

ENGAGEMENT REPORT

Statements, votes, dialogues

The SfC - Shareholders for Change
network's activities in the AGM
Season 2019



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SHAREHOLDERS
for **CHANGE**

OVER 70 ENGAGEMENT PROJECTS AT SfC

“We are proud to be part of the change we want to see in corporations”

SfC - Shareholders for Change, our European shareholder engagement network just celebrated its second anniversary with four new members: the Swiss Ethos Foundation, the Friends Provident Foundation (UK), the asset management company Forma Futura, from Zurich, and the Swiss ethical bank ABS. Now there are 11 of us and together we manage assets of around 25 billion euros. We invest this money according to precise social and environmental criteria.

We don't just strive for good returns, we also want to improve the behaviour of companies of which we hold shares and bonds. That's why we send them letters with specific questions, attend annual general meetings and meet with managers. In short, we do “shareholder engagement”.

Thanks to SfC, we are now engaging companies at European level, joining efforts to push them towards more sustainable production models, less aggressive tax strategies and future-oriented projects. If a company does not invest in its own future, its returns will decline over time, a result best avoided by even the most avid financial speculators.

In order to act as engaged investors, however, we also need to know what questions to ask companies. That's why, every year, our network is committed to publish new research on potential controversies in which some companies or entire sectors may be involved.

We have already published two such researches: one on the tax strategies and transparency of telecommunications companies and one on ESG issues in the supply chain of

Aurélie Baudhuin

President of SfC - Shareholders
for Change



**SfC has
11 members, with
a total of €25bn
AUM. In 2019,
it engaged with
74 companies,
mainly in Europe**

rare metals, which are the essential raw materials for the transition to clean energy sources. On the basis of this research, seven engagement initiatives have already been launched and will continue in 2020. In all, thanks to SfC, we have engaged with 74 companies and two sovereign institutions so far, criticising them when we have detected serious issues and praising them if we have observed changes that, in our opinion, go in the right direction. Because corporations are living institutions, in which investors, managers, employees, customers and stakeholders challenge the status quo in their own transgressive ways. It is only through this systematic challenge that companies remain lively and continue functioning¹. We are proud to be part of this challenge.

¹ Fleming, P. and A. Spicer (2007), *Contesting the corporation. Struggle, power and resistance in organisations*. Cambridge: Cambridge University Press.

WHAT IS SfC - SHAREHOLDERS FOR CHANGE?

SfC - Shareholders for Change is a network for shareholder engagement dedicated to institutional investors.

It was launched on 6 December 2017.

Its 11 members manages assets for a total of €25bn:

Founding members

- Bank für Kirche und Caritas eG (BKC, Germany)
- Ecofi Investissements, Groupe Crédit Coopératif (France)
- Etica Sgr, Gruppo Banca Etica (Italy)
- Fair-Finance Vorsorgekasse (Austria)
- Fondazione Finanza Etica (FFE, Italy)
- Fundación Finanzas Éticas (Spain)
- Meeschaert Asset Management (France)

Ordinary members

- ABS - Alternative Bank Schweiz (Switzerland)
- Ethos Foundation (Switzerland)
- Forma Futura Invest (Switzerland)
- Friends Provident Foundation (UK)

The Shareholders for Change network is involved in active ownership through engagement, mainly with European corporations, to enhance a social commons agenda through the public capital markets, as bond- and shareholders.

The network's first goal is to organise collaborative participation in European companies' Annual General Meetings (AGMs) as well as coordinated voting or submission of questions to their boards and managements related to issues such as:

- workers' rights and human rights;
- fiscal practices and tax justice;
- CO₂ emissions and climate change.

**SfC is a network
for shareholder
engagement
dedicated
to institutional
investors**

Companies and institutions are engaged through AGM statements, letters, meetings and shareholder proposals

Besides the participation in AGMs, the dialogue with companies and policymakers through the submission of letters or the coordination of meetings and calls, is also of utmost importance.

The SfC network publishes a newsletter, Action!, which updates all members and interested parties about its activities. Anyone can subscribe to the newsletter on SfC website: <https://www.shareholdersforchange.eu/newsletter/>

WHAT WE MEAN WHEN WE TALK ABOUT “ENGAGEMENT”?

We mean active ownership through engagement as bond- and shareholders. Owning shares or bonds in a company enables investors to raise environmental, social and corporate governance issues with corporate management. SfC – Shareholders for Change does this by voting and making statements at companies’ AGMs, co-filing shareholders proposals (also called resolutions), sending letters to companies and organising meetings with their management.

- SfC members adopt two different styles of engagement:
- Shareholder activism: engagement with companies that, normally, are already part of an investing universe selected according to ESG criteria;
 - Critical shareholding: engagement with companies that are targeted by NGOs’ campaigns or are allegedly involved in serious environmental or social controversies and are normally not part of an investing universe. This approach is often implemented in cooperation with NGOs.

OVERVIEW OF SfC - SHAREHOLDERS FOR CHANGE ENGAGEMENT IN 2019

Lead member**	Companies/Institutions	Cooperation	Actions
Bank für Kirche und Caritas (Germany)	DZ Bank Rheinmetall* Deutsche Telekom Plenum Investment European Commission	All actions on behalf of SfC; Closer cooperation with single SfC members on some projects (Fondazione Finanza Etica, Etica Sgr).	Letters, statement at AGM, Conference calls, meetings.

Lead member**	Companies/ Institutions	Cooperation	Actions
Ecofi Investissements (France)	Daimler Total Royal Bank of Canada Renault Orange Telecom Italia	All actions on behalf of SfC; Closer cooperation with single SfC members on some projects (Fondazione Finanza Etica, Etica Sgr, Bank für Kirche und Caritas, Ethos Foundation, Friends Provident Foundation, Forma Futura Invest, ABS).	Letters.
Etica Sgr (Italy)	Carrefour Snam A2A Brembo Buzzi Unicem Davide Campari DiaSorin Erg Hera Italgas Prysmian SOL Terna Vestas	All actions on behalf of SfC; Closer cooperation with single SfC members on some projects (Ecofi Investissements).	Statements at AGMs, letters and meetings.
Fair-Finance (Austria)	Veolia Environnement RCI Banque Marine Harvest Sony Tesla 3i Group Beiersdorf PSA Renault Danone	All actions on behalf of SfC.	Letters.
Fondazione Finanza Etica (Italy)	Generali H&M Eni Enel Rheinmetall* Acea*	All actions on behalf of SfC. Closer cooperation with single SfC members on some projects (Meeschaert Asset Management, Bank für Kirche und Caritas, Ecofi Investissements, Friends Provident Foundation, Fundación Finanzas Éticas, Forma Futura Invest).	Statements at AGM, submission of questions before the AGM, submission of shareholder proposal, conference calls.

