

ENGAGEMENT REPORT

**STATEMENTS,
VOTES, DIALOGUES**

SfC - Shareholders
for Change activities
in 2020



**SHAREHOLDERS
for CHANGE**

ENGAGEMENT REPORT

Statements, votes, dialogues

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for Change activities in 2020



SHAREHOLDERS
for **CHANGE**

CHALLENGING COMPANIES IN CHALLENGING TIMES

“Two shareholder resolutions and over 100 engagement initiatives. SfC confirms its pioneering role as engagement network”

When we launched SfC – Shareholders for Change [\[SEE PAGE 35\]](#) as European network for shareholder engagement*, three years ago, we had two main objectives: keep a light structure and introduce new issues and strategies in our dialogue with companies. Today we are happy to acknowledge that we are well on track on both targets. The two engagement projects started by the network so far, based on our own research, have been focussed on what we like to call “orphan issues”, that are still marginal in investor engagement strategies: tax avoidance in the telecommunication sector and the ESG risks linked to the extraction of rare metals.

As you will see in this report, our members have covered many such issues, both in partnership with other SfC members or as “solo players”, although on behalf and with the support of the whole network: forced labour in the supply chains of European information and communication technology companies (ICT), exposure to fossil fuels of CAT (catastrophe) bonds issuers, governance issues at Japanese blue chip companies and Italian small-medium caps with a strong ESG profile, engagement with a government for acceding to the UN Biological Weapons Convention, etc.

This year our passion for engagement was put to the test by Covid-19. In many of the countries in which we invest it was not possible to physically attend shareholders’ meetings or interact with the boards of directors of companies via online streaming. Some companies literally took

Aurélie Baudhuin

President of SfC – Shareholders for Change



* For more information see SfC profile on page 38

The first ever climate resolution in France

advantage of the pandemic to silence the often-critical voices of minority shareholders.

But we didn't lose heart: in France, with an action led by Meeschaert Asset Management and supported by two other SfC members, we submitted a shareholder resolution to the annual general meeting of Total [\[SEE PAGE 21\]](#): the first ever climate resolution presented in the country. While comfortably sitting in front of a computer at home, during the lockdown, a representative of Fondazione Finanza Etica has staged a resolution at the AGM of the fast fashion giant H&M [\[SEE PAGE 22\]](#), asking to disclose the ESG criteria triggering the variable remuneration of senior executives.

Despite the pandemic, we have been able to engage about 100 companies by sending letters and mails, submitting questions and resolutions at AGMs and scheduling conference calls. In some cases, as you will see, our dialogue with companies has been fruitful, in other cases it is still ongoing or was unsuccessfully terminated and will be continued at next year's annual general meetings. Hoping that a physical attendance of shareholders will be possible again.



WATCH VIDEO

KEY

BKC	Bank für Kirche und Caritas eG (<i>Germany</i>)
Ecofi	Ecofi, Groupe Crédit Coopératif (<i>France</i>)
Etica	Etica Sgr, Gruppo Banca Etica (<i>Italy</i>)
fair-finance	fair-finance Vorsorgekasse (<i>Austria</i>)
FFE	Fondazione Finanza Etica (FFE, <i>Italy</i>)
Fundación	Fundación Finanzas Eticas (<i>Spain</i>)
Meeschaert	Meeschaert Asset Management (<i>France</i>)
Ethos	Ethos. Swiss Foundation for Sustainable Development (<i>Switzerland</i>)
Friends Provident	Friends Provident Foundation (<i>UK</i>)
Forma Futura	Forma Futura Invest Inc. (<i>Switzerland</i>)
ABS	Alternative Bank Switzerland (<i>Switzerland</i>)

100 COMPANIES AND ONE COUNTRY ENGAGED IN 2020

100 companies and one country (Namibia) have been engaged in 2020, for a total of 104 engagement initiatives (since four companies have been engaged twice, on different issues). The most recurring issues of SFC's members questions, resolutions or votes have been related to climate/environment (32%), governance and remuneration of managers (26%), human rights/worker rights (25%) and tax practices (11%). Over 80% of engaged companies are based in Europe, mainly in Italy, Germany, France, Spain and UK.

About a third of all engaged companies belongs to the Oil&Gas/Energy sector, including also utilities and renewable energy producers.



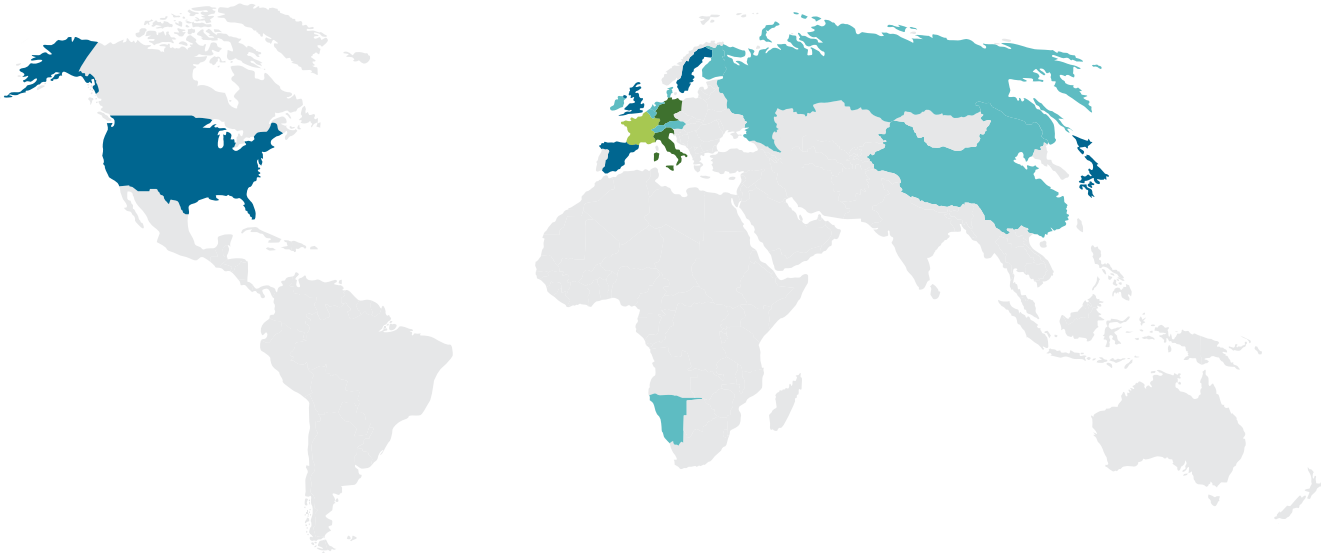
**BREAKDOWN OF TOTAL
SfC ENGAGEMENT INITIATIVES
BY COUNTRY IN 2020**
(in %)

