020 with the objective of encouraging mining companies to mitigate their impacts on the environment. After three years of engagement, we are now closing the program and present our results.

Engagement summary

9 out of 10 closed successfully

Significant progress recorded across the peer group

From 2020 to 2023, Robeco engaged with 14 mining companies located across four continents. The engagement targeted the largest mining companies and aimed to improve water management, increase the safety management of tailing dams, and improve asset retirement planning, including financial surety, liquidity and accessibility. The dialogues were centered around nine objectives, three of which targeted water risk management, three assessed tailings risks management, and three looked at asset retirement issues.

Of the 14 companies, the engagement with four of them was halted for various reasons. The Russia-Ukraine conflict prevented us from continuing our engagement with two companies, while one case was transferred to the Controversies Engagement program as a result of a severe environmental breach. The fourth case was transferred to the Sustainable Development Goals theme where the engagement objectives were expanded to also cover social and governance issues. Of the 10 remaining companies, we closed nine cases successfully. We will now present the engagement achievements related to water, tailings and asset retirement respectively[1].

Water management is greatly improving

Almost all companies under engagement significantly improved their water risk management. They are doing so through better water policies, actions at the asset level, and having a relevant focus on water consumption and quality. The majority have adopted adequate water management policies (90% of companies) and are disclosing the performance of their operations on water-related metrics (80%).

Given the context of European regulations, enhancing performance on reducing water consumption and mitigating adverse impacts on water quality is as relevant as ever. We encouraged the companies to set targets and report progress on their performance on water use efficiency, water recycling and safe reuse. More attention is needed for setting targets though. Only 60% of companies have set targets to improve water use efficiency, while two others are planning to do so in the near future.

Tailings management: gains in transparency and adoption of best practices

When we look at the issue of tailings safety, we see that the industry has responded positively to the global call for enhanced disclosures after two major tailing dam breaches in Brazil; Samarco in 2015 and Brumadinho in 2019. The Investor Mining and Tailings initiative let by the Church of England, has played an important role in bringing this topic to the attention of top management across all mining companies. In our peer group, eight companies now disclose all their tailings storage facilities under operation to the Global Tailings Database. Moreover, nine companies have committed to implement the Global Industry Standard on Tailings Management, which sets best practice on integrating environmental, social and technical considerations.

Our objective on phasing out high-risk tailing storage structures has seen less traction, with only two companies committing to developing dry-tailings storage for any new facilities, and five considering measures to mitigate safety risks from dams classified as high-risk. To guarantee environmental and human safety, each company is expected to set targets for the phasing out, or decommissioning, of its high-risk tailings dams.

CASE STUDY

BARRICK GOLD

Barrick Gold, a Canadian gold mining company, started off with some concerns around the awareness and management of their water risks and their end-of-life mines.

Throughout the engagement we pushed Barrick Gold on the ambitiousness of their water management targets and water accounting, as well as sent a letter to encourage stronger Asset Retirement Planning.

The engagement was closed successfully after Barrick set, among others, a group target on the percentage of recycled water to be used (at least 80%), and providing data on water accounting at the facility level. Furthermore, the company establishes closure plans for all its mines before construction begins, including rehabilitation of the surrounding area and protection of water resources.

Asset retirement issues remain under target

Our engagement results on the topic of asset retirement were less successful than for water and tailings. We expected the companies to integrate closure activities into their mine business plan, including the short, medium, and end-of-life planning processes. Furthermore, the financial assurances for mine closure must cover the operator's cost of reclamation and closure as well as redress any impacts that a mining operation causes to wildlife, soil and water quality. In addition, financial assurance should be liquid and accessible. The accessibility of the financial surety should be safeguarded through legal

[1] The outcomes presented within this article reflect the results of the overall engagement theme by Robeco and thus might differ slightly for individual clients, for detailed information on which companies were engaged on please refer to the chapter "Companies under engagement" at the back of the report.

instruments or sums of money that are earmarked for reclamation and closure, and releasable only with a regulatory authority's specific consent.

Our results were mixed, with only one company scoring well on the three sub-targets on asset retirement issues. In general, we found that the financial assurances for mine closure need to be much better disclosed in their annual reports.