Lead member**	Companies/ Institutions	Cooperation	Actions
Fundación Finanzas Éticas (Spain)	Inditex Endesa* Indra* Iberdrola	All actions on behalf of SfC. Closer coooperation with single SfC members on some projects (Ecofi Investissements, Fondazione Finanza Etica).	Statements at AGM, conference calls, letter, meeting with management.
Meeschaert Asset Management (France)	Engie Orange H&M	All actions on behalf of SfC. Closer coooperation with single SfC members on some projects (Fondazione Finanza Etica).	Submission of questions before the AGM, statement at AGM, letters, submission of shareholder proposal.
Ethos Foundation (Switzerland)	Swiss policy makers Alphabet (Google) Amazon Apple Facebook McDonald's Starbucks	All actions on behalf of SfC.	Letters.
Forma Futura Invest (Switzerland)	ABB Cognizant HPE Nike PSA Sanofi Toyota Motors Infosys Procter & Gamble UPM-Kymmene Umicore Stora Enso Red Electrica Amgen Oracle Danone KfW Suez	All actions on behalf of SfC. Closer coooperation with single SfC members on some projects (Fair-Finance, Ecofi Investissements, Friends Provident Foundation, ABS, Etica Sgr, Bank für Kirche und Caritas).	Letters, conference calls.
Friends Provident Foundation (UK)	Drax EDF Centrica RWE E.On Scottish Power/Iberdrola SSE Vodafone	All actions on behalf of SfC. Closer coooperation with single SfC members on some projects (Ecofi Investissements, Ethos Foundation).	Letters, meetings.

* Critical shareholding was adopted only with Acea, Rheinmetall, Endesa and Indra. All other companies have been engaged through shareholder activism.

** The lead member of an engagement process is the one that launches the idea of the engagement and is responsible for its implementation and follow-up. In some cases, such as Rheinmetall and H&M in 2019, there may be more than one lead.

1. ENGAGEMENT ACTIVITIES IN 2019. BREAKDOWN BY SINGLE LEAD SfC MEMBER

Lead: Bank für Kirche und Caritas, Paderborn, Germany

Company	Lead	Actions	Issue	Result	Status
DZ BANK AG (banks, Germany)	BKC (Bank für Kirche und Caritas)	Letter Cooperative engagement with SfC members and other church banks.	There is no evidence of a comprehensive climate strategy for the DZ Bank Group. Additionally, the company should implement and publish clear guidelines to exclude all loans and investment activities with companies that are involved in the production of nuclear weapons.	Despite DZ BANK took the first steps to decline further project financing of carbon power plants, a comprehensive climate strategy is not published. Enhanced sector guidelines for loans and investments are not available yet.	First results have been achieved, but the engagement process is still ongoing.
European Commission (sovereign/ institution)	BKC	Letter cooperative engagement together with SfC members and other players in the sustainable investment sector.	The action plan on the financing of sustainable growth is very welcomed but there is still room for improvement. By tackling eight identified points of action the EU could improve the action plan.	Since the proposed legislation hasn't been approved yet, the result of the engagement is still not clear.	We will continue engaging the legislator on a national and European level to foster sustainable investments.
Rheinmetall AG (industrial conglomerates - defence, Germany)	BKC/ Fondazione Finanza Etica (co-lead)	Statement at AGM on 28.05.2019	Through the subsidiary RWM Italia, Rheinmetall is producing and exporting bombs to Saudi Arabia. Saudi Arabia uses these bombs in the Yemen war, which is fought without any kind of international legitimization, in which thousands of civilians already died.	Rheinmetall is not open to dialogue. In July 2019, following the pressure from civil society organisations and sustainable investors, the Italian government suspended the allowances to export weapons to Saudi Arabia for 18 months. In reaction to that decision, Rheinmetall suspended its production of bombs at RWM Italia.	The expected result has been achieved, though indirectly (through the intervention of the Italian government). The engagement process has been successfully completed.

Company	Lead	Actions	Issue	Result	Status
Deutsche Telekom AG (telecommunication, Germany)	BKC (in cooperation with SfC members Etica Sgr and Fondazione Finanza Etica).	Letter Conference call.	The SfC report “Bad Connection” evidenced shortcomings of Deutsche Telekom on tax transparency.	Deutsche Telekom was very open to dialogue. They explained that subsidiaries in jurisdictions granting tax advantages are not used for aggressive tax avoidance purposes. Even if Deutsche Telekom has taken measures to avoid the risk of tax avoidance, the company is not yet willing to do extensive country by country reporting (cbr).	The engagement targets have been partly achieved. Cbr will remain as an engagement issue, which will be pursued by SfC in the telecommunication sector.
Plenum Investment AG (investment fund, Germany)	BKC	Letters Meetings.	Although catastrophe (CAT) bonds could be a vehicle to tackle the effects of climate change related weather catastrophes, there is very little transparency concerning insurances on climate protection in the CAT bond contract.	Plenum is very open to dialogue and set up a sustainability audit as well as an engagement process with the main CAT bond sponsors, i.e. reinsurance companies.	The expected results have been achieved. The engagement process will, however, continue to strengthen the engagement with the CAT bond sponsors.

Lead: Ecofi Investissements, Paris, France

Company	Lead	Actions	Issue	Result	Status
Daimler (automotive, Germany)	Ecofi Investissements.	Letter to the company.	Respect of human rights in the cobalt supply chain. Pollution (diesel). Alleged discrimination and coercion in Brazilian factory. Transition to clean technology.	Ecofi has received satisfactory answers on all issues in 2018.	The engagement process has been successfully completed.

Company	Lead	Actions	Issue	Result	Status
Total (Oil & gas, France)	Ecofi Investissements (in collaboration with SFC members Ethos Foundation and Friends Provident Foundation).	Meeting with the management. Letter to the company.	Negative impact on biodiversity. Alleged controversies in relations with local communities. Poor climate strategy. Remuneration policy.	Ecofi received partial answers about the main issues and will continue to engage Total on its climate strategy and alleged involvement in controversies (local communities, biodiversity).	The engagement is still ongoing.
Royal Bank of Canada (financial, Canada)	Ecofi Investissements (in collaboration with Bank für Kirche und Caritas).	Meeting with the management. Letter to the company.	Financing of controversial weapons and extreme fossils fuels (e.g. oil sands). Controversial project financing. Fiscal responsibility.	The company is open to dialogue. A call with the company will be held by the end of 2020.	The engagement is still ongoing.
Renault (automotive, France)	Ecofi Investissements (in collaboration with SFC members Bank für Kirche und Caritas and Forma Futura).	Letter to the company.	Respect of human rights in the cobalt supply chain. Recycling of batteries (electric cars). Governance practices.	The company is open to dialogue. A call with the company will be held by the end of 2020.	The engagement is still ongoing.
Orange (telecommunication, France)	Ecofi Investissements (in collaboration with SFC members ABS and Etica Sgr).	Letter to the company.	Alleged anti-competitive practices. Alleged controversies in the relation with customers in Africa and Poland. Anomalous number of suicides in the restructuring process, back in 2008.	Ecofi received partial answers about the main issues.	The engagement is still ongoing.
Telecom Italia (telecommunication, Italy)	Ecofi Investissements.	Letter to the company.	The SFC report "Bad Connection" evidenced shortcomings of Telecom Italia on tax transparency.	The company is open to dialogue and answered to Ecofi. The answers will be evaluated in cooperation with an expert of international taxation and new questions will be sent to the company.	Ongoing.