Italy	18%
Germany	16%
France	12%
USA	9%
Japan	9%
Spain	8%
UK	6%
Sweden	5%
Finland	4%
Switzerland	3%
Belgium	2%
Denmark	2%
Netherlands	2%
Austria	1%
China	1%
Ireland	1%
Namibia	1%
Russia	1%



100  **COMPANIES**
1  **COUNTRY**

engaged in 2020

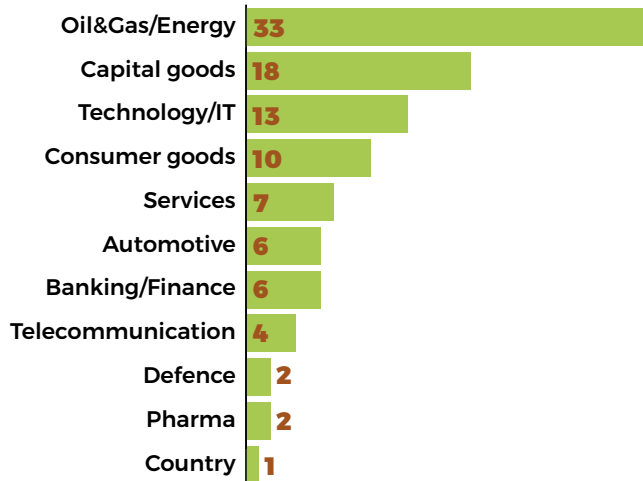


BREAKDOWN OF TOTAL SfC ENGAGEMENT INITIATIVES BY SECTOR IN 2020 (in %)



104 ENGAGEMENT
INITIATIVES
IN TOTAL IN 2020

(four companies have been
engaged twice, on different issues)



HOW SfC MEMBERS INTERACT WHEN ENGAGING WITH COMPANIES

SfC – Shareholders for Change engages with companies participating in AGMs, meetings and calls or submitting questions via mail or letter.

There are three ways in which SfC members can be involved in engagement activities:



network-driven
engagement



engagement led by a single member
with the participation of one or more
other members (member-driven
with explicit support)



engagement led by a single member
on behalf of the whole network
but without the explicit, joint participation
of any other member

In the following sections we will explain the three different strategies in more detail and list all engagement activities of the network in 2020 for each kind of strategy.

SfC'S ENGAGEMENT RESULTS IN 2020



70.2%
ONGOING



13.5%
**SUCCESSFULLY
COMPLETED**



8.7%
**COMPLETED/
DIVESTMENT**



4.8%
**COMPLETED
(BUT OPEN
QUESTIONS)**



2.9%
**NOT
SUCCESSFULL**

NOT SUCCESSFULL (EXAMPLES)

- ERICSSON
- LUCKIN COFFEE
- MERCK
- NESTE OIL
- OMV
- REPSOL
- TATNEFT
- TOTAL
- VALERO

Answers were
not satisfactory

DIVESTMENT*

*Divestment is just one possible strategy. Each member decides autonomously how to behave in such cases, according to its own engagement process. Refer to the network engagement strategy [PAGE 36](#).

- ORANGE

Never replied
to questions

**QUESTIONS TO SUBMIT
AT AGM 2021**







1. NETWORK-DRIVEN ENGAGEMENT

Joint engagement on tax transparency and rare metals

A network-driven engagement is launched on the basis of researches done by the SfC network. In the first three years of SfC's activity, two such researches were published: one, in December 2018, on the fiscal responsibility of European telecommunications companies and another in July 2019, on the social and environmental risks associated with the use of rare metals in certain specific production processes.

The first research "[Bad Connection](#)", exposed the general lack of tax transparency in the European telecommunications sector and targeted four companies: Deutsche Telekom (Germany), Orange (France), Telecom Italia (Italy) and Vodafone (UK). For each of the four companies, a member of SfC has taken the lead of the engagement process, while, in some cases, other members have joined as supporter. The "Bad Connection" engagement, launched at the beginning of 2019, was completed in June 2020 with the publication of a report including the most significant engagement results. All companies have been engaged sending questions via mail and, in the case of Deutsche Telekom, organising a call with the management.

Bad Connection

Company	Lead	Supporter	Status
Deutsche Telekom (Germany)	BKC	Etica FFE	 Completed (some questions remain open)
Orange (France)	Meeschaert	-	 The company did not respond. Engagement will continue at AGM in 2021
Telecom Italia (Italy)	Ecofi	-	 Completed (some questions remain open)
Vodafone (UK)	Friends Provident	Etica	 Completed (some questions remain open)

“BAD CONNECTION”: ENGAGEMENT RESULTS

In June 2020, SfC has published a [report](#) on its engagement with European telecommunication companies Deutsche Telekom, Orange, Telecom Italia and Vodafone, based on the research “Bad Connection”.

