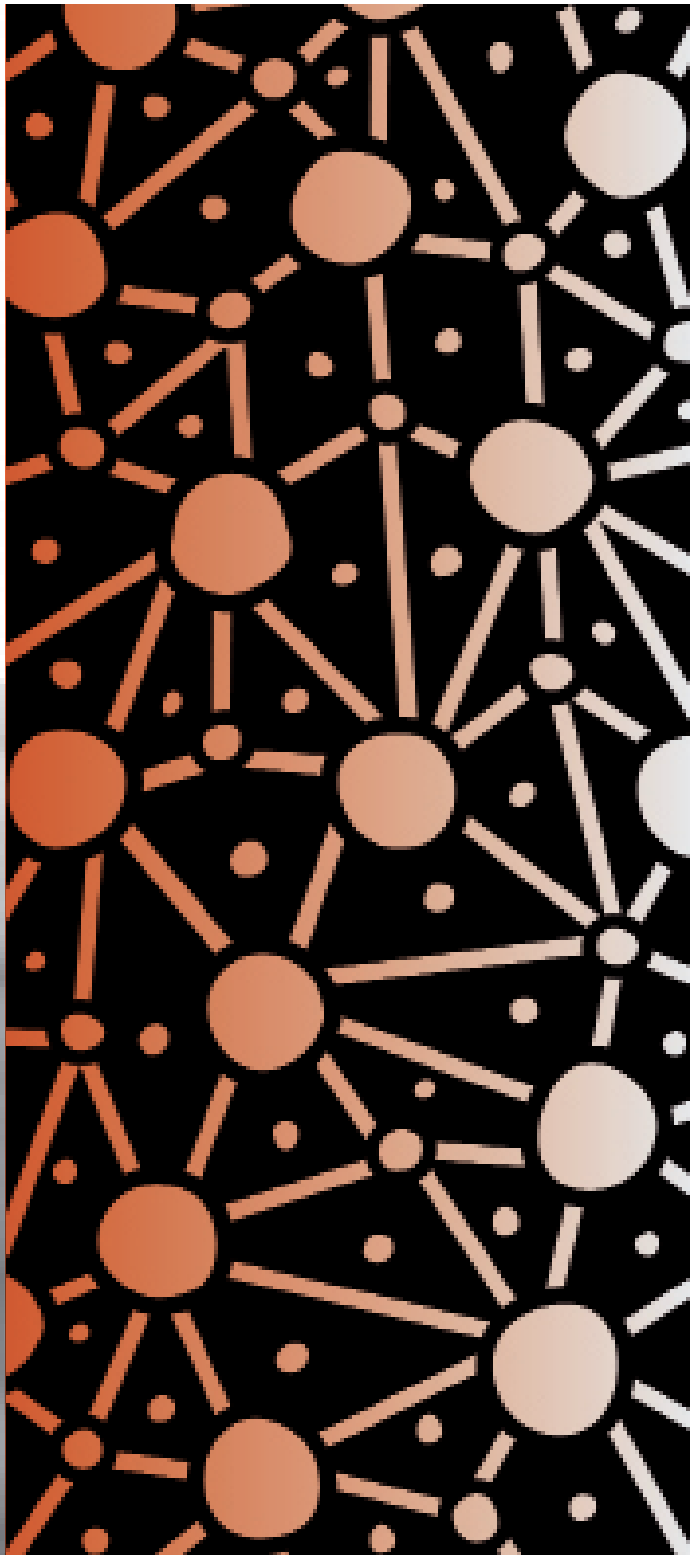


Company Engagement Report 2015

Engagement: what is the impact?



Triodos Research
March 2016

Introduction

Company engagement is an important part of the Triodos Socially Responsible Investment (SRI) strategy. We discuss issues regarding social, environmental and corporate governance performance in order to increase awareness, motivate change and ensure long-term shareholder value. Companies usually welcome engagement with Triodos Research and it often stimulates positive change.

This report covers our engagement activities in 2015. Engagement with companies starts during the selection and monitoring process and continues through responsible share and bond ownership activities. In 2015, we engaged 661 times with a total of 280 companies. Results and outcomes of these engagement efforts are included in this report.

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Executive summary

We engage with the companies we (may) invest in to help them improve their sustainability record further and provide them with recommendations for change.

Companies are increasingly responsive. In 2015, DSM announced it will increase the share of renewable energy in its energy mix. Triodos Research has been discussing this topic with the company since 2007. This example shows that engagement works, but that patience is required.

In 2015, we engaged with 280 companies on a range of different topics.

Main engagement topics

The topics we discussed the most with companies in 2015 were:

1. Arms
2. Nuclear power
3. Climate change
4. Basic labour rights
5. Animal testing

In relation with companies' annual reporting and subsequent Annual General Shareholders Meeting (AGM) we took special account last year of two specific topics: board diversity and climate change.

Early 2015, Triodos Research sent a letter to 119 investee companies ahead of their AGMs, explaining our main voting principles and raising questions about gender diversity at board level. Thirty seven companies replied to our questions providing additional information and answers.

In December 2015, Triodos Research sent a letter to 110 investee companies to announce that the topic we will focus on at the AGMs in 2016 is climate change. In our letter we call upon companies to disclose their strategy on climate protection, develop targets that are in line with the COP21 Universal Agreement, to disclose their roadmap to meeting these targets and their annual progress in this regard.

Engagement during selection phase

In 2015, we engaged with 83 companies during the selection phase. Fifty seven companies assessed responded to our questions, while from 17 a reply was still pending at the end of the year. We informed 139 companies of their assessment results, of which 25 replied asking for more information.

We actively monitor companies that have been selected for the Triodos Sustainable Investment Universe. During 2015, we engaged 69 times with 54 companies during monitoring.

Collaborative dialogue

Triodos Research also regularly cooperates with other investors to further steer sustainable performance. In 2015, a joint investor letter was sent on behalf of Actiam, RobecoSAM, MN Services and Triodos Investment Management to 17 leading automobile manufacturers. The letter calls upon companies to prepare for current and future regulatory requirements on fleet emission reductions and to disclose targets and progress to achieve emissions reductions.