Lead: Etica Sgr, Milan, Italy

Company	Lead	Actions	Issue	Result	Status
Carrefour (food retail and distribution, France)	Etica Sgr	Meetings with company	Emissions management (mitigation); Workers rights; Human rights in the supply chain; Tax policy.	The company is open to dialogue and active on the issues, sometimes with examples of actions undertaken.	Ongoing.
Snam (natural gas infrastructure, Italy)	Etica Sgr (in cooperation with SFC member Ecofi Investissements)	Meeting with company AGM Statement 2.04.2019	Emissions management (mitigation); Workers rights; Human rights in the supply chain; Tax policy.	The company is open to dialogue and active on the issues, with examples of actions undertaken.	Ongoing.
A2A (utility, Italy)	Etica Sgr	AGM statement 13.05.2019	Emissions management (mitigation).	The company is open to dialogue and active on the issues, sometimes with examples of actions undertaken.	Ongoing.
Brembo (automotive, Italy)	Etica Sgr	AGM statement 18.04.2019	Emissions management (mitigation), Tax Policy, Tax governance and risk management.	The company is open to dialogue and active on the issues, sometimes with examples of actions undertaken.	Ongoing.
Buzzi Unicem (construction materials, Italy)	Etica Sgr	AGM Statement 09.05.2019	Emissions management (mitigation).	The company is open to dialogue and it is developing policies on some of the issues.	Ongoing.
Davide Campari (Distilleries and Wineries, Italy)	Etica Sgr	AGM Statement 16.04.2019	Emissions management (mitigation).	Etica is waiting for company feedback on the issues.	Ongoing.
DiaSorin (biotechnologies, Italy)	Etica Sgr	AGM Statement 24.04.2019	Emissions management (mitigation), Workers rights, Human rights in the supply chain.	Etica is waiting for company feedback on the issues.	Ongoing.
Erg (renewable energies, Italy)	Etica Sgr	AGM Statement 17.04.2019	Emissions management (mitigation), Workers rights, Human rights in the supply chain.	The company is open to dialogue and it has policies on some of the issues.	Ongoing.

Company	Lead	Actions	Issue	Result	Status
HERA (utility, Italy)	Etica Sgr	AGM Statement 30.04.2019	Emissions management (mitigation), Workers rights, Human rights in the supply chain.	The company is open to dialogue and active on the issues, sometimes with examples of actions undertaken.	Ongoing.
Italgas (gas distribution, Italy)	Etica Sgr	AGM Statement 4.04.2019	Emissions management (mitigation), Workers rights.	The company is open to dialogue and active on the issues, sometimes with examples of actions undertaken.	Ongoing.
Prysmian (cables, Italy)	Etica Sgr	AGM Statement 5.06.2019	Emissions management (mitigation), Workers rights.	Etica is waiting for company feedback on the issues.	Ongoing.
SOL (industrial gases, Italy)	Etica Sgr	AGM Statement 10.05.2019	Emissions management (mitigation), Workers rights.	Etica is waiting for company feedback on the issues.	Ongoing.
Terna (energy grid operator, Italy)	Etica Sgr	AGM Statement 8.05.2019	Emissions management (mitigation), Workers rights.	The company is open to dialogue and active on the issues, with examples of actions undertaken.	Ongoing.
Vestas (wind turbines, Denmark)	Etica Sgr	Letter to the company.	The SFC report "Rare metals supply chains" evidenced possible risks in the sourcing of rare metals.	The company has answered to the letter in December 2019.	Ongoing.

Lead: Fair-Finance, Vienna, Austria

Company	Lead	Actions	Issue	Result	Status
Veolia Environnement SA (utility, France)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No evidence could be found.	The engagement has been completed.
RCI Banque SA (finance, France)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.

Company	Lead	Actions	Issue	Result	Status
Marine Harvest ASA (today MOWI, food, Norway)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
Sony Corp. (electronics, Japan)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
Tesla Inc. (automotive, USA)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
3i Group plc (holding, UK)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
Beiersdorf (personal-care products, Germany)	Fair-Finance	Letter to the company.	Alleged human rights violations.	Controversial advertising has been withdrawn.	The engagement has been completed.
PSA (automotive, France)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
Renault (automotive, France)	Fair-Finance	Letter to the company.	Alleged human rights violations.	No answer yet.	Ongoing.
Danone (food, France)	Fair-Finance	Letter to the company.	Alleged human rights violations.	The company has recognised the problem and remediated the situation.	The engagement has been completed.

Lead: Fondazione Finanza Etica, Florence, Italy

Company	Lead	Actions	Issue	Result	Status
Generali (insurance, Italy)	Fondazione Finanza Etica (in cooperation with SfC member Meeschaert Asset Management. Joint vote on some AGM items)	AGM statement 7.05.2019 Letter to the company	Questions on General account's investments in fossil fuels and controversial weapons and on remuneration policy.	Generali was open to dialogue and answered all questions on General account's investments. The dialogue on remuneration needs to be continued.	Ongoing.

Company	Lead	Actions	Issue	Result	Status
H&M (clothing, Sweden)	Fondazione Finanza Etica/Meeschaert Asset Management (co-lead). Cooperation with SFC member Forma Futura Invest.	AGM Statement 7.05.2019 Submission of shareholder proposal Call with the company's management.	Lack of transparency regarding the sustainability targets for variable remuneration of senior executives.	The shareholder proposal has been rejected. The company is still not disclosing sustainability targets for remuneration.	Ongoing. A further call has been scheduled.
Eni (oil & gas, Italy)	Fondazione Finanza Etica (in cooperation with SFC members Meeschaert Asset Management and Ecofi Investissements. Joint vote on some AGM items)	AGM Statement 14.05.2019	Questions on the company's investments in renewable energies and reforestation projects in Africa. Questions on remuneration policy.	The company's answers were not satisfactory. Details on reforestation projects are missing. The dialogue on remuneration needs to be continued.	Ongoing.
Enel (energy, Italy)	Fondazione Finanza Etica (in cooperation with SFC members Ecofi Investissements and Fundación Finanzas Éticas. Joint vote – with Ecofi Investissements – on some AGM issues). Questions on just transition submitted before the AGM in cooperation with SFC member Friends Provident Foundation.	AGM Statement 16.05.2019	Question about the 5.8 million euros fine imposed on Endesa Generacion (controlled by Enel) in Spain for allegedly offering electricity at unjustifiably high prices. Question about remuneration plan.	The company was open to dialogue and answered all questions. The decision on the fine will be appealed. The dialogue on remuneration and just transition will be continued.	Ongoing.
Rheinmetall (defence, Germany)	Fondazione Finanza Etica/Bank für Kirche und Caritas (co-lead)	AGM Statement 28.05.2019	See above (BKC).	See above (BKC).	See above (BKC).
Accea (utility, Italy)	Fondazione Finanza Etica. Questions on just transition submitted before the AGM in cooperation with SFC member Friends Provident Foundation.	AGM Statement 17.04.2019	Transition policies towards a low-carbon economy; relations with subsidiaries in the water sector; litigations in the water sector; level of leverage.	The company's answers were not satisfactory. The engagement will continue, in particular regarding the water division.	Ongoing.