A letter was sent to the companies at the beginning of 2019, asking to publish country-by-country reporting (CbCR) data and explain the role of certain subsidiaries based in low tax jurisdictions.

All companies – except for the France-based Orange, that never replied – were cooperative



Italy, supported the engagement process.

and engaged in a dialogue with SfC. While Vodafone is already publishing CbCR data, neither Deutsche Telekom nor Telecom Italia committed to publishing such information. However, Vodafone’s transparency on CbCR revealed a tax planning strategy that is apparently more aggressive than that of Deutsche Telekom and Telecom Italia.

Taxation expert Tommaso Faccio (University of Nottingham), co-founder of Tax Justice

TABLE 1 Summary of SfC’s engagement with four major European telecommunication companies

Company	Issues	Dialogue	Results
Vodafone	Alleged aggressive tax planning and profit shifting to Luxembourg and Malta.	The company was cooperative and answered to SfC’s letter and mails providing the requested information.	The company does already publish CbCR data but does not envisage to relocate some of its Luxembourg activities to the UK, as suggested by SfC. Its tax strategy appears to be more aggressive than that of Deutsche Telekom and Telecom Italia.
Deutsche Telekom	Request to publish country by country reporting data in the group’s financial statements and clarify the role of its subsidiaries in Luxembourg, Netherlands and Cyprus.	The company was very open to dialogue and provided SfC with detailed answers. A conference call was organised with DT’s tax managers.	The company does not envisage to publish CbCR data. Based on the provided information, all intragroup transactions are taxed in Germany and DT’s tax strategy does not appear to be particularly controversial.

Company	Issues	Dialogue	Results
Telecom Italia	Request to publish country by country reporting data in the group's financial statements and clarify the role of its subsidiaries in Luxembourg, Netherlands, Ireland and Panama	The company was open to dialogue and provided SfC with detailed answers.	The company does not envisage to publish CbCR data, at least not in the short term. Based on the provided information, Telecom Italia's tax strategy does not appear to be particularly controversial.
Orange	Request to publish country by country reporting data in the group's financial statements and clarify the role of its subsidiaries in Luxembourg, Netherlands, Ireland, Singapore, Panama and UK.	The company wasn't cooperative and never replied to SfC's questions.	SfC will evaluate the opportunity to submit the "Bad Connection" questions at the company's Annual General Meeting in 2021.

The second research, "[Rare metals supply chains](#)", published by Mee-schaert Asset Management on behalf of SfC, identified 12 companies potentially exposed to risks related to the extraction and use of rare metals:

• **Wind power sector:**

- Vestas (Denmark)
- Siemens-Gamesa (Spain)
- Orsted (Denmark)
- Iberdrola (Spain)
- Nordex (Germany)

• **Automotive sector:**








- PSA (France)
- Renault (France)
- Daimler (Germany)
- BMW (Germany)

• **Chemical sector (associated with electric cars)**

- Johnson Matthey (UK)
- Umicore (Belgium)
- Solvay (Belgium).

**A sustainable
transition
to a low carbon
economy**

All companies are being engaged by submitting questions via mail and, in two cases, during conference calls (as was the case for Renault and Daimler in 2020).

Company	Lead	Status
Vestas (Denmark)	Etica	 Successfully completed
Siemens-Gamesa (Spain)	Ethos	 Ongoing
Orsted (Denmark)	Etica	 Ongoing
Iberdrola (Spain)	Fundación	 Ongoing
Nordex (Germany)	ABS	 Successfully completed
PSA (France)	Meeschaert	 Ongoing
Renault (France)	Ecofi (support from BKC and Forma Futura)	 Ongoing
Daimler (Germany)	Ecofi (support from BKC, FFE)	 Ongoing
BMW (Germany)	BKC (support from Ecofi)	 Successfully completed
Johnson Matthey (UK)	Etica	 Successfully completed
Umicore (Belgium)	Forma Futura (support from Etica)	 Successfully completed
Solvay (Belgium)	Meeschaert	 Ongoing

ECOFI ENGAGES DAIMLER WITH BKC AND FFE

On July 30, SfC's members Ecofi, Bank für Kirche und Caritas and Fondazione Finanza Etica engaged the German automotive company Daimler on issues related to the sourcing of rare metals, during a conference call.

"During the call we have asked Daimler more than 20 questions, mainly on the auditing of its cobalt supply chain, the assessment of related risks and the dialogue with relevant stakeholders", explains Cesare Vitali, head of ESG research at Ecofi, who is leading the engagement with the company.

Daimler has been cooperative and appears to be on the right path to a sustainable sourcing of rare metals. It explained to have charged an external firm, in 2019, with a three-year audit of its cobalt supply chains for battery cell suppliers of Mercedes-Benz AG. The pro-

gram covers both downstream (from battery manufacturers to refineries) and upstream (from mines to refineries) suppliers. Moreover, Daimler has committed to evaluate 70% of suppliers of all high-risk raw materials by 2025 while it aims to define measures for addressing 100% of raw materials linked to high risk of human rights violations by 2028.

"This is certainly a good level of commitment", added Vitali. *"However, on some issues, such as a possible stop to the import of Congolese cobalt, associated to a high risk of human rights abuses, the company has not given a clear answer yet".*







The engagement with Daimler will continue throughout 2021. The company has invited Shareholders for Change's representatives to its headquarters in Stuttgart for a more comprehensive dialogue.