On behalf of Triodos Investment Management we co-signed a number of collaborative initiatives organized by members of the United Nations Principles for Responsible Investment (PRI), for example on human rights and animal welfare. Furthermore, we continued our support to a number of collaborative initiatives organized by members of the United Principles for Responsible Investment, signed before 2015, such as the Sustainable Stock Exchange initiative and a statement on responsible palm oil.

Responsible share ownership

As a responsible shareholder, Triodos Research votes at all AGMs of companies we invest in. In 2015, we voted at 125 AGMs. We were able to inform most companies in advance about how we intended to vote at their AGM; 26 companies replied to the feedback letter and in several cases this triggered an interesting debate.

Public policy

As part of our engagement activities, we also seek to influence public policies. In 2015, we were involved in several initiatives in the public domain, such as corporate tax, conflict minerals and the G20 Energy Efficiency Finance Task Group.

Change is a matter of patience

With our investment products and services we only invest in companies that contribute to a sustainable society or clearly lead the sustainability agenda in a particular sector. We select these companies based on comprehensive analysis along strict sustainability criteria. We also conduct constructive dialogue with companies to stimulate improved sustainability performance. Despite the fact that we invest only in companies that outperform on sustainability, we see it as our role to identify areas for further improvement and to provide recommendations for change to the companies we (may) invest in.

Often such change is visible only after a few years. Dutch chemicals company DSM and British publisher RELX are two examples showing that change usually does not come overnight.

Since 2007, Triodos Research has been in contact with DSM to increase its renewable energy use and production. Given that DSM has an annual energy use to the equivalent of 3 million households, this is an important topic for the company. In September 2015 DSM announced its commitment to purchase 50% of its energy from renewable sources by 2025, and to ultimately increase this to 100%.

British publisher RELX (former Reed Elsevier) has been the subject of criticism from scientists for years. The concerns mostly relate to the high subscription fees charged by the company for individual journals. Already in 2012, Triodos Research addressed this issue at the Dutch AGM. Since the beginning of 2015, criticism has further intensified. In a telephone conversation with the company held in August 2015, our concerns were again discussed. The company seemed to be well aware of the balance between open access versus income for the company. Until then the company had 140 open access titles and applied a 12-month embargo period for open access. The growth rate in the number of published articles is 5% per year and the subscription costs of access to articles has dropped 80% over the last years. On December 10, 2015, it was announced that the Dutch universities and Elsevier (part of RELX) had closed an agreement about a transition to open access. We consider this a significant improvement and at the same time we will continue to seek further progress.

Each selected company is reassessed every three years. In 2015, Triodos Research started a reassessment of Swedish Svenska Handelsbanken. Prior to the start of the re-assessment, Triodos Research had a meeting with the company to discuss its general sustainability performance and areas for improvement. Its sustainability reporting does not reflect the significant

280

The number
of companies we
had dialogue with

progress that the company has made over the past few years. The company is open to our suggestions for further improvement of its reporting and is currently examining how best to integrate our recommendations.

Another company that was reassessed in 2015, but did no longer belong to best-in-class, was Compass Group. We informed the company that it is no longer selected for investment. The company asked Triodos Research to provide additional information “as it would greatly help us in driving the continuous improvement that we seek to achieve across our CR activities”. Triodos Research provided additional information about areas for improvement and this feedback was followed by a conversation to further elaborate on our recommendations. Triodos Research already noted in September 2015 that the company had improved its performance.

In 2012, 2013 and 2014, we raised attention for tax policy and transparency. During these three years we noticed only little progress with companies. Since 2014, we are following up on this topic and we are pleased to see that companies are starting to take action. Philips is an example of a company that since 2014 publishes a tax statement. And recently Starbucks, a company that has repeatedly been criticized for abusing the tax system in the UK, announced a tax rate of 24% in the UK over 2015. This rate is higher than the UK corporate tax rate of 20%. The amount Starbucks will pay over 2015 is approximately the same amount it paid in taxes over a total period of 14 years since 1998.

In last year’s engagement report we discussed the topic of conflict minerals quite extensively. We witnessed a lot of positive change on this topic with a number of companies. In 2015, our engagement efforts continued. In 2012, Triodos Research discussed the potential use of

conflict minerals with Spanish company Gamesa. At that time the company did not have a policy. At the beginning of 2015, the company included an explicit requirement for 'conflict free' minerals in its supplier code. Moreover, the company is working with an external partner to develop an approach for supply chain controls. In discussions with Dutch Accell Group, the company informed us that it is currently assessing its supply chain on the use of tin that potentially comes from conflict regions. The company also stated that it will address the issue in the 'Bicycle Working Group' of the World Federation of Sporting Goods Industries.

Thanks to growing pressure from numerous stakeholders, including Triodos Investment Management, the Rana Plaza Donors Trust Fund has finally reached its goal of USD 30 million. This fund was set up in January 2014 by the International Labour Organisation to compensate the victims of the Rana Plaza disaster in Bangladesh in April 2013. You can find more information in section 'Collaborative dialogue'.

Main engagement themes in 2015

The thematic focus of our ongoing dialogue is often guided by company assessments and by the overall industries in which the assessed companies operate. The main engagement themes in 2015 were arms, nuclear power, climate change, basic labour rights and animal testing. Changes in our investment criteria or important industry developments are also a reason to start a dialogue with companies.

Arms

In 2015, we engaged 34 times about arms. Most contacts took place during the analysis stage prior to selection. Triodos Bank has zero tolerance for direct involvement in arms. This zero-tolerance policy also applies to financial institutions that have financial relationships with companies involved in controversial arms, such as anti-personnel landmines, cluster bombs and biological and chemical weapons. In 2015, a feasibility study was conducted in order to gain insight into the current position of financial institutions in companies that produce controversial arms to see if our current application for financial institutions can be further strengthened. We asked 15 financial institutions about their involvement in and, if relevant, confronted them with an overview of investments in companies involved in the production of these weapons. Thirteen gave full disclosure and one partially. As a result of the study, we decided to make the arms criterion more stringent. Financial institutions currently selected are given three years time to improve their policies. The changes entail

that we will no longer make an exception for financial involvement through third-party funds and execution-only activities.