Next steps – launch of Mining 2030

In January 2023, a group of investors including Robeco launched a global initiative called Mining 2030 to raise sustainability standards by the end of this decade. Mining 2030 will develop an ambitious agenda to ensure that growth in mineral demand does not harm people or the environment. It will address key systemic risks that challenge the mining sector's ability to meet increasing mineral demand for the low-carbon transition.

Focus areas of the initiative include the impact of mining on biodiversity and climate change, corruption in the industry, the legacy of mining and rehabilitation, water risk management, seabed mining and many other material issues. We expect to play an active role in the initiative, which will lead to the identification of global best practice standards and disclosures in the sector.

> “ *The industry has responded positively to the global call for enhanced disclosures after two major tailing dam breaches in Brazil*
>
> Sylvia van Waveren

ACCELERATION TO PARIS

Paving the road

Nick Spooner – Engagement specialist

It has been a little over a year since we initiated the Acceleration to Paris engagement program. The expansion of the scope of companies that we engage with on managing climate-related risks and opportunities reflects our continued concern about the systemic risks that global warming poses to the economy and society. While it is still early in the overall timeline for the engagement program, this article looks back at the progress that has been made, and the changes we have seen during this time.

Engagement summary

14 companies, 3 cases have registered first positive progress

Since the start of the Acceleration to Paris program, there have been a number of events that are material to our engagement with companies. The most significant are the passing of the Inflation Reduction Act (IRA) in the US, a law which allocates significant attention and capital towards scaling clean energy, as well as the invasion of Ukraine by Russia. Both have had dramatic, long-term impacts on the energy transition, and subsequently how companies should respond to managing these risks and opportunities going forward.

In the case of the IRA, whilst the final dollar commitment by the US government is lower than originally pronounced, the financial incentive that the bill offers to companies to invest in the energy transition is highly material, and we have already seen companies pivoting to take advantage of these subsidies. This has also catalyzed action by other jurisdictions, such as the EU, to match these subsidies and also promote investment in their regions. And while the potential impact is difficult to quantify, it will certainly benefit the speed at which low-carbon technologies come down in price.

The Russian invasion of Ukraine is more difficult to interpret and has caused a fragmentation of oil and gas markets that have not previously been seen. Nevertheless, actions taken by the EU to reduce exposure to the importation of Russian fossil fuels has forced an acceleration in the deployment of low-carbon technologies and the sourcing of natural gas from other regions. Due to the high energy price volatility resulting from these events, the International Energy Agency expects demand for these highly polluting commodities to fall at a faster rate in the region. However, there is a risk that the current high commodity price environment incentivizes investment in oil and gas development, which is not compatible with longer-term decarbonization goals.

These events create added impetus for companies to appropriately manage their climate-related risks and opportunities, and it supports the need for continued, targeted engagement with companies that are failing to do so. Acceleration to Paris differs from other climate-related engagement programs for two reasons. Firstly, it is classified as an enhanced engagement program, and, as such, we intend to take a more proactive approach to escalation throughout the engagement. This ultimately leads to the potential for divestment if we do not see significant progress. Secondly, we have been using our proprietary Paris-alignment tool to identify the companies that are the greatest laggards, thereby selecting those which we see have the greatest potential for impact through our engagement. In this process, we aim to achieve a balance of sectoral and regional exposure to prevent an excessive focus on companies from emerging markets, which generally face lower levels of political and social pressure.

One of the steps that we implemented in 2022 was to create greater synergies between our climate performance assessment and our related voting approach. As such, we amended our climate voting policy to stipulate that we would vote against the re-election of the chair for companies rated as 'misaligned' in our traffic light assessment. This includes all those within the Acceleration to Paris program. Unless we see significant progress in company performance, we will retain this policy for future years.

An area of focus for the engagement program is thermal coal power. As the most polluting fossil fuel, and one which has economically available low-carbon substitutes in the form of wind and solar, it is critical that no more unabated thermal coal power generation units are constructed. This is also a lens that was applied in company selection. The focus of our engagement is to limit new construction of coal-fired power plants and ensure that companies put in place transition plans for phasing out their exposure to these assets. We encourage companies to close down thermal coal assets and transition into low-carbon power sources, utilizing the benefits that the site offers in terms of grid connections and access to water. We have seen positive progress so far from a number of companies in cancelling thermal coal power projects and clarifying the timelines for phasing out their exposure to these assets.