Lead: Fundación Finanzas Éticas, Barcelona, Spain

Company	Lead	Actions	Issue	Result	Status
Inditex (clothing, Spain)	Fundación Finanzas Éticas (in cooperation with SfC member Ecofi Investissements)	Meeting with the management	Tax policy (alleged tax avoidance strategies); Agreement with INDUSTRIALL union; Alleged pollution at viscose factories in Asia.	The company is open to dialogue and has answered to Fundación's questions. Further questions will be sent by the end of the year.	Ongoing.
Endesa (energy, Spain)	Fundación Finanzas Éticas	AGM Statement 15.04.2019	Fundacion asked to accelerate: - the closing down of Spanish coal-fired power stations; - the closing of nuclear power plants in Spain. A further, crucial issue was energy poverty, i.e. the lack of access to modern energy services for some part of the population, both in developing and developed countries, due to their increasing costs.	The company's answers to most questions were unsatisfactory. The engagement will continue.	Ongoing.
Indra (defence, Spain)	Fundación Finanzas Éticas	AGM Statement 24.06.2019	Indra is allegedly producing and exporting weapons employed in the Yemen war (see BKC, above).	The company was not open to dialogue and its answers were unsatisfactory.	Ongoing.
Iberdrola (energy, Spain)	Fundación Finanzas Éticas	Letter to the company.	The SfC report "Rare metals supply chains" evidenced possible risks in the sourcing of rare metals.	Fundación Finanzas Éticas is waiting for an answer to the letter.	Ongoing.

Lead: Meeschaert Asset Management, Paris, France

Company	Lead	Actions	Issue	Result	Status
Engie (utility, France)	Meeschaert Asset Management	Written questions submitted at company AGM in May 2018.	Tax policy (controversy on tax practices in Luxembourg). A tax dealing with the Luxembourg government may have given Engie an unfair advantage over other companies, in breach of EU state aid rules.	The company answered that no tax fraud had been committed by the company since the deal had been previously validated by the tax administration of Luxembourg.	The controversy has been settled in June 2018, when the European Commission defined the tax rulings as illegal. Luxembourg was then asked to recover about €120 million in unpaid tax from Engie. The engagement process has been completed due to the EU ruling.
Orange (telecommunication, France)	Meeschaert Asset Management	Letters to the company.	The SfC report “Bad Connection” evidenced shortcomings of Orange on tax transparency.	The company hasn’t answered to the letters and does not seem to be open to dialogue. The engagement will continue.	Ongoing.
H&M (clothing, Sweden)	Meeschaert Asset Management/ Fondazione Finanza Etica (co-lead) Cooperation with SfC member Futura Invest.	AGM Statement 7.05.2019 Submission of shareholder proposal. Call with the company’s management	See above (Fondazione Finanza Etica).	See above (Fondazione Finanza Etica).	See above (Fondazione Finanza Etica).

Lead: Ethos Foundation, Geneva, Switzerland

Company	Lead	Actions	Issue	Result	Status
Swiss policy makers (sovereign/institution)	Ethos Foundation	9/6/2019: letters to members of the lower house 22/9/2019: letters to members of the upper house	Switzerland's policy makers are currently debating whether or not to put forward a counter proposal for the responsible business initiative and to introduce mandatory human rights due diligence. Ethos launched an investor statement to give investors the opportunity to voice their support for a legal framework to protect human rights and to signal this investor support to Swiss policy makers.	The statement to the lower house gathered 23 signatories (including all SFC members) with a total of CHF 395 billion assets under management. The investor statement has been quoted many times during the debate in the parliament and the lower house voted in favour of introducing mandatory human rights due diligence in Switzerland. The statement to the upper house gathered 27 signatories with a total of CHF 808 billion assets. The debate in the upper house, scheduled for September 26, has been postponed.	The expected result has partly been achieved. As the upper house has not yet debated the legislation the engagement remains ongoing.
Alphabet-Google (IT, USA), Amazon (e-commerce, USA), Apple (IT, USA), Facebook (IT, USA), McDonalds (fast food, USA) and Starbucks (specialty coffee retailer, USA)	Ethos Foundation	11/11/2019: 6 kick off letters were sent to the chairmen of the boards of targeted companies	As companies with relatively few physical assets on one hand but considerable intangible assets, such as intellectual property or brands on the other hand, these six corporations are particularly exposed to risks related to aggressive tax practices. The six companies were selected based on a media analysis through RepRisk linking them to significant and recurring negative news flow around the topic of taxes.	In order to operationalise the concept of responsible tax practices, five priorities have been defined: 1. Responsibility for the tax policy rests with the board of directors; 2. The principles of tax responsibility are incorporated in a dedicated, publicly available policy; 3. The company pays its taxes where economic value is created; 4. Intra-group transactions are carried out under market conditions; 5. The company publishes the amount of taxes paid, country-by-country.	The engagement program has just been launched and is expected to take several years to be completed.