Nuclear power

The topic of nuclear power has been discussed 23 times in 2015. Most contacts took place during the analysis stage prior to the selection decision. One of the companies contacted on this topic was Deutsche Bahn. The company replied that it is a carrier for the transport of class 7 dangerous goods. These goods comprise radioactive material, which means any material containing radionuclides. Since these services are directly related and tailor-made to the nuclear power industry, the company is excluded for investment. Canadian National Railway was also contacted about this topic. In contrast to Deutsche Bahn, this company does not transport any highly radioactive waste from nuclear plants. The company is selected for investment.

Climate change

The topic of climate change has been discussed 23 times in 2015. Half of the contacts took place as a result of collaboration with other investors. A letter was sent to leading automobile companies about climate protection. See the section 'Collaborative dialogue' for more information. With Volkswagen a telephone call was scheduled a few days after it became known that the company was using fraudulent software in its fleet. The company cancelled the meeting. Additional questions raised a few weeks later in a letter also remain unanswered by the company. Volkswagen is now excluded for investment due to this systematic use of fraudulent software in a large proportion of its fleet.

In addition, a specific letter on climate change was sent in December 2015 to all investee companies. These letters are not included in the engagement numbers mentioned in this paragraph.

Basic labour rights

In 2015, we discussed basic labour rights 22 times. As participant in the Bangladesh Investor project, coordinated by the Interfaith Center on Corporate Responsibility, we co-signed follow-up letters sent to seven companies that were involved in the Rana Plaza accident in 2013. One letter called for assurance that suppliers and factory owners have the financial capacity to address remediation requirements and that they fully participate in the formation and functioning of democratically elected occupational safety and health committees. A second letter called upon companies to donate to the Rana Plaza Fund. This fund was set up to compensate victims and their families to the collapse of

Rana Plaza. Letters were sent to Adidas, Carrefour, Gap Inc. (The), H&M, Inditex, Marks & Spencer en VF Corp. Triodos Research led the engagement on this subject with Inditex. The company replied that it had donated generously to the donor fund and wrote a separate letter with an update on the efforts it has taken as a result of the Bangladesh Accord. For instance, the company is working on a pilot project concerning a number of factories, where it is setting up health and safety committees. Furthermore, it cooperates with the Federation of Trade Unions to ensure that the rights of workers in Bangladesh to freedom of association are fully respected.

Animal testing

Animal testing was also high on the agenda of Triodos Research in 2015. In total, we engaged 21 times on this topic. All contacts took place during the analysis stage prior to the selection decision. Health care company Integra LifeSciences Holdings was one of the companies contacted about its policy on animal testing. Initially the company did not respond and as a result the company was not selected and we informed it about this decision. Soon after, in November 2015, the company informed us that, due to its recent acquisition of TEI Biosciences, it is in the process of updating its animal welfare policy. The company has promised to share it with us. We will carefully review this updated policy and potentially reassess the company for inclusion in our sustainable investment universe.

Top 10 engagement themes 2015 and 2014

Theme	2015	2014
Arms	34	16
Nuclear	23	10
Climate change	23	13
Basic labour rights	22	22
Animal testing	21	34
Conflict minerals	20	27
Factory farming	14	21
Genetic engineering	14	22
Unconventional oil/gas	11	7
Human rights	7	9

Special engagement topics

Each year, Triodos Research aims to draw the attention of companies we invest in to special topics. Triodos Research focuses on these topics in relation to the Annual Report and Annual General Shareholder

Meeting(s). In 2015, these topics were board diversity and climate change.

Board diversity

At the beginning of 2015, we sent a letter to 119 investee companies, in which we asked them about gender diversity at their board level. The fund believes that companies with more diverse boards, aligned with the company's activities and customers, stimulate creativity and innovation. Therefore, such companies are better equipped to face challenges in an ever-changing environment. A diverse board will have better discussions and divergent opinions.

Furthermore, a diverse board reflects the real world, which may have an impact on the rest of the organisation. What defines a diverse board is, however, different for each company. Diversity in a board includes at least a good gender representation. Despite recommendations by governments and voluntary targets, gender equality in boards is still inadequate, with only few women having a seat on companies' boards. In its letter, the fund called upon companies to publicly disclose their gender policies, programmes, targets and performance. 37 companies replied to our questions providing additional information and answers to the questions. This information is used to determine the fund's support for director elections. One of the companies that does not yet report on this topic but promised to report on this in the next annual report is Dutch Wessanen.

Climate change

In December 2015, we informed 110 investee companies that we will focus on climate change at their AGMs in 2016. The ambitious agreement to keep temperature rise well below the agreed 2 degrees Celsius reached at the December 2015 UN Climate Change Conference in Paris (COP21) will only be achieved with the support of all members of society, including the private sector. A corporate climate protection strategy starts with full support from the board. It requires boards to develop a climate strategy policy and to monitor progress. In our letter we call upon companies to disclose their strategy on climate protection, develop targets that are in line with the COP21 Universal Agreement, to disclose their roadmap to meeting these targets and their annual progress in this regard. Finally, we also call on them to refrain from lobbying against policies aimed at meeting the Universal Agreement. During 2016, we will closely monitor the progress made by companies on these targets and take their efforts into account in our voting decisions at the AGMs.

One of the responses to our letter came from Sound Global. The Singapore-based company stated that it has discussed our concerns with its management and directors and that they are willing to publicly disclose more information related to its social responsibilities. “Our business is in favour of energy conservation and emission reduction. It is our responsibility to disclose the key performance indicators related to our business in our Annual Report. We expect to disclose the information in the Environmental, Social and Governance Reporting Guide in the coming year.”