The emergence of Just Energy Transition Partnerships (JETPs), particularly in

> *"The US Inflation Reduction Act and the Russian invasion of Ukraine create added impetus for companies to appropriately manage their climate-related risks and opportunities*

Nick Spooner

Indonesia and Vietnam, have been helpful in creating a policy framework to accelerate the decommissioning of thermal coal assets. We are encouraged by the fact that the first few Acceleration to Paris companies have publicly stated their commitment to work with the governments of these countries on the potential for the accelerated decommissioning of assets. Nevertheless, further investment in renewable energy sources is required, as, despite increases in the deployment of renewable energy sources, we continue to fall short of what is required to meet the Paris goal of limiting warming to 1.5°C above pre-industrial levels. The JETPs that have been announced, with others also expected, should help to facilitate this investment, coupled with the expected reforms to the World Bank and other multi-lateral development banks, which seek to take a more aggressive approach to facilitating investments in low-carbon technologies in emerging markets.

As we continue to monitor companies on their climate performance, we expect that we will continue to expand the Acceleration to Paris program. As such, we have added several new cases to the theme over the last months. While it is still early in program, we are pleased by the results we have seen, including several companies setting new greenhouse gas targets.

CASE STUDY

POSCO

POSCO, the South Korean steel-making company, has been expanding its steel production using coal-fired plants, which is one of the main topics of our engagement.

As part of our engagement, we sent a letter to the Chair of POSCO's ESG Committee, who also sits on its board, and followed up with the company's investor relations team over a call, to explain the relevance to investors of stopping coal investments.

In 2022, POSCO sold its coal business in Vietnam and has instead applied to construct a lower-emissions Liquified Natural Gas plant. It continues construction of its coal-fired plant in Korea because of contractual agreements but has indicated it will exit that business after completion, which we intend to monitor.

NIPPON STEEL

The Japanese company Nippon Steel is one of the world's largest steel producers. Japan's steel industry had only been offered 10% of the country's Green Innovation Fund subsidies aimed to finance the climate transition. During our engagement with the company, we encouraged Nippon Steel to lobby for more policy support in its transition. During our engagement with the company, we encouraged Nippon Steel to lobby for more policy support in its transition.

The company is now part of the industry lobbying for more government support. And although Japan has announced a larger transition fund to include subsidies for increased energy costs and production –expanding on the scope of its Green Innovation Fund – the amount designation for the steel industry has not yet been confirmed.

PROXY VOTING - MARKET INSIGHT

Corporate governance reform in the US

Diana Trif – Engagement specialist

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators around the globe including the US Securities and Exchange Commission (SEC) are tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues.

While the focus on ESG has massively gained in importance, there is broad consensus that there are still shortcomings in the quality, consistency and comparability of issuers' ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company's ESG performance.

Against this backdrop, 2022 saw SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. In this article, we look back at five of the most relevant regulatory initiatives rolled out in the US in 2022.

1. Universal proxy cards: A new era of proxy fights

One of the major changes introduced was the SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections. These rules mark a major development in overhauling the mechanisms by which US proxy contests have been carried out.

Previously, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if they were voting in person. They were therefore faced with a binary choice – to vote for one slate or the other, opting for no change or sweeping change. Now they will be provided with a slate including the names of all dissident and registrant nominees, thereby being able to choose nominees from either side.

An equal footing

We welcome this change. First, it places investors voting in person or by proxy on an equal footing. Second, the new rules strengthen the means by which shareholders can hold companies accountable for poor governance. While there has been no shortage of speculation regarding the potential consequences of UPCs, one thing is certain: individual board candidates will be more vulnerable to replacement, and will therefore face more scrutiny from shareholders and other stakeholders.

In light of this, a major advantage of the new rules is that they will likely force companies to bolster their disclosure on board composition, refreshment, and the process for director nominations, as well as making them carry out an effective evaluation of the board to withstand this growing scrutiny.

2. Revamp of the shareholder proposal rule

In a separate initiative, the SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

The proposed amendments would revise three of these criteria – 'substantial implementation', 'duplication' and 'resubmission' – in an effort to "improve the shareholder proposal process and promote consistency".