Lead: Forma Futura Invest, Zurich, Switzerland

Company	Lead	Actions	Issue	Result	Status
ABB (capital goods, CH)	Forma Futura Invest AG	Letter to the company.	Retirement plan overcharged employees and retirees for record-keeping fees.	Additional information was provided (ABB was ordered by law to take measures and implemented additional measures to improve administration).	The engagement process has been successfully closed.
Cognizant (Software & Services, USA)	Forma Futura Invest AG (cooperation with Fair-Finance Vorsorgekasse AG)	Letter to the company.	Cognizant agrees to settle bribery charges involving two former executives for USD 25 million and Uber, Cognizant, and others face scrutiny in the US over alleged corrupt practices linked to operations in India.	Additional information was provided (the investigation was started voluntarily, further enhancements to the compliance processes have been implemented).	The engagement process has been successfully closed.
HPE (Technology Hardware, USA)	Forma Futura Invest AG	Letter to the company.	Hewlett Packard Enterprise face class action suit over alleged gender pay discrimination in the US.	No answer yet.*	The engagement process has been unsuccessfully closed.
Nike (Textiles & Apparel, USA)	Forma Futura Invest AG	Letter to the company.	European Commission fine over cross-border market restrictions.	Additional information was provided (They sent the final report of the hearing officer).	The engagement process has been successfully closed.
PSA (Automobiles, France)	Forma Futura Invest AG (cooperation with Ecofi Investissements)	Letter and conference call with the company.	BMW, Daimler and others expected to be fined EUR millions for failure to meet European CO2 emission targets by 2021.	Additional information was provided via a conference call where the company explained its position.	The engagement process has been successfully closed.
Sanofi (Pharmaceuticals, France)	Forma Futura Invest AG (cooperation with Ecofi Investissements and Fair-Finance Vorsorgekasse AG)	Letter to the company.	Sanofi Pasteur's Dengvaxia drug removed permanently from Philippine market following revocation by Philippine FDA.	Additional information was provided (Mostly explaining why they are not at fault).	The engagement process has been successfully closed.
Toyota Motors (Automobiles, Japan)	Forma Futura Invest AG (cooperation with Friends Provident Foundation and Ecofi Investissements)	Letter to the company.	BMW, Daimler and others expected to be fined EUR millions for failure to meet European CO2 emission targets by 2021.	No answer yet.*	The engagement process has been unsuccessfully closed.

Company	Lead	Actions	Issue	Result	Status
Infosys (Software & Services, India)	Forma Futura Invest AG (cooperation with ABS)	Letter to the company.	Alleged human rights violations in Myanmar.	No answer yet.*	The engagement process has been unsuccessfully closed.
Procter & Gamble (Household Products, USA)	Forma Futura Invest AG	Letter to the company.	Deforestation, Plastic and product safety.	No answer yet.*	The engagement process has been unsuccessfully closed.
UPM-Kymmene Oyj (Paper & Forestry, Finland)	Forma Futura Invest AG	Letter to the company.	Contractor fatality.	The Company sent the official statement on the accident. Showing their initiative to avoid such accidents in the future.	The engagement process has been successfully closed.
Umicore (Chemicals, Belgium)	Forma Futura Invest AG (in cooperation with Ecofi Investissements, Etica Sgr, Friends Provident Foundation and ABS)	Letter to the company.	Illegal waste dumping.	The Company explained the situation without going into details.	The engagement process has been successfully closed.
Umicore (Chemicals, Belgium)	Forma Futura Invest AG	Letter to the company.	The SfC report "Rare metals supply chains" evidenced possible risks in the sourcing of rare metals.	Forma Futura Invest AG is waiting for an answer to the letter.	The engagement is ongoing.
Stora Enso (Paper & Forestry, Finland/Sweden)	Forma Futura Invest AG (in cooperation with Ecofi Investissements)	Letter to the company.	Environmental Accident: Skoghall facility leaks crude oil into the Vänern lake.	The Company explained how they handled the situation as well as how they intend to avoid such accidents in the future.	The engagement process has been successfully closed.
Red Elctrica (Utilities, Spain)	Forma Futura Invest AG (in cooperation with Ecofi Investissements, Fair-Finance Vorsorgekasse and ABS)	Letter and conference call with the company.	Environmental Accident: Spanish environmental groups criticise Red Elctrica Espanola for coolant leak into UNESCO protected site.	Additional information was provided via conference call.	The engagement process has been successfully closed.
Amgen (Pharmaceuticals, USA)	Forma Futura Invest AG	Letter to the company.	Donations to charities to boost the sales of company drugs.	No answer yet.*	The email has been sent a second time on the 12.11.2019.
Oracle (Software & Services, USA)	Forma Futura Invest AG	Letter to the company.	Underpaying minority workers in US.	Oracle does not want to provide information since the investigation is still ongoing.	The engagement process has been closed.

Company	Lead	Actions	Issue	Result	Status
Danone (Food Products, France)	Forma Futura Invest AG	Letter to the company.	Slave-like labor abuses in their supply chain.	No answer yet.*	The email has been sent a second time on the 27.11.2019.
KfW (Banks, Germany)	Forma Futura Invest AG (in cooperation with Bank für Kirche und Caritas)	Letter to the company.	KfW linked to WWF projects in Africa and Asia associated with mass rape, torture, and murder.	Additional information was provided (They mostly assure that they take the matter very seriously).	The engagement process has been successfully closed
Suez (Utilities, France)	Forma Futura Invest AG	Letter to the company.	Unfair contract terms with small businesses.	Suez responded to the second email and explained the background of the case and the precautionary steps that were taken to avoid such incidents in the future.	The engagement process has been successfully closed.

* If Forma Futura doesn't get an answer within a certain period of time, it usually sends its emails a second time. If there is still no answer, it closes the case unsuccessfully.

Lead: Friends Provident Foundation, London, UK

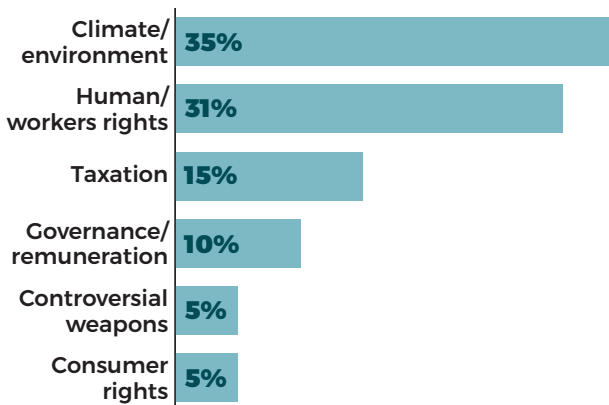
Company	Lead	Actions	Issue	Result	Status
Drax (utility, UK)	Friends Provident Foundation (FPF)	Letter to the company.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system. Drax is the UK's largest single source of GHGs. It's feedstock is high carbon biomass and it also recently acquired a portfolio of gas power stations. It is very high risk from a stranded asset and just transition perspective.	Engagement has just commenced. Drax features as a case study in the latest FPF funded Just Transition investor guidance from the London School of Economics, which is being utilised in collective engagement.	Ongoing.

Company	Lead	Actions	Issue	Result	Status
EDF (energy, France)	Friends Provident Foundation (in cooperation with Ethos Foundation & EcoFi Investissements)	Several meetings with management.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system. EDF has plans to close two UK coal plants and several aging nuclear plants in the next few years.	EDF has commenced local energy pilots working with community owned energy projects to trial 3D (decarbonised, decentralised, democratic) energy delivery. EDF has started engagement with unions regarding worker retraining and redeployment at a coal plant scheduled to close, and has committed to adhere to Just Transition principles. Has a limited net-zero emissions goal by 2050. FPF was asked to input into EDF's 2020 Sustainability Plan.	Ongoing.
Centrica (energy, UK)	Friends Provident Foundation	Meeting with management.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system.	Centrica has revisited its business strategy to focus on 3D energy transition and is exiting generation. Centrica has commenced a local energy pilot to trial 3D energy delivery and is innovating in R&D.	Ongoing.
RWE (energy, Germany)	Friends Provident Foundation (in cooperation with Ethos Foundation)	Meeting with management.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system. RWE is to close its last UK coal power station in March 2020. It also has five large gas power stations that require closure or abatement by mid-2030s.	Has announced a net-zero decarbonisation target of 2040.	Ongoing.