Dialogue

Dialogue with companies is an important part of our SRI investment strategy and is one of the ways we encourage (stock-listed) companies to improve their sustainable business performance. Dialogue is conducted either by Triodos Research individually or together with other like-minded investors.

Individual dialogue

During the assessment of a company in the selection phase, we closely examine policies, programmes and performance. By engaging with companies throughout the assessment process, we give them an opportunity to share their perspective on particular issues and provide additional information that is not in the public domain.

In 2015, we engaged with 83 companies during the selection phase. When Triodos Research considers a company for investment, we assess all aspects of a company’s sustainability performance. Engagement during the selection phase can be a simple request for more information, a more detailed discussion on a company’s activities and policies, and/or an in depth meeting about the company’s strategy, providing information about our requirements and suggestions on how to meet these. As with all engagement activities, Triodos Research uses the selection phase to push the

sustainability agenda within companies. Fifty seven companies assessed responded to our questions and 17 engagement efforts were pending at the end of the year. Accor is an example of a company that did not respond to our questions. Triodos Research was therefore unable to identify whether the company meets our minimum standards, resulting in the removal of the company from our sustainable investment universe.

For a full overview of engagement activities during the selection phase see annex 1.

The results of our assessment are shared with the companies researched. For companies selected for sustainable investment, this feedback includes a full overview of their performance on key sustainability themes and areas for further improvement. Some companies seek further dialogue based on our feedback. In 2015, we informed 139 companies of their assessment results, of which 25 replied asking for more information or just thanking us for the feedback, as it helps them to improve further.

Triodos Research actively monitors companies that have been selected for the Triodos Sustainable Investment Universe. If we see a potential violation of our minimum standards, we start an investigation into the controversy and often enter into dialogue with the company. We also contact companies on specific topics. During 2015, we engaged 69 times with 54 companies during the monitoring phase.

Following-up on engagement efforts on animal welfare, the fund sent letters to eight food retail and hotels & restaurants companies in April 2015, describing the key findings of its engagement activities in 2014 and highlighting best practices. Each company received specific recommendations for change based on these best practices. The fund will continue to assess progress and continue its engagement efforts.

For a full overview of monitoring activities see annex 2.

Collaborative dialogue

In addition to seeking dialogue with individual companies, Triodos Research also regularly works together with other investors to further steer sustainable performance. Triodos Research has a number of partnerships that facilitate and encourage such collaborative engagement.

In 2015, a joint investor letter was sent on behalf of Actiam, Robeco, MN Services and Triodos Investment Management, to 17 leading automobile manufacturers, including BMW, Honda Motor, PSA, Renault, Tesla, Toyota and Volkswagen. The letter was based on the Carbon Disclosure Project (CDP) Automobiles industry report (‘No room for passengers’ CDP 2015) and discusses the

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of companies
responded
to our questions

highlights of this report and areas for improvement. The letter calls upon the car makers to prepare for current and future regulatory requirements on fleet emission reductions, to demonstrate strategic leadership in R&D and advanced vehicles and to disclose targets and progress to achieve emissions reductions within manufacturing operations and supply chains. A follow-up call took place with BMW, Tesla and Honda Motor.

In 2015 Triodos Investment Management co-signed a number of collaborative initiatives organized by members of the United Nations Principles for Responsible Investment (PRI). These include:

- Access to medicine index: the availability of medicines for people in developing countries improves the lives of many. The medicine index provides a credible, transparent and independent tool, to assess a company's performance in this area. The investor statement seeks assurance that companies fully consider the risks and opportunities of this important issue, and have effective policies and processes for dealing with the challenges.
- Support for clinical trial transparency: this statement calls upon companies to register all trials on inception, publish an objective summary of trial results, publish full details of the methods used and to make data at the individual patient level available. Results of clinical trials generally determine whether or not a drug is marketed. Results from around half of all clinical trials ever conducted have not been published. Moreover, trials with negative results are twice as likely to remain unreported as those with positive results, and industry funded trials that have been published are much more likely than independently funded trials to show positive results. This has substantial financial and reputational implications for pharmaceutical companies. Moreover, it has led to patients dying or being harmed by taking drugs approved on the basis of biased and incomplete information and unnecessary costs being incurred by health services.
- UNPRI Human Rights statement: This initiative encourages companies to use the Human Rights Framework to proactively assess and manage their human rights risks, demonstrate how they meet their responsibility to respect human rights and support long-term financial stability.
- Corporate Climate Lobbying: This initiative raises concerns about companies engaging with policy makers directly or indirectly on climate change-related issues and calls upon companies to carefully assess if this engagement is aligned with the company's position on climate change, to act in situations where policy engagement is not aligned and to publicly report on its position and practices with regard to climate change lobbying activities.

- Encouraging Increased Water Risk Disclosure in the food sector: This initiative sent a letter to low scoring companies in the food sector, asking these companies to improve their water risk disclosure practices through reporting to the 2016 CDP Water Questionnaire. This effort is being undertaken in collaboration with members of the Investor Network on Climate Risk (INCR), the Interfaith Center on Corporate Responsibility (ICCR) and PRI.
- Triodos Investment Management joined the initiative for the third Business Benchmark on Farm Animal Welfare (BBFAW). This benchmark is designed to help improve farm animal welfare standards in the world's leading food businesses. The third BBFAW report, published in February 2015, evaluated 80 global food companies on their policies, governance, management processes and reporting on farm animal welfare. In the second half of 2015, 10 well-performing companies have been commended and other companies, specifically the poorest performers, have been encouraged to improve their farm animal welfare policies, practices and reporting. Triodos Research commits to raising questions about company performance in the Benchmark as part of our routine engagement with these companies. This initiative fits our own engagement efforts on factory farming.