In recent years, the existing rules drew criticism over concerns that the standards for exclusion were not being consistently implemented, thereby leading to unpredictable outcomes. The amendments, if adopted as proposed, would address these concerns by ensuring a clearer framework for the rule's application.

Important means of engagement

We support the changes and stated our position by taking part in the SEC's public consultation on the issue. We view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots, with the aim of instilling corporate governance reform.

It is worth noting that the shareholder proposal process is currently under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 against a car manufacturer will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, the inability of shareholders to propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues to draw significant criticism. Against this backdrop, the US model is widely perceived as striking a balance between protecting issuers from being swamped by frivolous proposals, and in facilitating shareholder suffrage.

3. Link between pay and performance

In 2022, the SEC introduced the most substantial change to US executive compensation rules since 2006 – the adoption of the Pay Versus Performance Disclosure Requirements. The new rules

> *"Compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues.*
>
> Diana Trif

require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

This information will supplement the compensation discussion and analysis disclosures and must include a new measure: the 'executive compensation actually paid'. This figure must be calculated based on a prescribed formula and represents total compensation as reported in the summary compensation table, but adjusted to reflect changes in the value of stock awards and pension benefits.

Having appropriate remuneration
Both in our engagement and voting , we place great emphasis on whether companies have an appropriate remuneration program for executives. This is because we believe that a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behavior and achievements of executives.

Hence, we welcome the new rules, as they will aid investors in their evaluation of companies' remuneration policies and practices. In addition, the new disclosure requirements will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

4. The long-awaited clawback rule

The SEC's adoption of new rules implementing the clawback provisions of the Dodd-Frank Act was another noteworthy improvement. The rules direct national securities exchanges to adopt listing standards requiring issuers to adopt and apply a written clawback policy, and to meet related reporting obligations.

The clawback policy must provide for the recoupment, upon either a 'big R' or a 'little r' accounting restatement, of incentive-based compensation received by current or former executive officers, based on erroneously reported financial information. The policy must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring registrants to provide detailed disclosure regarding actions to recover erroneously awarded compensation.

Enhancing transparency
We support the new rules as they will strengthen a board's accountability to shareholders and enhance the transparency of companies' disclosures. Notably however, some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment, given that the new rules solely cover compensation tied to the achievement of a financial reporting measure.

We are strong proponents of pay-for-performance and consider that a significant portion of the executives' pay should be linked to the achievement of relevant objectives that are aligned with the firm's long-term strategy. Hence, we will oppose any changes which we assess would weaken the alignment between pay and performance.

5. Climate disclosure amidst ESG backlash

Finally, in 2022, the SEC proposed new climate-related disclosure requirements for registrants in an effort to "provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and (…) provide consistent and clear reporting obligations for issuers".

Under the new rules, companies would be required to provide disclosure on, *inter alia*, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures.

We expressed our support for the proposed rules in our response to the SEC consultation and consider that the new requirements will provide investors with climate-related information that is essential for appropriately pricing climate risks.

A driver of change
Moreover, we view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk, and to evaluate whether their board members display sufficient climate-related expertise.

While the climate rule faces notable resistance given the growing US debate over sustainable investing and what critics refer to as 'woke capitalism', we strongly believe that the adoption of the rules will benefit investors and issuers alike.

The new regulations will require companies to step up their efforts by enhancing their disclosure, policies and practices. Achieving compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues material to their business.

LABOR PRACTICES IN A POST COVID-19 WORLD

The forgotten everyday hero

Claire Ahlborn – Engagement specialist

Low wages, missing sick pay, and still a smile on their faces. The pandemic highlighted deep flaws in the global labor market, yet the struggles of the 'everyday heroes' who continued to deliver essential services throughout the crisis seem quickly forgotten. Reflecting on the first one and a half years of our engagement on labor practices in a post Covid-19 world, we see companies struggling to balance robust labor practices with going back to business as usual.