2. ENGAGEMENT LED BY A SINGLE MEMBER WITH THE PARTICIPATION OF OTHER MEMBERS

In this second engagement strategy, a single member of SfC (lead) launches an engagement project with a company, based on its own research and evaluations and one or more SfC members may join as supporter (normally because they have an interest in the company, e.g. they are invested or plan to invest in future). Supporters may help the lead member drafting letters, propose to add further questions for calls, meetings and mails, participate in calls with companies organised by the lead, attend and vote at AGMs.

**Writing letters,
asking questions,
attending AGMs.
Together**

Company	Lead	Supporter	Issues	Actions	Status	
Ericsson (Sweden)	Forma Futura	ABS	Corruption investigations in the US	Questions submitted via letter		Completed. Company excluded from FF's investment universe
Heidelberg Cement (Germany)	Forma Futura	BKC, Ecofi	CO2 emissions in Sweden; Alleged human rights abuses in Palestina	Questions submitted via letter		Successfully completed
Adidas (Germany)	Forma Futura	BKC, Ecofi	Alleged use of forced labour in China; living wage.	Questions submitted via letter		Completed (some questions remain open)
Nokia (Finland)	Forma Futura	BKC, Ecofi, Etica	Alleged use of forced labour in China.	Questions submitted via letter		Successfully completed
Assicurazioni Generali (Italy)	Forma Futura	BKC, Ecofi, FFE	Investment in coal plants	Questions submitted via letter		Ongoing
Deutsche Post - DHL (Germany)	Forma Futura	BKC, Ecofi, Etica	Alleged anti-union practices in South Korea	Questions submitted via letter		Successfully completed

Forma Futura, one of SfC's Swiss members, based in Zurich, engages companies on alleged controversies assessed by the internal Sustainability Research Team with the help of external research providers. Engagement projects are typically developed submitting questions to the companies via letter, mail, meetings or calls. These communications are sent also on behalf of SfC and other SfC members may co-sign or participate in the calls. Forma Futura doesn't attend companies' AGMs.

Company	Lead	Supporter	Issues	Actions	Status
Repsol* (Spain)	Fundación	Ecofi	Oil drilling in the Mediterranean.	Questions submitted at AGM.	 Ongoing
Sanofi Aventis (France)	EcoFi	ABS, Forma Futura	Access to medicines, products safety issues.	Questions submitted via letter.	 Ongoing
Scottish and Southern Energy (SSE) (UK)	Friends Provident	BKC, Ecofi, Etica	Just transition to net-zero emissions.	Questions submitted at AGM.	 Successfully completed
EDF (France)	Friends Provident	Ecofi	Just transition to net-zero emissions.	Questions submitted via letter.	 Ongoing
Scottish Power (Iberdrola) (UK)	Friends Provident	Ecofi	Just transition to net-zero emissions.	Questions submitted via letter.	 Ongoing

* Critical shareholding was adopted with Repsol.

Friends Provident Foundation, SfC's UK member, based in York, has been engaging European utilities on the just transition to net-zero emissions for three years. The most recurrent question, submitted via letters or at AGMs is:

“Would you consider the adoption of a formal “just transition strategy” that addresses the socioeconomic implications of your company's net-zero ambition and decarbonisation strategy on workers, communities, supply chain and consumers in a way that mitigates negative impact and enhances the opportunities of the energy transition?”.

In August 2020, Scottish and Southern Energy announced that it will adopt a “Just transition plan” following pressure from Friends Provident Foundation and SfC. SSE formal adoption and public disclosure of a just transition plan is a global first for an energy utility.

The first “Just transition plan” for an energy utility at global level

REPSOL ASKED TO QUIT OIL DRILLING IN THE MEDITERRANEAN






On 8 May 2020, Fundación Finanzas Éticas, Ecofi and the Spanish environmental organisation Alianza Mar Blava submitted questions at the AGM of Spanish Oil&Gas company Repsol. They criticised the compa-

ny because, “*despite its history of accidents and oil spills to the sea*”, is asking to renew its concessions off the Ebro river delta, without evaluation of environmental impact.

Repsol is the only company that extracts oil from the marine subsoil in Spain. The area in which oil drilling takes place is a key environment for endangered species such as Balearic Shearwaters and for the migration of cetaceans.

The three organisations pointed out that Repsol’s oil production in the area is equal to 0.07% of national demand. Therefore, the extraction activity, besides being dangerous for the environment, would also be unnecessary. SfC members considered “unsatisfactory” the answers given by the company. The engagement with the company will continue in 2021.

Company	Lead	Supporter	Issues	Actions	Status
Total (France)	Meeschaert	Ecofi, Friends Provident	Alignment to Paris Agreement	Shareholder resolution submitted at AGM	 16.8% votes in favour. Dialogue with the company is ongoing
H&M (Sweden)	FFE	Meeschaert	ESG criteria in remuneration. Living wage.	Shareholder resolution submitted at AGM	 3.6% votes in favour (16% of shares not held by controlling family). Dialogue with the company is ongoing
Eni (Italy)	FFE	Meeschaert	Decarbonisation plan	Questions submitted to AGM	 Ongoing

MEESCHAERT, ECOFI AND FPF SUBMIT FIRST EVER CLIMATE RESOLUTION IN FRANCE

On June 29th, eleven investors, led by SfC founding member Meeschaert Asset Management, submitted a climate resolution to the AGM of French oil giant Total, against the advice of its Board of Directors. The resolution, co-presented by two further SfC members, Ecofi and Friends Provident Foundation, as well as other institutional investors, asked Total to integrate its financial statements:

- including information about the company's strategy in order to align its activities with the objectives of the Paris Agreement;
- specifying an action plan for the reduction in absolute value, in the medium/long term, of the direct or indirect greenhouse gas emissions of the company's activities (Scope 1, 2 and 3);
- disclosing information about the means used by the company to implement such objectives.