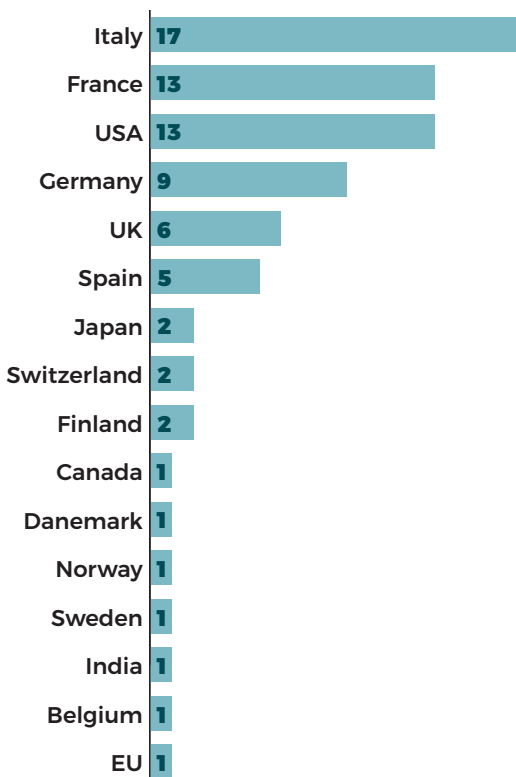
Company	Lead	Actions	Issue	Result	Status
E.On (energy, Germany)	Friends Provident Foundation (in cooperation with Ethos Foundation & Ecofi Investissements)	Meeting with management.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system.	Has a limited net-zero emissions goal by 2050.	Ongoing.
Scottish Power/ Iberdrola (utility, UK/Spain)	Friends Provident Foundation (in cooperation with Ecofi Investissements)	Meeting with CEO.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system. Identified as exposed to high risk rare earth metals in supply chain.	Has a limited net-zero emissions goal by 2050.	Ongoing.
SSE (utility, UK)	Friends Provident Foundation (in cooperation with Ecofi Investissements)	Meeting with management.	Energy market transition, covering business model resilience and just transition to a decarbonised, decentralised and increasingly democratised energy system. SSE is to close its last UK coal power station in March 2020. It also has three large gas power stations that require closure or abatement by mid-2030s.	SSE Networks has commenced local energy pilots working with community owned energy projects to trial 3D energy delivery.	Ongoing.
Vodafone (telecommunication, UK)	Friends Provident Foundation	Letter to the company.	The SfC report "Bad Connection" evidenced shortcomings of Vodafone on tax practices.	The company has answered to the letter. The answers will be evaluated in cooperation with an expert of international taxation and new questions will be sent to the company.	Ongoing.

**BREAKDOWN
OF SfC ENGAGEMENT
INITIATIVES IN 2019
BY ISSUE
(in %)**

Climate change,
workers/human rights and
fiscal practices/tax justice
are the three main areas
of engagement for SfC.



**BREAKDOWN
OF SfC ENGAGEMENT
INITIATIVES
BY COUNTRY IN 2019
(absolute figures)**



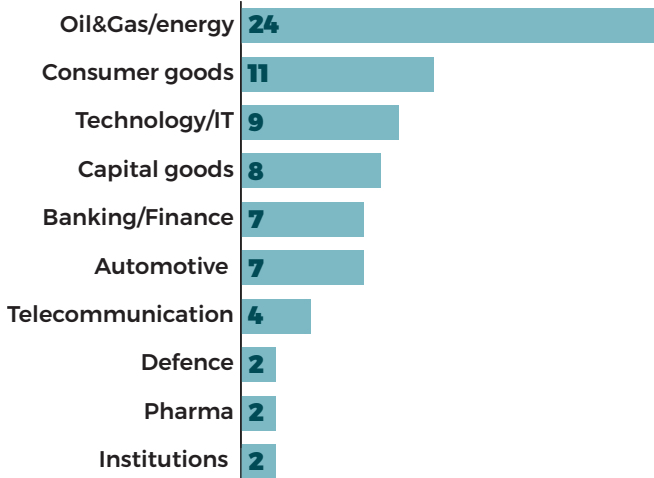
74
companies

2
institutions

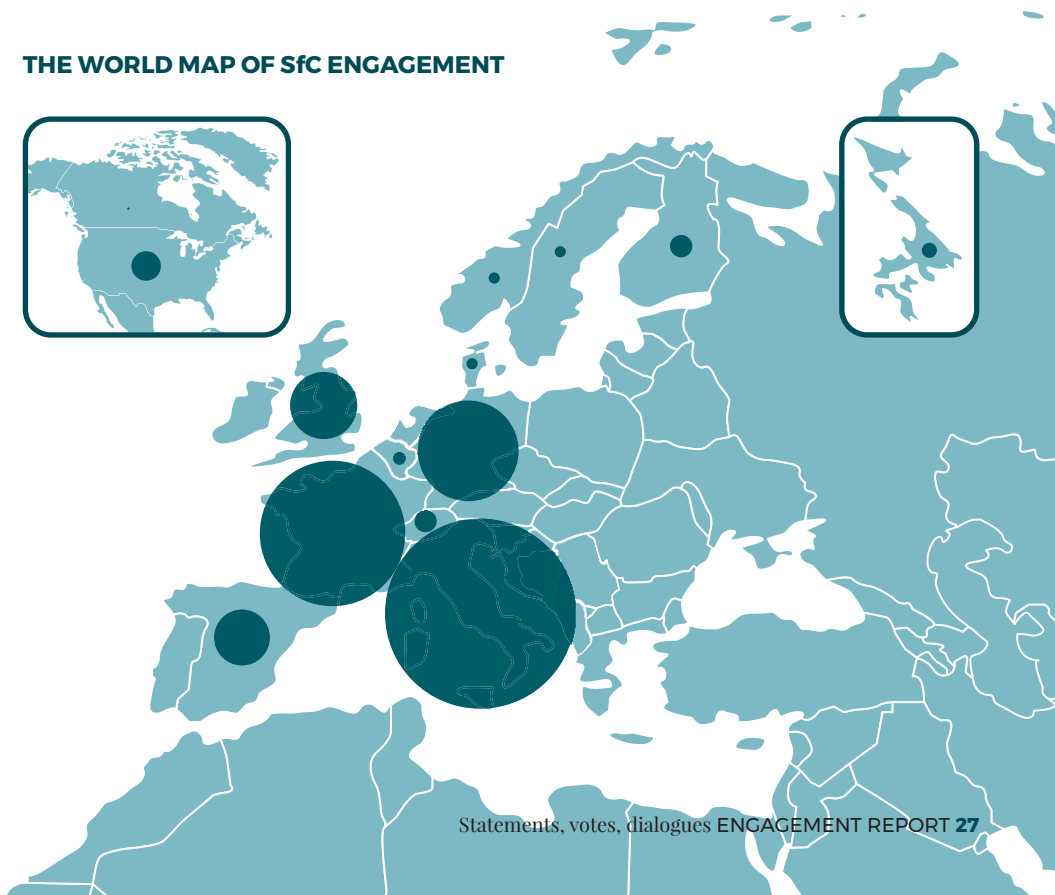
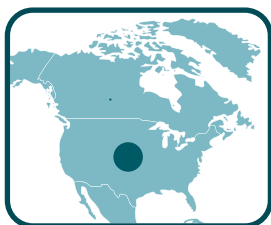
engaged in 2019