Engagement summary

7 companies, 3 companies show positive progress on 'Wages and benefits'

It has been three years since the World Health Organization declared the coronavirus outbreak a global pandemic, halting international travel, triggering global supply shortages, and leaving many people confined to their homes. The pandemic put frontline workers and their labor conditions at the center of public attention, from widespread furloughs across the closed hospitality sector, to unprecedented pressure on frontline workers, from medical staff to supermarket employees.

In many cases, the labor issues that surfaced were an amplification of existing, yet often hidden industry characteristics, from seasonal demand spikes at hotels and low wages at food retailers, to unprotected worker contracts within the online food delivery sector. While the world seems to have moved on from the pandemic fright, the aftermath of the global lockdown and the labor issues they highlighted continue to mark low-wage earners' lives, especially as costs of living are rising.

In 2021, we launched our engagement on 'Labor practices in a post Covid-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, we began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labor risks highlighted throughout the times of crisis.

Business case for happy staff

As economies opened up, companies started to recognize the operational advantages of maintaining strong worker relationships, especially in labor-intensive and service-oriented industries. Investing in human capital, employee growth and worker satisfaction can have a positive impact on corporate performance. Worker loyalty and readiness can strengthen not only corporate resilience to external shocks, but also reduce long-term costs such as staff turnover, training and health-related costs. With the service sector having let go of millions of workers, the reopening of the economy has triggered fierce competition for workers, giving a head start to employers with strong labor practices and a good reputation.

However, current accounting rules continue to consider wages to be a cost on the corporate balance sheet, which they should minimize, rather than an investment.

Online food delivery: the public policy race

Since 2020, the online food delivery sector has grown threefold, having been the only route for many restaurants to overcome the lockdowns, for people to receive groceries, and for furloughed workers to make ends meet. However, the pandemic also highlighted core risks across this innovative, app-based employment model, from missing sick pay and not being paid while waiting for orders, to their high dependency on algorithms defining delivery routes, pressures and wages.

Nevertheless, many countries recognize the enormous economic and social potential of the gig sector and are starting to (semi-)formalize it, creating structures to appropriately allocate responsibilities. The Chinese government, for instance, has started to stipulate minimum accident protections for online food delivery workers, and is seeking ways to hold employers accountable for their working conditions. Meanwhile, Europe's rapidly advancing Directive on Platform Work sets forward clear rules to define not just gig workers' employment status, but also concrete requirements for algorithmic management.

To ensure their business model remains viable, companies need to engage with workers and policy makers on developing mutually sustainable employment models. While at the core of many companies' labor strategies, our engagements highlighted how lobbying activities are lacking transparency and safeguards ensuring compliance with core labor rights. Beyond relying on regulation, we furthermore encouraged companies to find ways to proactively fill existing gaps. As such, first gig companies have started conducting fair pay assessments and setting up health insurance partnerships for delivery riders.

Hotels: franchising labor practices

The recent trend across the hotel sector in shifting to an asset-light model and thus leaving the actual ownership and management of hotels to third parties

> "*Companies need to assume responsibility, start seeing workers as an asset, and embed responsible labor practices within core business structures, from risk management to contracting clauses.*
>
> Claire Ahlborn

creates similar challenges around oversight and accountability. As competition laws in many countries prohibit hotel brands from imposing minimum labor requirements or gathering employee information from their franchisees or their sub-contractors, such as data regarding their cleaning or security staff, ensuring responsible labor practices on the ground becomes a legal minefield.

Our engagements focus on how hotel brands can overcome this legislative limitation, encouraging them to set up incentive systems, engage franchisees and, where allowed, conduct social audits. Yet, proactive assumption of responsibility, concrete awareness of labor risks on the ground, and the embedding of responsible labor practices in franchising contracts remains limited, despite the main brands' high reputational risks.

Supermarkets: paying for inflation

Despite having a more centralized employment model, the food retail sector is feeling the realities of the post Covid-19 world probably the most. Supermarkets are battling with soaring food prices and falling demand, as inflation and energy shortages are defining our economy, and as consumers are free to eat out instead.

Inflated prices impact not only supermarket customers, but also their employees, highlighting the living wage gap that exists across the sector. In the UK, for instance, the Living Wage Foundation found that 45% of supermarket employees earned below living wages in 2020. As a response, in 2021 the shareholder advocacy group, ShareAction, filed the first-ever shareholder proposal in the UK calling upon British supermarket Sainsbury's to commit to paying a living wage to all its workers. Although it wasn't passed at the AGM, the resolution put forward a template for other investors to tackle living wages across the food retail sector.