Furthermore Triodos Investment Management continued its support to a number of collaborative initiatives organised by members of the United Principles for Responsible Investment that we signed prior to 2015. These include:

- Sustainable Stock Exchange initiative: This collaborative engagement initiative was launched in 2008. It aims to encourage stock exchanges to consider how to improve the quality of sustainability reporting by the companies that list on their exchange. In support of this initiative, a group of PRI signatories sent letters to the top 30 stock exchanges on 31 January 2011.
- Bangladesh: This investor initiative was launched as a result of the tragic building collapse at Rana Plaza in April of 2013 that killed 1,138 garment workers and injured over 2,000 others. The initiative called on companies to join the multi-stakeholder Accord on Fire and Building Safety. In 2015, letters were sent calling upon companies to donate to the Rana Plaza Donors Trust Fund. The fund was established to financially support the victims and their families. Despite voluntary commitments made by companies, two years after the accident, the fund still lacked financial support. As a result of this additional investor letter, the Rana Plaza Donors Trust Fund reached its goal of USD 30 million in June 2015. H&M,

VF Corporation and Inditex all contributed to the relief fund.

- Responsible Palm Oil: This investor initiative started in 2013 and focuses on improving the sustainability of the palm oil value chain. The Roundtable on Sustainable Palm Oil plays an important role in promoting sustainability in the palm oil sector. To ensure that the RSPO remains relevant as expectations for sustainable palm oil sourcing evolve, and that the platform better reflects the commitments of its members, a new 2015 investor statement called on the RSPO to conduct an accelerated review of the Principles & Criteria and related documents, and to improve transparency, auditing and enforcement among member companies.
- Access to Nutrition Index (ATNI): this initiative started in 2013. It calls on food and beverages companies to provide information about their policies, practices and performance regarding nutrition. Whenever possible and relevant, Triodos Research will refer to this index when meeting the companies in which we invest.

AGM's. Triodos Research uses proxy voting to influence company behaviour, aiming to improve their environmental, social and governance performance.

All investee companies are informed by letter of our voting decisions in order to stimulate awareness of our vision and sustainable investment criteria, and to help the companies improve their sustainability performance. In 2015, we were able to inform most companies in advance about how we intended to vote at their AGM. Companies generally are more inclined to respond to our voting feedback prior to the meeting than afterwards, because they still have the opportunity to influence our voting behaviour. 26 companies replied to the feedback letter and in several cases this triggered an interesting debate. As a result of a discussion with Toyota Motor and Continental, we changed our vote on one of the resolutions. In the case of RELX, additional contact led to the company changing one of its agenda items.

In 2015, the fund voted on 52 shareholder resolutions. It voted in favour of 34 resolutions. For instance, Starbucks faced a shareholder resolution asking the company to establish a board committee on Sustainability, to review corporate policies and assess the company's response to changing conditions and knowledge of the natural environment. At the meeting of eBay, the fund supported a shareholder resolution requesting the company to report on the pay gap between male and female employees, policies to improve performance and quantitative reduction targets. At the meeting of Chipotle a shareholder resolution was brought forward requesting the company to publish a sustainability report. Unfortunately, none of these shareholder resolutions attracted sufficient support to pass at the meeting.

At the meeting of Time Warner, the fund supported a shareholder resolution requesting the company to adopt a target for reducing absolute greenhouse gas (GHG) emissions and issue a report on its plan to achieve these goals. On September 15, the company announced a new two-year goal to reduce carbon intensity by 30% by the end of 2016.

Responsible share ownership

By voting at and attending AGMs, we are able to challenge the companies we invest in to constantly improve their sustainability performance.

Proxy voting

As a responsible shareholder, Triodos Research votes at all AGMs for companies in which we hold shares via Triodos Sustainable Equity Fund, Triodos Sustainable Mixed Fund and Triodos Sustainable Pioneer Fund. Votes are cast on behalf of these funds.

Proxy voting behaviour 2015

Number of meetings at which we voted	125
Number of agenda items we voted on	1,524
Number of agenda items we voted for management	893
Number of agenda items we voted against management	477
Number of agenda items we abstained on	154

Triodos Research obtains voting advice from PIRC Services, to which we apply our own voting guidelines before we vote. We did not follow PIRC's standard voting recommendations in 7% of all agenda items. Proxy ballots are usually proposals from company management on issues of corporate governance, such as strategy, auditing, board composition and executive compensation. Shareholders can also make proposals at

Annual General Meetings

As an active shareholder, Triodos Research attends AGMs to raise questions and encourage continuous improvement in sustainability performance. Whilst the companies we invest in are already top corporate responsibility performers, we aim to challenge them to further improve their sustainability performance in such a way that it benefits not only shareholders, but all stakeholders.

Triodos Research attended the shareholder meetings of RELX and food company Wessanen. Also on behalf of three other investors, we raised concerns about the remuneration policy at RELX. We also advised the company to publish an integrated report and we raised questions about the company's incident rate and its supplier database. The company replied on remuneration that a new remuneration policy will be discussed soon with stakeholders. At the meeting of Wessanen we addressed the company's corporate strategy and its remuneration policy. As sustainable investor we highly appreciate Wessanen's current vision and adopted strategy, to become a leader in healthy and sustainable food. However, in the past, the company has changed its strategy several times in response to changing circumstances. The company confirmed that this strategy is a well-founded decision and that it is set for the long term.

If we share their concerns, we often cooperate with other (institutional) investors. At the meeting of DSM questions were raised also on our behalf by Robeco on strategy, remuneration, the use of renewable energy and auditor independence.

Public policy

We also see it as our role to influence public policy setting. As public policy can be a driver for financial and sustainable reform of companies, it has become increasingly important for long-term investors. In 2015, we were involved in several initiatives in the public domain:

- Corporate taxes: In many cases, tax efficiency is legal and may increase the company's financial performance, particularly in the short term. However, taking the longer-term consequences into consideration, aggressive tax planning entails significant risks. These risks include financial, regulatory and reputation risks. Triodos Bank supports a fair and effective tax system, taking into account the interests of all stakeholders. We stand on the principle that taxes should be paid in the countries where the earnings are realised. In the past, the fund engaged with all its investee companies on tax transparency and tax policy. The replies from companies made it clear that responsible and transparent tax behaviour is not yet well developed. In that light, the fund advocates country-by-country reporting to the public by all listed companies. Such disclosure would increase overall transparency and allow for a more detailed analysis by investors. On June 30, 2015, Triodos Research spoke at a public seminar organised by

Members of the European Parliament to discuss the importance of country-by-country reporting for investors. Following the public seminar, on July 8, the European Parliament voted in favour of country-by-country reporting by listed companies on profits made, tax paid on profits and public subsidies received. Members of the European Parliament are now having informal talks with member states to seek agreement on the final version of the legislation.