**BREAKDOWN
OF SfC ENGAGEMENT
INITIATIVES
BY SECTOR IN 2019**
(absolute figures)

76
engagement
initiatives in total
in 2019



THE WORLD MAP OF SfC ENGAGEMENT



HIGHLIGHTS FROM SfC'S AGM SEASON 2019

Fondazione Finanza Etica and Meeschaert submit a shareholder proposal at H&M's Annual General Meeting

The AGM of the Swedish fast fashion giant H&M, held in Stockholm on 7 May 2019, is a clear example of how a civil society campaign can become a shareholder engagement initiative, also involving institutional investors.

Everything starts with a campaign (Turn Around, H&M!) launched by the Clean Clothes Campaign (CCC) in May 2018, which asks the company to keep a promise made in November 2013: to pay a “living wage” to a total of 850,000 workers, mainly in Asia.

According to CCC, the promise is not kept and the activists decide to take the field as shareholders, with the support of Fondazione Finanza Etica (FFE). CCC and FFE itself purchase a symbolic number of shares in H&M and begin to study the Scandinavian group's rules for shareholders' meetings and Swedish company law. They soon discover that, in Sweden, it is possible to submit shareholder proposals requiring the consultative vote of all shareholders and there is no threshold for the submission, i.e. a proposal can be submitted also by owning a single share. CCC and Fondazione Finanza Etica draft two different proposals.

The Clean Clothes Campaign's proposal asks that all profits made in 2018 by the international fashion giant are allocated to a special fund, to be maintained “until the wages of H&M workers are at least equal to the living wage”.

Fondazione Finanza Etica submits its proposal together with another SfC member: Meeschaert Asset Management, which holds 34,100 shares in H&M. The resolution has a more institutional approach than that of CCC.



We ask H&M to fully disclose sustainability targets for variable remuneration of executives

SHAREHOLDER PROPOSALS FROM FONDAZIONE FINANZA ETICA AND MEESCHAERT ASSET MANAGEMENT

Whereas: as long-term shareholders, we believe that compensation metrics should incentivise the creation of sustainable, long term value. Furthermore, we believe that disclosing sustainability targets for the remuneration of senior executives would increase company responsiveness to shareholders who are seeking information about the company's response to the current social and environmental challenges in the apparel and footwear sector.

Be it resolved: we request that H&M fully discloses the sustainability targets that must be fulfilled to trigger variable remuneration of senior executives and annually reports the performance of senior executives against those targets.

Supporting statement: we recommend that the above mentioned sustainability targets:

- are disclosed in the board's proposals to the AGM for guidelines for remuneration

of senior executives or, in alternative, in the H&M group sustainability report;

- include precise targets on the improvement of worker health, safety and wage practices along the group's supply chain.



Clémentine Chatelet of Meeschaert Asset Management is happy after having submitted the first shareholder proposal of her life in Stockholm, at the AGM of H&M

In their shareholder proposal, Fondazione Finanza Etica and Meeschaert Asset Management focus on workers' rights but do so indirectly, calling for more transparency on the sustainability targets to which the variable remuneration of senior executives is tied. Those targets are not disclosed by the company. Further questions are sent to the company before the AGM, in cooperation with CCC and another SfC member: Forma Futura Invest.

A representative of Meeschaert Asset Management, Clémentine Chatelet, presents the proposal at the AGM, in Stockholm. In the end, both proposals (CCC and FFE + Meeschaert) are rejected by the shareholders. In its responses, the company doesn't appear to be open to dialogue on this issue.

The engagement, however, continues: a call with the company after the meeting was held in September 2019 and a second call is scheduled for the end of December.

BKC engagement on CAT bonds: an extraordinary case of “domino engagement”

Catastrophe bonds, as asset class, transfer a part of the risk of natural catastrophes from governments and people directly to capital markets. It hence provides disaster risk capital to recover from major weather events and high-impact regional catastrophes. Although these bonds can be a vehicle to tackle the effects of climate change related weather catastrophes, very little transparency exists concerning climate related issues in CAT bond contracts. This leads to the problem, that CAT bonds might include insurances for coal power plants or military infrastructure, just to make two examples. This is the reason why Bank für Kirche und Caritas, also on behalf of SfC, decided to engage the asset Management company of a CAT Bond Fund: Plenum Investment AG.

Alongside other issues, the dialogue focuses on supporting the fund management in setting up a sustainability audit and an engagement process with the CAT Bond's sponsors (reinsurers). Plenum Investment is very open to the dialogue, that started in October 2018, and undertook some remarkable steps towards integrating ESG aspects. Thanks to BKC engagement, Plenum Investment has, among other things, expanded its set of exclusion criteria, for example to all methods of unconventional oil and gas production, while implementing a solid sustainability process that can be assessed as a best practice in the industry.

It is particularly encouraging that Plenum Investment is now itself involved in engagement with almost 50 CAT Bond's sponsors (reinsurers) in order to achieve more transparency on their insured objects and introduce exclusion criteria.



Bank für Kirche und Caritas has been successfully engaging Plenum Investment (CAT bonds) on behalf of SfC

Catastrophe bonds can help tackling the risks of climate change, but only if there is transparency on climate related issues. BKC and SfC are fighting for this



This development is remarkable, because BKC engagement has triggered a further and multiple engagement: a “domino engagement”. It should also be underlined that the engagement letter from Plenum Investment to CAT Bond’s sponsors (reinsurers) was co-signed by BKC and SfC, so that a joint commitment of the fund company with investors took place. “Plenum Investment is a pioneer in integrating sustainability aspects in the catastrophe fund industry”, says Tommy Piemonte, Head of Sustainability Research at the Bank für Kirche und Caritas. “We will intensively continue the dialogue that has been initiated in order to further advance the developments in this industry towards greater transparency and the consideration of sustainability risks”.