Across sectors, the search for economic efficiency has created a complex and fissured labor market, often leaving responsibilities and costs with those who are the most vulnerable. Companies need to assume responsibility, start seeing workers as an asset, and embed responsible labor practices within core business structures, from risk management to contracting clauses.

CASE STUDY

WALMART

US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages.

Our dialogue has been focused on the company conducting a living wage assessment and adapting minimum wages appropriately.

Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus payouts in hourly pay instead of quarterly payouts, as well as raised minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

Companies under engagement in 2023

ENVIRONMENT

Biodiversity
Archer-Daniels-Midland Co
Axfood AB
Barry Callebaut AG
Bridgestone Corp
Bunge Ltd
Cie Generale des Etablissements Michelin SCA
Cranswick PLC
Hershey Co/The
JBS S/A
Leroy Seafood Group ASA
Marfrig Global Foods SA
Mondelez International Inc
Ryohin Keikaku Co Ltd
Sappi Ltd
Suzano SA
Top Glove Corp Bhd
Unilever PLC
VF Corp

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group Ltd
Bank of America Corp
Barclays PLC
BNP Paribas SA
Citigroup Inc
DBS Group Holdings Ltd
HSBC Holdings PLC
ING Groep NV
JPMorgan Chase & Co
Sumitomo Mitsui Financial Group Inc

Lifecycle Management of Mining
Anglo American PLC
Barrick Gold Corp
BHP Group Ltd
First Quantum Minerals Ltd

Natural Resource Management
Ambev SA
Callon Petroleum Co
CF Industries Holdings Inc
Continental Resources Inc/OK
Diageo PLC
OCI NV
PepsiCo Inc
Sappi Ltd
Severn Trent PLC
Tronox Holdings PLC
United Utilities Group PLC

Net Zero Carbon Emissions
Anglo American PLC
ArcelorMittal SA
Berkshire Hathaway Inc
BHP Group Ltd
BlueScope Steel Ltd
BP PLC
CEZ AS
Chevron Corp
China National Building Material Co Ltd
CRH PLC
Ecopetrol SA
Enel SpA
Exxon Mobil Corp
HeidelbergCement AG
Hyundai Motor Co
JFE Holdings Inc
LyondellBasell Industries NV
Marathon Petroleum Corp
Petroleo Brasileiro SA
Phillips 66
PTT Exploration & Production PCL
Rio Tinto PLC
Saudi Arabian Oil Co
Shell PLC
Valero Energy Corp
Vistra Corp
WEC Energy Group Inc

Sound Environmental Management
Alexandria Real Estate Equities Inc
Guangdong Investment Ltd
Hangzhou First Applied Material Co Ltd
LONGi Green Energy Technology Co Ltd

SOCIAL

Diversity and Inclusion
Eli Lilly & Co
Netflix Inc
Oracle Corp
Taiwan Semiconductor Manufacturing Co Ltd
Thermo Fisher Scientific Inc

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Bharat Electronics Ltd
Booking Holdings Inc
Cemex SAB de CV
Fast Retailing Co Ltd
HeidelbergCement AG
Industria de Diseno Textil SA
PTT Exploration & Production PCL
Sinotruk Hong Kong Ltd
SolarEdge Technologies Inc
Wacker Chemie AG

Labor Practices in a Post Covid-19 World
Accor SA
Delivery Hero SE
InterContinental Hotels Group PLC
Marriott International Inc/MD
Meituan
Uber Technologies Inc
Walmart Inc

Social Impact of Gaming
Activision Blizzard Inc
NCSoft Corp
NetEase Inc
Take-Two Interactive Software Inc
Tencent Holdings Ltd

Sound Social Management
Bayerische Motoren Werke AG
Post Holdings Inc
Tencent Holdings Ltd
Tesco PLC

GOVERNANCE

Corporate Governance in Emerging Markets
CCR SA
Cosan SA
Coway Co Ltd
CPFL Energia SA
ENN Energy Holdings Ltd
Haier Smart Home Co Ltd
Hyundai Motor Co
Midea Group Co Ltd
Samsung Electronics Co Ltd