- Conflict minerals: In 2015, the fund continued its engagement efforts on conflict minerals. These minerals include tantalum, tin, tungsten and gold originating from the Democratic Republic of Congo and its adjoining countries. Following the investor statement to the European Commission, the European Council and the European Parliament we initiated in 2014, calling for a more stringent EU policy on conflict minerals, Triodos Research was invited to speak at a public hearing in the first half of 2015 organised by the Dutch Parliament. We also took part in the Forum on responsible mineral supply chains organised by the OECD International Conference on the Great Lakes Region. On May 13, 2015, just ahead of the vote on the issue in the European Parliament, we published another investor statement, again in conjunction with a group of US and European investors, calling on the European Parliament to strengthen its position. Triodos Bank was pleased to see that the European Parliament did indeed vote in favour of extending mandatory supply chain due diligence to companies that use conflict minerals in their products, as requested in the statement. The European regulation, however, will only be completed after a final round of negotiations ('trialogue') between the European Commission, the European Council and the European Parliament.
- G20 Energy Efficiency Finance Task Group: The objective of the Task Group was to push the topic of Energy Efficiency Finance ahead of the G20 Leaders Summit that took place in November 2015.
- Paris Pledge for Action: Triodos Investment Management was one of the signatories to the Paris Pledge for Action. By signing this statement we pledge our support to ensuring that the level of ambition set by the universal climate agreement of COP 21 in Paris is met or exceeded.
- Human Trafficking Risks: Triodos Investment Management co-signed a letter to Members of the US House of Representatives and the Senate calling upon them to co-sponsor and pass the Business Supply Chain Transparency on Trafficking and Slavery Act of 2015. This bill is a relevant step towards eliminating human rights abuses throughout supply chains.

Annex 1: Companies engaged with during selection phase

Company	Eligible for investment	Engagement topic
3iGroup Plc	Selected	Arms, unconventional oil/gas, nuclear power
Accell Group NV	Selected	Conflict minerals
Accenture	Pending	Nuclear power
Aetna Inc	Selected	Violation of legislation
Aktiebolaget Svensk Exportkredit (publ)	Pending	Arms, unconventional oil/gas, nuclear power
AkzoNobel NV	Selected	Unconventional oil/gas
Alcatel-Lucent	Selected	Arms, nuclear power
Amadeus IT Holding SA	Selected	Human rights
Aon Plc	Not selected	Arms
ASICS Corp	Pending	Fur, genetic engineering, conflict minerals, basic labour rights
Aviva	Not selected	Arms, unconventional oil/gas, nuclear power, violation of legislation
Baxalta Inc	Selected	Animal testing, genetic engineering, hazardous substances
Baxter International Inc	Selected	Animal testing, environmental damage, genetic engineering, violation of legislation
Becton, Dickinson and Company	Selected	Animal testing, genetic engineering
Boulder Brands Inc	Pending	Animal testing, environmental damage, factory farming, basic labour rights
Bunge Ltd	Not selected	Genetic engineering
Caisse des Depots et Consignations	Not selected	Arms, coal, unconventional oil/gas, human rights, nuclear power
Canadian National Railway Co	Selected	Climate change, nuclear power
Capgemini SA	Pending	Arms, nuclear power
CECO Environmental Corp	Not selected	Arms, nuclear power
Centrotec Sustainable AG	Selected	Animal testing, corruption
Chr. Hansen Holding A/S	Not selected	Animal testing
Cisco Systems Inc	Selected	Arms
Coca-Cola Company	Not selected	Animal testing, factory farming, genetic engineering, violation of legislation
Coca-Cola Enterprises Inc	Pending	Genetic engineering
Daiwa House Industry Co, Ltd	Selected	Corruption, human rights
Deutsche Bahn AG	Not selected	Nuclear power
Deutsche Telekom AG	Selected	Basic labour rights
Dialight Plc	Selected	Conflict minerals
DnB ASA (Den Norske Bank)	Selected	Coal, biodiversity, unconventional oil/gas, nuclear power
Eaton Corporation	Pending	Arms, nuclear power
Evonik Industries AG	Selected	Animal testing, unconventional oil/gas, genetic engineering, hazardous substances
Gerresheimer AG	Selected	Conflict minerals
Hanesbrands Inc	Not selected	Basic labour rights
Hologic Inc	Not selected	Animal testing
Home Depot Inc	Not selected	Animal testing, deforestation, basic labour rights
Inditex (Industria de Diseño Textil SA)	Selected	Animal testing, basic labour rights
Infineon Technologies AG	Not selected	Arms
ING Group NV	Selected	Black list projects, coal, unconventional oil/gas, nuclear power, violation of legislation