**Plenum
Investment is
now involved in
engagement
with almost 50
CAT Bond’s
reinsurers itself**

Forma Futura leads SfC engagement on ABB, Toyota, PSA, Nike and others

The Zurich based Forma Futura Invest, one of the three Swiss members of Shareholders for Change, has sent letters to seven companies at the end of August, asking for clarification on a number of controversial cases, on behalf of SfC. The targeted companies are: ABB, Cognizant, HPE, Nike, PSA, Toyota and Sanofi.

“We have asked ABB to explain its position on the \$55m paid in the US to settle a lawsuit on fee overcharging. We would like to know which precautionary steps will be taken to avoid such incidents in the future”, said Doris Hauser, Head of Sustainability Research at Forma Futura. “Nike was targeted due to a \$14.2m fine by the European Commission over cross-border market restrictions. Also PSA and Toyota

Doris Hauser, Balz Bänninger and Alice Balmer: the sustainability research team of Forma Futura Invest. In 2019 they have sent letters to 18 companies, also on behalf of SfC



run the risk to face fines for hundreds of millions of Euros in the next months for failure to meet European CO₂ emissions targets by 2021. We are very concerned about these controversies, because they may hit the companies' reputation and bottom line and could lead to their exclusion from our investing universe".

A second tranche of letters has been sent by Forma Futura, in cooperation with SfC, at the end of September to Infosys (alleged human rights violations in Myanmar), Procter & Gamble (deforestation, plastic and product safety), UPM-Kymmene, Umicore (risks of rare metals supply chain), Stora Enso and Red Electrica (environmental accidents), Amgen, Oracle, Danone (alleged slave-labour abuses in supply chain), KfW, Suez.

At the end of November 2019, when this report was closed, 11 out of 18 engagement processes had been already successfully closed, since the companies provided the requested information in written answers or conference calls.

Although all letters have been sent also on behalf of SfC, a closer cooperation with single SfC members (Fair-Finance, Ecofi Investissements, Friends Provident Foundation, ABS, Etica Sgr, Bank für Kirche und Caritas) was reached on some of projects.

OUR REPORTS

SfC - Shareholders for Change is committed to publish new research on potential controversies, in which some companies or entire sectors may be involved, every year. In the last two years we have published two reports: one on the tax strategies and transparency of telecommunications companies and one on ESG issues in the supply chain of rare metals, which are the essential raw materials for the transition to clean energy sources. On the basis of these researches, seven engagement initiatives have already been launched and will continue throughout 2020.



**SfC has
published new
researches on tax
strategies of
telco companies
and ESG issues
concerning rare
metals**

RARE METALS: 12 COMPANIES TARGETED BY SfC

They are called Yttrium, Lanthanum, Praseodymium, Neodymium, Terbium, Cerium and the list does not end there. They are not infectious diseases but some of the 17 chemical elements known as “rare earths”, fundamental components, together with the most famous “rare metals” (cadmium, cobalt, chromium, lithium, magnesium, palladium, rhodium, etc.) of the energy transition to an economy with low greenhouse gas emissions. They are found in wind turbines, electric car batteries, photovoltaic panels and energy-saving light bulbs.

However, they have at least two main problems: they are extracted and marketed mainly by China, which operates in a quasi-monopoly situation, or from countries at risk for human rights, such as the Democratic Republic of Congo (cobalt). And they are exposed to a number of risks, both for the environment (groundwater pollution, soil erosion, toxic wastewater discharge) and for workers (lack of protection).

A guide for responsible investors

The report “Rare metals supply chains”, published by Meeschaert Asset Management and the European network of active shareholders Shareholders for Change in July 2019, denounces this in abundance of details, tables and practical examples.

“This is the first report of its kind for socially responsible investors”, explains Aurélie Baudhuin, president of SfC and deputy general manager of Meeschaert AM. “We want to promote new themes of engagement with companies that use rare metals and rare earths in their production processes, particularly in the field of renewable energy and



electric cars. Because there can be no sustainable transition to a low-carbon economy without minimizing the social and environmental risks associated with the extraction of key raw materials for new technologies”.

From Siemens to Renault to Solvay: these enterprises are under the spotlight

Meeschaert AM – SfC’s research identifies twelve companies potentially exposed to risks related to the extraction and use of rare metals and rare earths: Vestas, Siemens-Gamesa, Orsted, Iberdrola and Nordex in the wind power sector; PSA, Renault, Daimler and BMW in the automotive sector; Johnson Matthey, Umicore and Solvay in the chemical sector (associated with electric cars).

For each company, the questions that active shareholders may ask at annual general meetings, in closed meetings with the management or in letters and appeals are also specified.

BMW, for example, which intends to produce 500,000 electric cars by 2020, could be asked what procedure is followed in the event of non-conformity of suppliers, given that in 2018, the same company identified 193 cases, which would not have led to the termination of any supply contract.

While the Spanish wind giant Iberdrola could be asked if rare metals are integrated into the circular economy model of the group. “We have prepared about fifty questions”, Baudhuin continues, “which will be the basis for engagement activities with companies in the SfC network from the second half of 2019”. The first letters to companies (Vestas, Umicore and Iberdrola) have been sent in November 2019.

BAD CONNECTION

In December 2018, SfC – Shareholders for Change has launched the report **“Bad Connection”**. The report exposes the general lack of tax transparency in the European telecommunications sector.

“Except for Vodafone, no major telecommunications group in Europe publishes country-by-country data, as recommended by the OECD in order to address base erosion and profit shifting by multinational enterprises”, explains Aurélie Baudhuin, Deputy Managing Director of Meeschaert Asset Management. “Whilst Vodafone should be applauded for being a leader in tax transparency, the largest share of its profits (38%) are generated in two conduit jurisdictions, Luxembourg and Malta, where the group has just 325 employees, out of a total of 108,271 worldwide. For Vodafone’s peers Telecom Italia, Deutsche Telekom and Orange, a similar analysis was not possible because country-by-country data are missing”.

For all of Vodafone’s peers the report identified intra-group transactions, involving



conduit jurisdictions such as Luxembourg or Netherlands, that could result in profit shifting and tax avoidance. For each company, including Vodafone, a number of questions have been drafted to help investors engaging the companies on tax related issues.

“Tax transparency is one of the core issues for SfC engagement with companies”, continues Aurélie Baudhuin. “Lack of trans-

parency and profit shifting are a risk for all investors, because they expose companies to fines and proceedings by tax authorities. Moreover, they have profound ethical implications, since they often dramatically reduce tax revenues both for developing and developed countries”.

Based on the “Bad Connection” report, a number of questions were sent to the four analysed companies by SfC. The engagement with Deutsche Telekom has been closed in June 2019 and was partly successful. All other engagement projects with telecommunication companies are still ongoing.



**SHAREHOLDERS
for CHANGE**