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Responsible

English summary

Table of contents

1	Introduction	3
2	Responsible investment policy in a nutshell	4
3	Responsible investment strategies	5
3.1	Exclusion of investment opportunities	5
3.2	Active Ownership	5
3.3	ESG (environmental, social and governance) integration	7
3.4	Impact portfolio	7

1 Introduction

Pensioenfonds Rail & Openbaar Vervoer (Rail & OV) is a non-compulsory industry-wide pension fund for the Dutch railways and public transport sector. Being an institutional investor, we own various types of assets such as shares of publicly listed companies, corporate bonds, private equity, real estate, etc. The primary responsibility of a pension funds is to achieve an optimal return within set risk parameters which in turn will ensure a good and affordable pension for our participants. In addition, being a long-term investor we are aware of the role we play within society and the importance of investing with all due care in a responsible and sustainable manner.

2 Responsible investment policy in a nutshell

The “Rail & OV responsible investment policy” is based on internationally accepted standards such as the United Nations Global Compact (UNGC) and Principles of Responsible Investment (PRI). UNGC is a framework for businesses that are committed to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour rights, the environment and anti-corruption. The principles of the PRI are similar to those of the Global Compact but are directed at the financial sector and investors. Moreover, Rail & OV is committed to adhering to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights (Ruggie Framework).

In addition to the principles embedded within these international guidelines, Rail & OV has formulated four additional responsible investment priorities. They include: human rights, child labour, the environment and CEO remuneration. These focus areas receive additional attention in the investment decision-making procedures, assessment of investment opportunities and selection of companies for engagement.

The responsible investment policy of Rail & OV is applied to the entire investment portfolio of the pension fund and all asset classes. The responsible investment strategies applied by Rail & OV include:

- **Exclusion of certain products, companies and countries from the investment universe of the pension fund;**
- **Active ownership (voting at the annual general meetings and engagement);**
- **ESG (environmental, social and governance) integration;**
- **Impact portfolio.**

3 Responsible investment strategies

3.1 Exclusion of investment opportunities

There are companies, countries and products in which Rail & OV does not want to have an exposure and, consequently, does not want to invest in either. The pension fund therefore does not invest in:

- **Controversial weapons:** Rail & OV does not wish to (directly or indirectly) invest in companies which are involved in the design, production, maintenance, refurbishment and/or sale of and/or research into controversial weapons and/or the greater part of such a weapon and/or essential components of such a weapon. Controversial weapons are weapons that cause disproportionate number of civilian victims compared to its military purpose. Examples of controversial weapons are cluster weapons, anti-personnel mines and biological, chemical and nuclear weapons, weapons with depleted uranium and white phosphorus.
- **Tobacco producers:** Tobacco producers such as companies that are active in the manufacturing and/or production of cigarettes, e-cigarettes and/or other tobacco products are excluded from our investment universe.
- **Thermal coal:** Rail & OV does not invest in (i) companies that generate more than 10 % of revenues from thermal coal mining activities; and (ii) companies whose energy generation mix accounts for more than 50 % from thermal coal and that derive more than 5 % of their total revenues from thermal coal-related energy generation. Thermal coal is defined as coal used to generate power, also known as steam or energy coal. This also includes recovered slurries, middlings and other low- grade coal products not further classified by type.
- **Unsuccessful engagement:** Companies in which we invest in should respect the UNGC principles related to human rights, work conditions, the environment and anti-corruption. If a company does not respect these principles and the engagement with the company on those matters remains unsuccessful without any tangible progress and improvement, Rail & OV can exclude given such company from the its investment universe.

Furthermore, Rail & OV has set country investment restrictions in place. When the UN Security Council imposes an arms embargo on a country, we no longer invest in government bonds of this country. Companies in which an excluded country has a stake greater than 20% are also excluded from our investment universe. These companies and countries are listed on our exclusion list and available here. The list is reviewed and updated on a quarterly basis.

3.2 Active Ownership

3.2.1 Engagement

Rail & OV defines engagement as direct communications and constructive dialogue with a company in which we invest in. The topics discussed are varied and may range from corporate governance, sustainability, corporate responsibility to business strategy and finances. This enables us as well as the companies to

understand the viewpoints that may lead to improved company performance or improved understanding of company performance. On top of that, it allows us to give companies important feedback and early warning of potential issues.

Rail & OV distinguishes between different types of engagement:

- **Strategic engagement** is the regular contact between the portfolio managers and companies in their portfolio. This type of engagement may range from business-relevant topics such as company strategy, CEO succession plan to ESG topics such as climate-reduction targets or social aspects of supply chain management.
- **Proactive engagement** is an engagement with companies to achieve improvements in their most substantive environmental and social issues and in the management of these issues as well as striving for more ambitious performance in these areas.
- **Reactive engagement** is a response to company's controversy, scandal, bad entrepreneurship, accident or other wrongdoing. In this case, the pension fund feels compelled to demand a change in company's behaviour.

Engagement procedures are performed by Rail & OV itself (for internally managed equity portfolio) and by an external engagement specialist, EOS at Hermes Federated. Using the services of specialized engagement provider has the advantage of "speaking with a bigger voice" as the engagement provider carries out engagements on behalf of several investors, which means they may potentially have a bigger influence on companies.

3.2.2 Cooperating with others

Rail & OV is of the opinion that under certain circumstances, cooperating with other investors or organizations can be of added value. Different parties can often offer valuable and specialized experience, expertise and/or capacity on various subjects. Working together increases the scale and strength of an engagement with a company. Rail & OV participates in three permanent partnerships: the PRI, Eumedion and Climate Action 100+.

3.2.3 Voting

Exercising voting rights is a key element of Rail & OV active ownership activities and an important link in the chain of accountability between a company and its shareholders. The right to vote at company shareholder meetings is a fundamental part of a well-functioning corporate governance system. Rail & OV exercises its voting right in all companies in which we invest whenever possible.

The fund has formulated its own voting policy. This voting policy is aligned with the Dutch Corporate Governance Code, also known as the 'Code Tabaksblat', the guidelines of the International Corporate Governance Network (ICGN) and the guidelines of Eumedion to the extent possible. Rail & OV discloses all votes in detail on its website shortly after the shareholders' meetings.

3.3 ESG (environmental, social and governance) integration

ESG integration relates to the integration of ESG factors and risks when making investment decisions. The scope of and the manner in which ESG integration is applied across the portfolio depends on the characteristics of an asset class and the selected investment strategy. Where the investment strategy allows to implement ESG integration, portfolio managers hired by Rail & OV conduct structural ESG and sustainability research into the companies in which they invest. Sustainability performance of companies is assessed on economic, social, environmental and governance aspects. In addition, managers take sector-specific ESG risks into account.

3.4 Impact portfolio

Rail & OV invests part of its portfolio in companies and projects that make a positive contribution to society.