Company	Eligible for investment	Engagement topic
Integra LifeSciences Holdings Corp	Not selected	Animal testing
Intel Corp	Not selected	Arms
InterContinental Hotels Group Plc	Not selected	Alcohol, biodiversity, factory farming, genetic engineering
Intesa Sanpaolo Spa	Not selected	Arms, black list projects, coal, unconventional oil/gas, nuclear power
Intuitive Surgical Inc	Not selected	Animal testing
KBC Group NV	Not selected	Climate change, nuclear power, violation of legislation
Kering SA	Selected	Animal testing, fur
Keurig Green Mountain Inc	Selected	Biodiversity, genetic engineering, basic labour rights
Kingfisher Plc	Selected	Animal testing, fur
Lend Lease Corporation	Selected	Human rights
Limited Brands Inc	Not selected	Animal testing, fur, basic labour rights
Mapfre SA	Selected	Arms, climate change, nuclear power
Minebea	Not selected	Arms, nuclear power
Natural Grocers by Vitamin Cottage Inc	Selected	Animal testing, environmental damage, basic labour rights
Next Plc	Selected	Basic labour rights
NH Hoteles	Not selected	Alcohol, biodiversity, factory farming, genetic engineering, basic labour rights
Nokia Corp	Selected	Arms
Pearson Plc	Selected	Deforestation
Pharol SGPS SA	Selected	Conflict minerals
Proximus Plc	Selected	Conflict minerals, pornography
Quintiles Transnational Holdings Inc	Pending	Animal testing, genetic engineering
Rexam Plc	Selected	Conflict minerals
Rockwell Automation Inc	Selected	Arms, nuclear power
Salesforce.com Inc	Not selected	Human rights
Sandisk Corp	Pending	Human rights, basic labour rights
Schroders	Selected	Arms
Shimano Inc	Selected	Conflict minerals
SNCF Mobilités Group	Not selected	Nuclear power
Stanley Black & Decker Inc	Pending	Arms, climate change
Starbucks Corporation	Selected	Alcohol, factory farming, genetic engineering, violation of legislation
Svenska Handelsbanken	Selected	Climate change, nuclear power
Swisscom AG	Selected	Conflict minerals, human rights, pornography
Telecom Italia Spa	Selected	Conflict minerals, violation of legislation
Telekom Austria AG	Not selected	Conflict minerals, pornography
Telenor ASA	Selected	Conflict minerals, pornography
Terumo Corp	Selected	Animal testing, genetic engineering, conflict minerals, violation of legislation
TJX Companies Inc, The	Selected	Animal testing, fur, basic labour rights
Tomra Systems ASA	Selected	Unconventional oil/gas, nuclear power, tobacco
Trina Solar Ltd	Selected	Conflict minerals
Valeo	Selected	Basic labour rights, conflict minerals, violation of legislation
Verizon Communications Inc	Selected	Pornography, violation of legislation
William Demant Holding AS	Selected	Animal testing, conflict minerals
Xylem Inc	Selected	Unconventional oil/gas, nuclear power
Zurich Insurance Group AG	Not selected	Arms, climate change, nuclear power

Annex 2: Companies engaged with during monitoring

Company	Eligible for investment	Topic	Engagement outcome
ABN AMRO Bank NV	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Accell Group NV	Selected	Conflict minerals	The company confirmed that it uses some of the minerals of concern (mostly tin) and that it will further look into its supply chain. The company also stated that it aims to address the issue in the 'Bicycle working group' of the World Federation of Sporting Goods Industries.
Achmea BV	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Adidas AG	Selected	Basic labour rights	An investor letter was sent again to companies to follow up on the Rana Plaza accident in 2013.
Ahold (Koninklijke Ahold, Royal Ahold) NV	Not selected	General sustainability performance	The company approached us about a Responsible Retailing Survey. Research provided feedback to the survey.
AkzoNobel NV	Selected	Climate change	Research participated in an investor teleconference on the use and sourcing of renewable energy. A follow-up e-mail was sent to the company.
BBVA (Banco Bilbao Vizcaya Argentaria) SA	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Bendigo and Adelaide Bank Ltd	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
BMW (Bayerische Motoren Werke) AG	Selected	Climate change, board diversity and conflict minerals	On several occasions, the company's progress towards climate change, board diversity and conflict minerals were discussed. BMW stated that it is very confident that it does not use cheat devices and it trusts that it can meet all new legal requirements in different jurisdictions.
Carrefour SA	Selected	Factory farming, basic labour rights	A letter was sent to the company with specific recommendations based on research findings resulting from earlier dialogue with the company. See under Dialogue. And the company was sent an investor letter to follow up on the Rana Plaza accident in 2013.
Chipotle Mexican Grill Inc	Selected	Factory farming	A letter was sent to the company with specific recommendations based on research findings resulting from earlier dialogue with the company. See also under Dialogue.
Colruyt	Selected	Factory farming	A meeting took place with the company to learn about how the company addresses animal welfare. Research followed-up by sending a letter to the company with specific recommendations for change. See also under Dialogue.
Compass Group	Not selected	Factory farming	A meeting took place with the company to learn about how the company addresses animal welfare. Research followed-up by sending a letter to the company with specific recommendations for change. The company responded that our letter was very helpful and recommendations will be taken into account in the update of its policy and standards.
Daimler AG	Not selected	Climate change	The company was sent a joint investor letter on climate change. See also under Main engagement themes in 2015.
Danske Bank A/S	Selected	Arms	The company was part of the feasibility study conducted on arms. See also under Main engagement themes in 2015.

Company	Eligible for investment	Topic	Engagement outcome
Delta Lloyd NV	Selected	Arms, violation of legislation	In a meeting with the company our concerns about the fines imposed by DNB and AFM were discussed including measures taken by the company. The company adequately answered our questions. The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
DnB ASA (Den Norske Bank)	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
EBRD (European Bank for Reconstruction and Development)	Selected	Black list projects	The company was contacted about its potential involvement in a coal project in the Great Barrier Reef. The company stated that it is not involved in this project.
Ford Motor Company	Selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Gamesa Corporación Tecnológica SA	Selected	Conflict minerals	Research spoke with the company about its conflict-free requirements. The company stated that it now has a requirement in its supplier code to source 'conflict free' minerals. Moreover the company is working with an external party to develop an approach for supply chain controls.
GAP Inc (The)	Selected	Basic labour rights	An investor letter was sent again to companies to follow up on the Rana Plaza accident in 2013.
H&M (Hennes & Mauritz)	Selected	Basic labour rights	An investor letter was sent again to companies to follow up on the Rana Plaza accident in 2013.
Hain Celestial	Selected	Water scarcity	An investor letter was sent to the company asking it to improve its water risk disclosure practices.
Hannon Armstrong Sustainable Infrastructure Capital Inc (HASI)	Selected	General sustainability performance	In a meeting with the CEO of the company, also attended by our asset manager, the company's strategy and its product portfolio were discussed.
Honda Motor Corporation	Not selected	Climate change	In a meeting the investor letter on climate change was discussed. Honda was open about its environmental performance and future plans to reduce its GHG emissions. We also discussed its strategy on drive-technology. The company is expected to soon launch a hydrogen car in Japan.
Inditex (Industria de Diseño Textil SA)	Selected	Basic labour rights	As a result of an investor letter sent to the company to follow up on the Rana Plaza accident in 2013, the company replied that it donated generously to the Donor fund and it sent a letter with an update of other efforts made as a result of the Bangladesh Accord.
ING Group NV	Selected	Arms, corporate governance	Multiple contacts took place with ING. The first was with key personnel from the company, together with Eumedion and some of its members to prepare for the annual general shareholder meeting in 2015. We discussed general sustainability performance, remuneration and corporate strategy. Later in the year, the company sought input from investors on its current corporate governance structure. Triodos Research joined this meeting also with Eumedion and some of its members. Finally, the company was part of the feasibility study conducted on arms. The company answered our questions. See also under Main engagement themes in 2015.