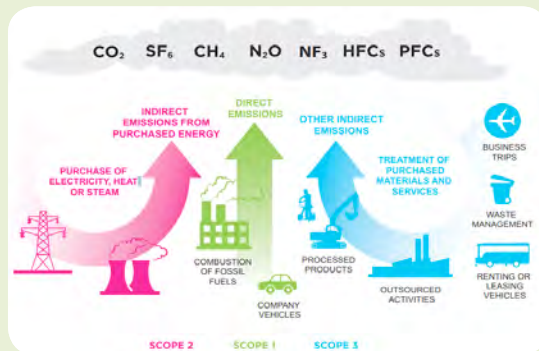
16.8%

**VOTED IN FAVOUR
OF THE RESOLUTION**



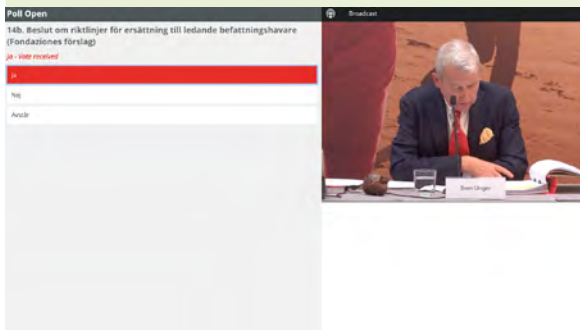
11.2%

ABSTAINED
(showing an indirect support)



“It is a great result, considering that it was the first climate resolution submitted at a French AGM and it was opposed by the board of directors and some big proxy advisors”, explains Aurélie Baudhuin, deputy CEO at Meeschaert AM and president of Shareholders for Change. “It demonstrates the shareholders’ willingness to encourage the Total Group to integrate a concrete and operational action plan into its Climate Strategy”.

FONDAZIONE FINANZA ETICA AND MEESCHAERT AM SUBMIT RESOLUTION AT H&M'S AGM





On May 7th, Fondazione Finanza Etica submitted a resolution at the Annual General Meeting of Swedish fast fashion giant H&M with the help of Meeschaert Asset Management.

The resolution asked the company to fully disclose the sustainability targets that must be fulfilled by all members of the senior executive team (to trigger variable remuneration) and annually report the performance of senior executives against those targets. Moreover, it asked to include precise targets on the improvement of worker health, safety and wage practices along the group's supply chain, with specific targets related to living wage, as requested by the Clean Clothes Campaign.

Due to the Covid-19 emergency the H&M resolution was submitted in streaming, from home, by Fondazione Finanza Etica

The resolution got 3.6% of votes in favour from 419 shareholders, including Amundi, Blackrock, BNP Paribas, CalPERS, CalSTRS, Calvert, Christian Brothers Investment Services, Desjardins, Natixis, Evangelical Lutheran Church in America, Robeco, Michigan Catholic Conference, Nordea, Church of England and Walden.





Considering that 77.5% of voting shares are held by the Persson family, this means that 16% of voting shares not held by the family voted with FFE.

Company	Lead	Supporter	Issues	Actions	Status
Nokia (Finland) Ericsson (Sweden) Hexagon (Sweden) ASML (NL) NXP (NL) Infineon (Germany)	Ethos	Ecofi, Etica	Forced labour in the supply chains of European technology companies	Letter to companies/ Conference calls	 Ongoing
Naturgy (Spain)	Ethos, Fundación	all SfC members	Just Transition, fossil fuels	Meeting with the company in December 2019 in Madrid as part of SfC winter meeting	 Successfully completed

ETHOS LEADS A NEW ENGAGEMENT PROJECT WITH TECHNOLOGY COMPANIES

In September, Swiss member Ethos Foundation launched a new engagement project with six companies belonging to the ICT sector (information and communication technology): Nokia, Ericsson, Hexagon, ASML, NXP and Infineon. The engagement has been done also on behalf of all SfC members with the involvement, for some companies, of two network members: Etica Sgr and Ecofi. Due to their long and complex supply chains, often located in higher risk countries such as China or Malaysia, ICT companies are particularly exposed to the risk of forced labour. This is the reason why Ethos is asking to assess and address this risk by imple-

menting policies and practices across seven areas: commitment and governance, traceability, purchasing practices, recruitment, worker voice, monitoring and remedy. ICT companies are encouraged, among others, to reward good labour practices by suppliers, disclose supplier lists, implement a supplier code of conduct based on the four ILO core labour standards and include unannounced audit visits in the supplier monitoring process. The engagement started with a letter to the chairman of the board of all six companies requesting a conference call. The dialogue with the companies will continue throughout 2021.

Company	Lead	Supporter	Issues	Actions	Status
Rheinmetall* (Germany)	BKC, FFE	-	Export of bombs to Saudi Arabia, involved in Yemen war, with violations of human rights	Questions at AGM. Letter to Norwegian pension fund (major investor in Rheinmetall).	 Ongoing
Plenum Investment AG (Germany)	BKC	ABS	Setting up sustainability audit and engagement process (fossil fuels/climate change)	Calls and meeting with the company.	 Successfully completed
Hannover Rück SE (Germany)	BKC	all SfC members	Sustainability strategy (fossil fuels/climate change)	Engagement via video call as part of SfC winter meeting in December 2020.	 Ongoing
ThyssenKrupp* (Germany)	BKC, FFE	-	Export of weapons to countries involved in human rights violations	Letter to company	 Ongoing

* Critical shareholding was adopted with Rheinmetall and ThyssenKrupp.