Corporate Governance Standards in Asia
Inpex Corp
Resonac Holdings Corp
Rohm Co Ltd
Shin-Etsu Chemical Co Ltd
SK Hynix Inc

Good Governance
Adyen NV
Arcadis NV
Heineken Holding NV
Koninklijke Ahold Delhaize NV
Koninklijke DSM NV
Signify NV
Unilever PLC

xxxxxxxx
Airbus SE
Boeing Co/The
Cheniere Energy Inc
Deutsche Bank AG
Hana Financial Group Inc
Morgan Stanley
NextEra Energy Inc
Prysmian SpA
Wells Fargo & Co

Responsible Executive Remuneration
Aspen Technology Inc
Booking Holdings Inc
Henkel AG & Co KGaA
Linde PLC/old
NIKE Inc
Schneider Electric SE
Tesco PLC
WALT DISNEY CO/THE
Wolters Kluwer NV

VOTING RELATED ENGAGEMENTS

AGM Engagement 2023
Airbus SE
Boeing Co/The
Cheniere Energy Inc
Deutsche Bank AG
Hana Financial Group Inc
Morgan Stanley
NextEra Energy Inc
Prysmian SpA
Wells Fargo & Co

SDGS

SDG Engagement
Adobe Inc
Alphabet Inc
Amazon.com Inc
Amgen Inc
Apple Inc
Banco BTG Pactual S.A
Bank of Montreal
Capital One Financial Corp
CBRE Group Inc
CCR SA
Deutsche Boerse AG
eBay Inc
Elanco Animal Health Inc
Electronic Arts Inc
Elevance Health Inc
F5 Inc
Grupo Bimbo SAB de CV
Jeronimo Martins SGPS SA
L'Oreal SA
Meta Platforms Inc
Mr Price Group Ltd
Nasdaq Inc
Neste Oyj
Novartis AG
OTP Bank Nyrt
Rio Tinto PLC
Salesforce Inc
Salmar ASA
Samsung Electronics Co Ltd
Sandvik AB
Sony Group Corp
STMicroelectronics NV
TotalEnergies SE
Union Pacific Corp
United Parcel Service Inc
Volvo AB