Company	Eligible for investment	Topic	Engagement outcome
KBC Group NV	Not selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Mapfre SA	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Marks & Spencer Plc (M&S)	Not selected	Basic labour rights	An investor letter was sent again to companies to follow up on the Rana Plaza accident in 2013.
Mazda Motor Corp	Selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Metro AG	Selected	Factory farming	A letter was sent to the company with specific recommendations based on research findings resulting from earlier dialogue with the company. See under Dialogue.
Mitsubishi Motors Corp	Not selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Nissan Motor Co, Ltd	Not selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Novo Nordisk	Selected	Other unsustainable processes or products	As a result of an investor letter sent earlier, an investor meeting took place in which the company shared information about its clinical trial transparency.
PSA Peugeot Citroen SA	Selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Rabobank	Selected	Arms, violation of legislation	Company asked about its progress in the interest swaps, panels and benchmarks and anti-trust cases. The company provided adequate answers about interest swaps and anti-trust. Benchmarks and panels were discussed later in a separate call. As a result of a critical report on panels published by Dutch regulator AFM, a discussion took place with the company to address our concerns. The company also adequately answered these questions. Finally, the company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
RELX Group Plc/NV	Selected	Violation of legislation	As a result of increasing criticism from scientists our concerns were discussed on a phone call with the company. See under Change is a matter of patience.
Renault SA	Selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Sainsbury Plc, J	Selected	Factory farming	A meeting took place with the company to learn about how the company addresses animal welfare. Research followed-up by sending a letter to the company with specific recommendations for change. See under Dialogue.
Shimano Inc	Selected	Conflict minerals	As a result of additional information sent to the company on conflict minerals, a discussion took place to find out how the company will address our recommendations.
Sonova Holding AG	Selected	Corporate governance	The company contacted us about the annual general meeting that was upcoming. We briefly discussed the agenda and the annual report.
Storebrand	Not selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.

Company	Eligible for investment	Topic	Engagement outcome
Suzuki Motor Corp	Not selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Svenska Handelsbanken	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Tesla Motors Inc	Selected	Climate change	As a result of an investor letter on climate change a discussion took place with the company. The company claims that only few investors ask for environmental disclosure and that the company does not intend to report on this in the near future. Research followed-up by sending some best practice examples to the company for consideration.
Toyota Motor Corporation	Selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
UBI Banca SCRL (Unione di Banche Italiane Banche Popolari Unite)	Selected	Arms	The company was part of the feasibility study conducted on arms. The company answered our questions. See under Main engagement themes in 2015.
Unibail-Rodamco	Selected	General sustainability performance	As a result of our season letter on board diversity we followed-up in a call with the company to discuss its progress towards board diversity and we also discussed the company's general sustainability performance and the impact of the Florance law in France.
VF Corp	Selected	Basic labour rights	An investor letter was sent again to companies to follow up on the Rana Plaza accident in 2013.
Volkswagen AG	Not selected	Climate change	The company was sent a joint investor letter on climate change. See under Main engagement themes in 2015.
Whitbread	Selected	Factory farming	A meeting took place with the company to learn about how the company addresses animal welfare. Research followed-up by sending a letter to the company with specific recommendations for change. See under Dialogue.
WhiteWave Foods	Selected	Water risk disclosure	An investor letter was sent to the company asking it to improve its water risk disclosure practices.
Whole Foods Market Inc	Selected	Factory farming	A meeting took place with the company to learn about how the company addresses animal welfare. Research followed-up by sending a letter to the company with specific recommendations for change. See under Dialogue.

Further information

Triodos publishes this engagement report annually. You can find more up to date information about our engagement activities at www.triodos.com/sri. If you would like to provide feedback on this report or other engagement activities, please contact Triodos Research via: research@triodos.nl.

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Triodos Research provides the research for the Triodos sustainable investment funds (Triodos SICAV I) and for Triodos Bank Private Banking, engaging with (stocklisted) companies during selection and during the period of share and bond ownership. Triodos Research is part of Triodos Bank.

Triodos Investment Management connects a broad range of investors who want to make their money work for lasting, positive change with innovative entrepreneurs and sustainable businesses doing just that. In doing so, we serve as a catalyst in sectors that are key in the transition to a world that is fairer, more sustainable and humane.

With our highly professional investment teams, we have built up in-depth knowledge throughout our 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance, Sustainable Food & Agriculture, Arts & Culture, and Sustainable Real Estate. Triodos Investment Management also invests in listed companies with an above average environmental, social and governance (ESG) performance. Assets under management as per 31 December 2015: EUR 3.1 billion.

Triodos Investment Management is a globally active impact investor and consists of Triodos Investment Management BV and Triodos Investment & Advisory Services BV, both wholly-owned subsidiaries of Triodos Bank NV.

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