SFC ASKS THE NORWEGIAN FUND TO DIVEST FROM RHEINMETALL

A group of European institutional investors and NGOs, led by SfC's founding members Bank für Kirche und Caritas (BKC) and Fondazione Finanza Etica, sent a letter to the Norwegian pension fund on May 14th. In the letter, they called on the fund to reconsider its investment in the German defence group Rheinmetall (ca. €114m, 2.57% of the company's shares as of 31 December 2019), which supplies bombs to Saudi Arabia for Yemen war, and to enter into a critical dialogue with the company on its arms export practices.

In June, a government-appointed commission, which was entrusted with reviewing the ethical investment guidelines of the Norwegian fund, published a report in which it recommended to exclude from the Fund's portfolio companies selling weapons to countries involved in armed conflicts where there is an "unacceptable" risk weapons are used in military operations violating international humanitarian law. The breach must be "serious and systematic". The chairwoman of the commission specifically mentioned the example of the "Yemen war".

The review of the fund's guidelines will be discussed by the Norwegian parliament. In October, BKC, FFE and a number of German NGOs have sent a letter to the Norwegian Ministry of Finance to support the decision-making process.

"The fact that our request has been included in the commission's recommendations can be considered a first, important success", explained Tommy Piemonte, Head of

Sustainable Investment Research at BKC. *"We will continue our engagement to ensure that the new criteria will be included in the fund's ethical guidelines, leading to a critical dialogue with the company and probably to a divestment from Rheinmetall".*

As early as 2017, Bank für Kirche und Caritas and Fondazione Finanza Etica have been calling on Rheinmetall's Executive and Supervisory Boards, at the annual general meetings of the company, to refrain from exporting arms to countries involved in or contribute to human rights violations. So far Rheinmetall has ignored these appeals.

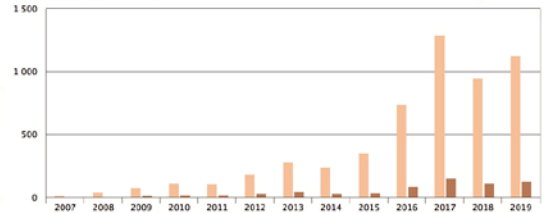
GERMANY: RHEINMETALL AG

HOLDINGS

Total invested	NOK 1,129,178,443 USD 128,501,185
Industry	Industrials
Ownership	2.57%
Our voting	2.57%
Incorporation country	Germany

HISTORY

Million NOK / USD



Norwegian fund's investment in Rheinmetall between 2007 and 2019

Source: Norwegian fund

SfC engagement was focussed on human rights, climate and tax practices

Network and member-driven engagement (with support) on 38 companies

A total of 39 companies have been engaged through network-driven and member-driven engagement (with explicit support).

The most recurring issues of SfC's members questions, resolutions or votes for these two strategies have been related to human rights/work-er rights (54%), climate/environment (27%) and tax practices (10%). 100% of engaged companies are based in Europe, in particular in Germany, France, Spain, UK and Sweden.



Half of engaged companies belongs to the Oil&Gas/Energy and Technology/IT sectors.

These figures include network-driven as well as member-driven engagement with the explicit support of other members. It doesn't include single members' engagement without explicit support of one or more other members (see above for details).

3. ENGAGEMENT LED BY A SINGLE MEMBER ON BEHALF OF THE WHOLE NETWORK

In this third engagement strategy, a single member of SfC launches an engagement project with one or more companies, based on its own research and evaluations, on behalf of all SfC members without an explicit support or joint effort of any other member. The results of the engagement and the acquired know-how are shared with all members.

This form of engagement is adopted, in particular, in pioneering engagement initiatives, with companies/issues that are still not well known in the financial sector: the so-called "orphan issues".

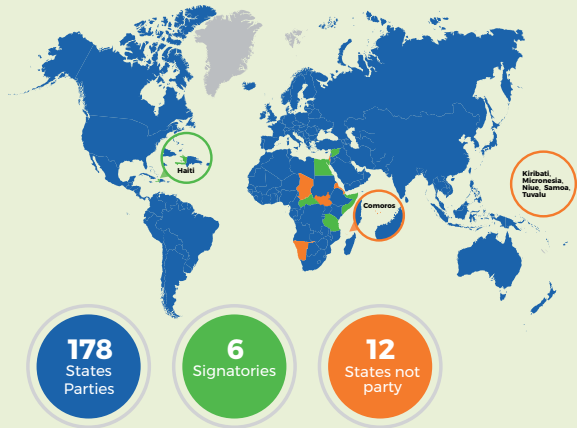
Company	Lead	Issues	Actions	Status
DZ Bank (Germany)	BKC	Fossil fuels/climate change; nuclear weapons; tax policy.	Letters and calls with the company.	 Ongoing
Namibian government (Namibia)	BKC	UN biological weapons convention	Letters to UN Namibian officials and intergovernmental organisations.	 Ongoing

BKC ENGAGES NAMIBIA ON BIOLOGICAL WEAPONS

In January Bank für Kirche und Caritas has started to engage Namibian government, asking to accede to the UN Biological Weapons Convention. This is the first engaging of a sovereign State for SfC.











“We address you today as investors in Namibian government bonds and on behalf of the European institutional investor network Shareholders for Change (SfC). We would like to encourage Namibia to continue on its path towards acceding to the Biological Weapons Convention”, reports the letter sent by BKC among others to the Ambassador of Namibia to the United Nations.

Bonds from Namibia have long been one of BKC’s bond investments. However, since the 1st of January 2020, BKC has reviewed its exclusion criteria for government bonds adding the criterion “non-ratification of UN Biological Weapons Convention”. Namibia is one of the few states that have not yet acceded the convention. Instead of divesting from Namibian bonds, BKC has decided to engage the government. Namibia in fact, has a solid position on key sustainability criteria and it appears to be no longer opposed to accede the convention. BKC started sending a number of letters to various Namibian government



Status of universalization of the BWC (May 2017)

representatives and diplomats as well as supranational organisations entrusted with the UN Biological Weapons Convention; then started promising discussions with all concerned parties. The importance of the UN Biological Weapons Convention has been officially acknowledged. Namibia finally will discuss the accession to the UN Biological Weapons Convention in government circles.