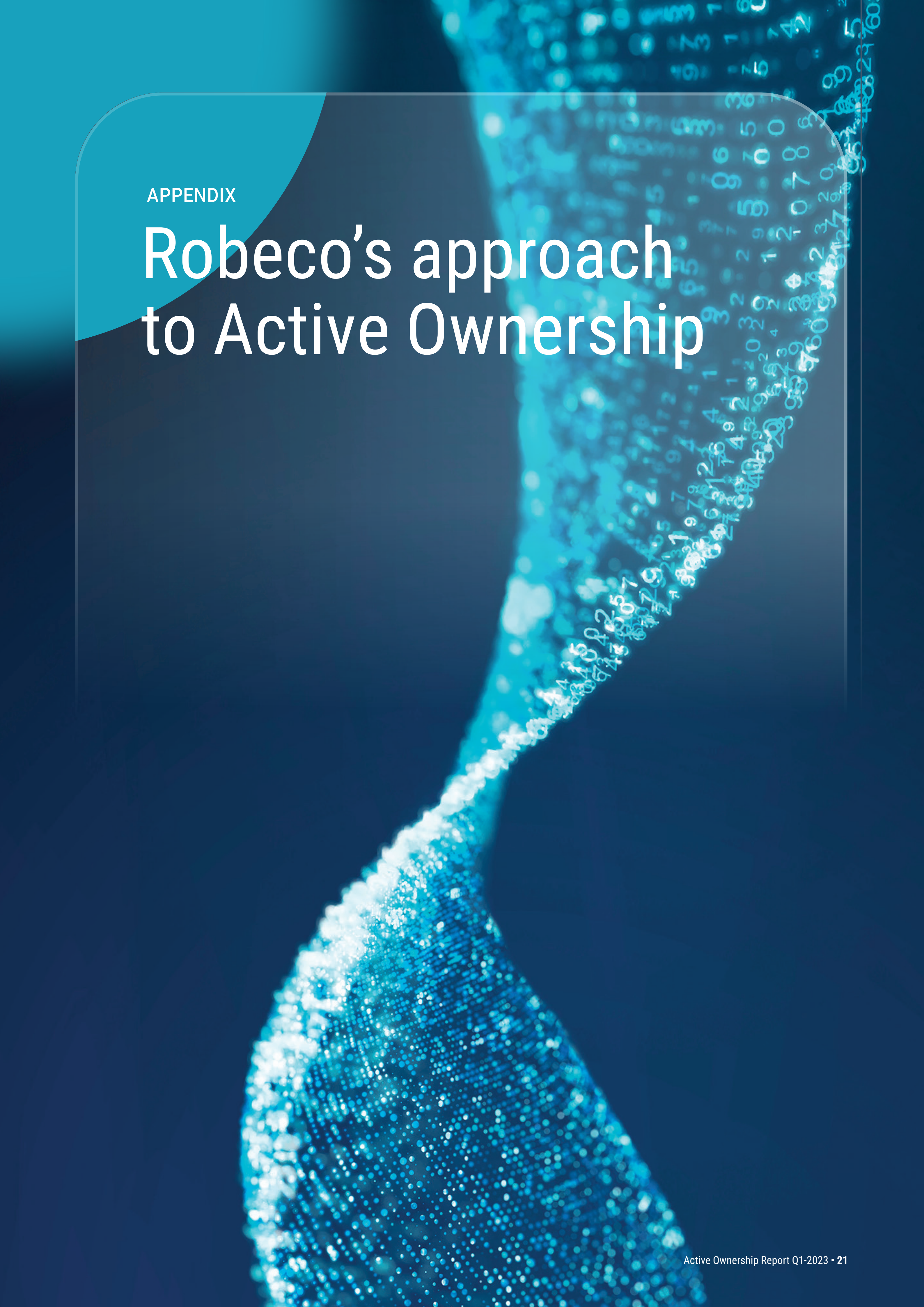
Global Controversy Engagement
Acceleration to Paris
African Rainbow Minerals Ltd
Anhui Conch Cement Co Ltd
Caterpillar Inc
Formosa Plastics Corp
ITOCHU Corp
Marubeni Corp
Mitsubishi Corp
Mitsui & Co Ltd
Nippon Steel Corp
POSCO Holdings Inc
SAIC Motor Corp Ltd
Sumitomo Corp
Toyota Industries Corp
WH Group Ltd

Palm Oil
MP Evans Group PLC
REA Holdings PLC
Wilmar International Ltd

Global Controversy Engagement
Currently, 9 companies are under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

APPENDIX

Robeco’s approach to Active Ownership



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 three different types of corporate engagement with the companies in which we invest;

Value engagement

a proactive engagement approach focusing on long-term environmental, social or corporate governance issues that are financially material or are causing adverse sustainability impacts. Engagements typically last for three years, after which progress against initially set objectives are evaluated, with unsuccessful closures being communicated to clients and investment teams but no divestment decision to follow.

Voting Related AGM engagement: Voting at the Annual General Meetings (AGM) of shareholders offers shareholders the opportunity to provide direct feedback to a company - either in advance or after a company's AGM. These dialogues are not recurring long-term engagements, but unique opportunities to amplify the impact of our voting decisions. Corporate governance as well as other sustainability topics that may arise during a shareholder meeting are covered under this section, if they are not covered in other parts of the engagement program.

SDG engagement

a proactive engagement approach focusing on driving clear and measurables improvements in a company's contribution to one or multiple of the Sustainable Development Goals. The engagement, lasting for three to five years, has its starting point within Robeco's SDG framework, identifying companies with the potential to meet key societal needs and works with timebound milestones to fulfil this potential.

Enhanced engagement

a reactive engagement approach, focusing on companies that severely and structurally breach minimum behavioral norms in areas such as human rights, labor, environment, biodiversity and business ethics, as defined by the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises. If after two to three years, the enhanced engagement does not lead to the desired change, exclusion from the investment universe may be a potential option. Clients may use their own discretion on whether to exclude a company from their investment universe. In all three 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.

More information on our engagement policy is available here: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

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/en-int/sustainable-investing/influence.

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 CO_2 emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

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

ROBECO

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

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

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

Important information

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