Company	Lead	Issues	Actions	Status
Johnson Controls (Ireland)	Forma Futura	alleged sexual harassment	Letter	 Completed (some questions remain open)
Stora Enso (Finland)	Forma Futura	legionella outbreak	Letter	 Unsuccessfully terminated
Becton Dickinson (USA)	Forma Futura	ethylene oxide emissions	Letter	 Successfully completed
IBM (USA)	Forma Futura	discrimination lawsuit (a.o.)	Letter.	 Ongoing
Skanska (Sweden)	Forma Futura	alleged corruption	Letter.	 Successfully completed.
Carrefour (France)	Forma Futura	alleged slave labour in Brazil	Letter	 Ongoing
SwissLife (Switzerland)	ABS	ESG criteria in investments	Letter	 Ongoing
Zur Rose (Switzerland)	ABS	Sustainability of supply chain	Letter	 Unsuccessfully completed
Indra* (Spain)	Fundación	Export of weapons	Participation in AGM	 Ongoing
Endesa* (Spain)	Fundación	Energy poverty	Participation in AGM	 Ongoing

* Critical shareholding was adopted with Indra and Endesa.





FAIR-FINANCE ENGAGES EXTERNAL ASSET MANAGERS ON FOSSIL FUELS

SfC's Austrian founding member fair-finance invests part of its assets in funds managed by external asset managers. For this reason, fair-finance also engages asset managers on specific issues. In 2020 the main focus was on fossil fuels. Due to stricter criteria applied for the award of the Austrian Ecolabel, fair-finance (also on be-

half of SfC) asked all asset managers to divest from companies which generate more than 5% of their revenues from fossil fuels. Divestment from seven companies in the Oil&Gas sector was completed in the second year half. Shares of a further company (Luckin Coffee) were sold due to alleged accounting fraud.

Company	Lead	Issues	Actions	Status
Total (France)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Merck (Germany)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Repsol (Spain)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
OMV (Austria)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Valero (USA)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Tatneft (Russia)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Neste Oil (Finland)	fair-finance	fossil fuels/climate change	Letter to asset manager	 Completed. Divestment
Luckin Coffee (China)	fair-finance	alleged accounting fraud	Letter to asset manager	 Completed. Divestment

Some of the engagement activities of UK member Friends Provident Foundation with European utilities on a just transition to net-zero emissions have been done also on behalf of SfC, although without the explicit involvement of any other SfC member. By the end of 2020, two of these engagement processes had been successfully completed.

Company	Lead	Issues	Actions	Status
E-on (Germany)	Friends Provident	Just transition to net-zero emissions	Letter to asset manager	 Ongoing
Centrica (UK)	Friends Provident	Just transition to net-zero emissions	Participation in AGM	 Ongoing
Drax (UK)	Friends Provident	Just transition to net-zero emissions	Participation in AGM	 Ongoing
RWE (Germany)	Friends Provident	Just transition to net-zero emissions	Letter to asset manager	 Ongoing

SFC IS BIG IN JAPAN WITH ETICA SGR











Sony's stock option plan has a vesting period of just one year, thus below the three years' threshold required by Etica Sgr in its engagement policy.

Panasonic and Mitsubishi Estate didn't submit to shareholders' vote their remuneration policy, while women are not sufficiently represented within Denso Corp.'s Board of Directors.







These are just some of the reasons why Etica Sgr voted against board proposals at ten annual general meetings of Japanese companies, between June and July. This was done also on behalf of SfC.

Etica Sgr expressed its positions primarily on governance issues, concerning Board independence and gender diversity; remuneration and cross-shareholding, by voting at AGMs and publishing its voting activity. In general, Etica Sgr voted in favour of proposals on ESG submitted by other shareholders.

Although SfC's engagement activities are mostly focussed on European companies, the relative importance of non-European markets has increased over time: in 2019 just two companies were engaged on behalf of SfC in Japan.

Company	Lead	Issues	Actions	Status
Sony (Japan)	Etica	Stock option plan	Vote at AGM	 Ongoing
Panasonic (Japan)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Mitsubishi Estate (Japan)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Denso Corp. (Japan)	Etica	Gender diversity	Vote at AGM	 Ongoing
Taiheyo Cement (Japan)	Etica	Remuneration policy Gender diversity	Vote at AGM	 Ongoing
Kyocera Corp. (Japan)	Etica	Gender diversity	Vote at AGM	 Ongoing
Hitachi Ltd (Japan)	Etica	Remuneration policy	Vote at AGM	 Ongoing
TDK Corp. (Japan)	Etica	Gender diversity Remuneration policy	Vote at AGM	 Ongoing
Itochu Corp. (Japan)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Toyota Motor Corp. (Japan)	Etica	Gender diversity Remuneration policy Board composition	Vote at AGM	 Ongoing


Besides its engagement activities with other SfC members, French member Ecofi has focussed on the engagement with European small-medium companies, in particular in the renewable energies sector, also on behalf of the SfC network.

Company	Lead	Issues	Actions	Status	
Carl Zeiss (Germany)	Ecofi	Environmental and social policies	Call with company		Ongoing
VAT (CH)	Ecofi	Environmental and social policies	Call with company		Ongoing
Logicor (France)	Ecofi	Climate strategy	Call with company		Ongoing
Albioma (France)	Ecofi	Environmental impact	Call with company		Ongoing
Voltalia (France)	Ecofi	Climate strategy Environmental Impact	Call with company		Ongoing
Argan (France)	Ecofi	Climate strategy Environmental Impact	Call with company		Ongoing



On the other hand, Etica Sgr, has confirmed its focus on Italian companies, including some SMEs, which were engaged mainly on governance issues, also on behalf of the SfC network.

Company	Lead	Issues	Actions	Status
Sabaf (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Snam (Italy)	Etica	Board composition	Vote at AGM	 Ongoing
DiaSorin (Italy)	Etica	Remuneration policy Stock option plan	Vote at AGM	 Ongoing
Terna (Italy)	Etica	Board composition	Vote at AGM	 Ongoing
Sol (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
A2A (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Italgas (Italy)	Etica	Governance	Vote at AGM	 Successfully completed
Buzzi Unicem (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Hera (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Prysmian (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Technogym (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Brembo (Italy)	Etica	Remuneration policy	Vote at AGM	 Ongoing
Erg (Italy)	Etica	Remuneration policy Dividend policy	Vote at AGM	 Ongoing
Campari (Italy)	Etica	Remuneration policy Stock option plan	Vote at AGM	 Ongoing

The engagement with six US companies on tax practices, launched by Ethos Foundation at the end of 2019, continued throughout 2020 with encouraging results: all companies replied to the letters and entered into a dialogue with Ethos, that will continue at least until the end of 2021.

Companies	Lead	Issues	Actions	Status
Alphabet-Google (USA), Amazon (USA), Apple (USA), Facebook (USA), McDonalds (USA), Starbucks (USA)	Ethos	Tax practices	Letters to companies/Calls/Email exchanges	 Ongoing

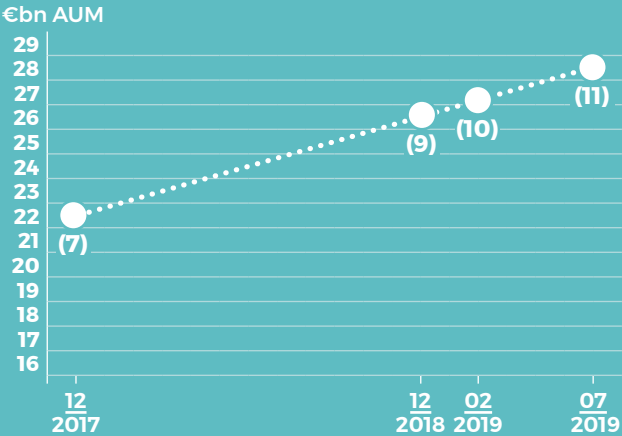
Fondazione Finanza Etica continued its engagement with Italian big caps, focussing in particular on tax practices and climate policies. Some of its initiatives were done also on behalf of the SfC network.

Company	Lead	Issues	Actions	Status
Assicurazioni Generali (Italy)	FFE	Investments in coal Tax practices	Conference call; Questions submitted at AGM	 Ongoing
Enel (Italy)	FFE	Enel's dominant position in the market for energy distribution	Questions submitted at AGM	 Ongoing

Engaging US Big Tech corporations on tax transparency

SfC- Shareholders for Change at a glance

SfC MEMBER



- December 2017**
Bank für Kirche und Caritas eG (Germany) - BKC
Ecofi, Groupe Crédit Coopératif (France) - Ecofi
Etica Sgr, Gruppo Banca Etica (Italy) - Etica
fair-finance Vorsorgekasse (Austria) - fair-finance
Fondazione Finanza Etica (FFE, Italy) - FFE
Fundación Finanzas Eticas (Spain) - Fundación
Meeschaert Asset Management (France) - Meeschaert
- December 2018**
Ethos. Swiss Foundation for Sustainable Development (Switzerland) - Ethos
Friends Provident Foundation (UK) - Friends Provident
- February 2019**
Forma Futura Invest Inc.(Switzerland) - Forma Futura
- July 2019**
Alternative Bank Switzerland (Switzerland) - ABS

HOW WE ENGAGE



Engagement Strategy



MAIN ISSUES

A

WORKERS' RIGHTS
AND HUMAN RIGHTS



B

FISCAL PRACTICES
AND TAX JUSTICE



C

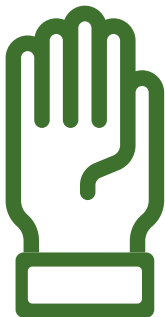
CO₂ EMISSIONS
AND CLIMATE CHANGE



STYLES OF ENGAGEMENT (in 2020)

99

SHAREHOLDER
ACTIVISM



5

CRITICAL
SHAREHOLDING

What is SfC-Shareholders for Change?

SfC – Shareholders for Change is a network for investor engagement dedicated to institutional investors. It was launched on 6 December 2017. Its 11 members manage assets for a total of €28bn:

- Alternative Bank Schweiz (ABS, Switzerland)
- Bank für Kirche und Caritas eG (BKC, Germany)
- Ecofi, Groupe Crédit Coopératif (France)
- Ethos Foundation (Switzerland)
- Etica Sgr - Responsible Investments, Gruppo Banca Etica (Italy)
- Fair-Finance Vorsorgekasse (Austria)
- Fondazione Finanza Etica (FFE, Italy)
- Forma Futura Invest (Switzerland)
- Friends Provident Foundation (UK)
- Fundación Finanzas Éticas (Spain)
- Meeschaert Asset Management (France)

The network's first goal is to engage with companies, countries or institutions, participating in AGMs, submitting letters as well as coordinating meetings and calls, in order to persuade them to improve their social, environmental and governance track record.

SfC focusses on three main issues:

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

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.

Critical shareholding was adopted in five cases in 2020 (out of 104 engagement initiatives in total).

More information on:
www.shareholdersforchange.eu



**SHAREHOLDERS
for CHANGE**

