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SfC latest engagement activities

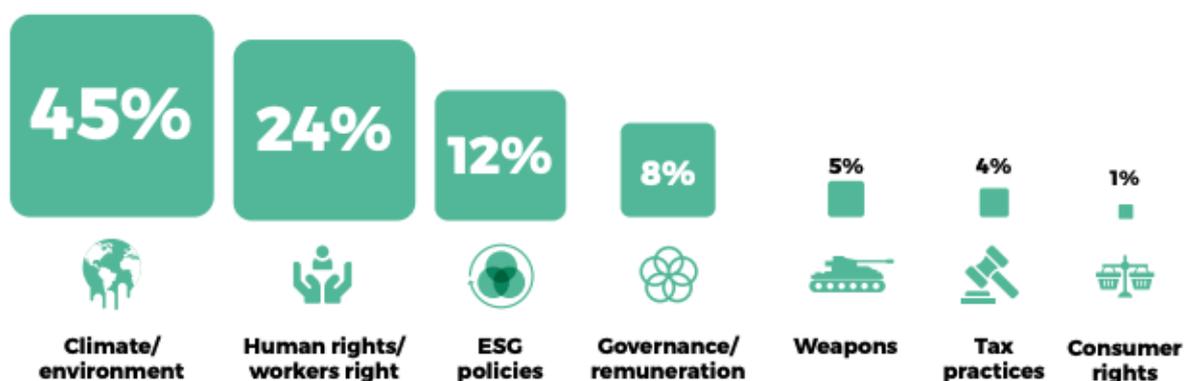
SfC launches its engagement report 2022

Joint shareholder engagement with 142 companies. Focus on climate change, human rights and ESG policies.

On 26 April, SfC – Shareholders for Change released its [engagement report](#) for 2022.

In 2022, the 15 members of the network, with a total of over €35bn AUM, jointly engaged 142 companies and four institutions, most of them in Europe, filing resolutions and voting at annual general meetings (AGMs) or asking questions in conference calls and via mail.

BREAKDOWN OF TOTAL SfC ENGAGEMENT INITIATIVES IN 2022 BY ISSUE (IN %)



Most questions were on climate change, human rights and ESG policies. 46% of engagement initiatives were completed, while 35% are still ongoing. In 72% of cases, companies and institutions were cooperative, committing to implementing what we demanded or disclosing requested information. In 18% of cases they weren't cooperative, refusing to enter a dialogue with our members.

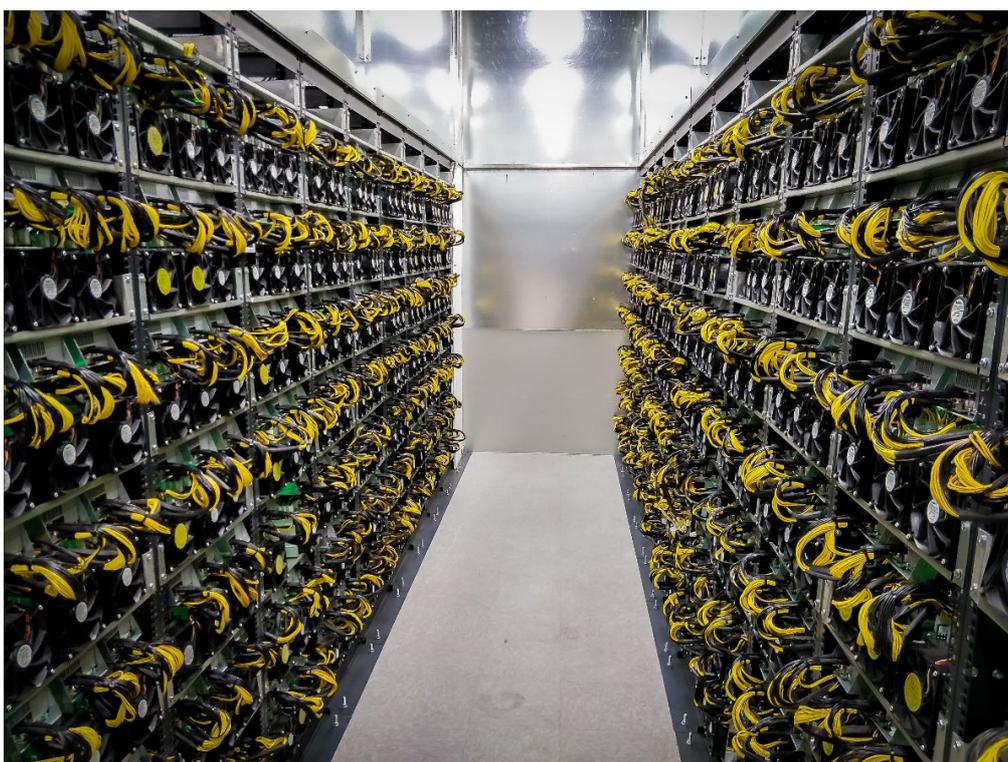
«In 2022 we continued to be a laboratory for innovative shareholder engagement in Europe. We engaged listed and unlisted companies, asset managers, governments, in the form of shareholder activism or, in some

thanks to our engagement, Namibia officially became the 184th state to join the UN Biological Weapons Convention. The sourcing of rare earths has started to be considered as a material social and environmental risk by companies in the renewables, automotive and chemical sectors. Climate resolutions have become a reality in France».

In 2022 SfC introduced new 'orphan issues' in its agenda, that are still marginal in investor engagement strategies. On the initiative of Swiss member Ethius Invest, the network started targeting leading semiconductor companies, which offer customised solutions for crypto mining, which has huge, adverse impacts on the environment. In June 2022, Etica Sgr, together with ICAN (International Campaign to Abolish Nuclear Weapons), led a [unique investor initiative](#) in advance of the First Meeting of States Parties to the Treaty on the Prohibition of Nuclear Weapons.

[Download the report](#)

Intel discontinues Bitcoin Mining Chip Series: significant success of Ethius' engagement



Source: [Wikimedia](#)

Chipmaking heavyweight Intel is ending production of its bitcoin mining chip series, the company said in a statement to [CoinDesk](#) on 18 April.

"As we prioritize our investments in IDM 2.0, we have end-of-lifed the Intel Blockscales 1000 Series ASIC [application specific integrated circuit] while we continue to support our Blockscales customers," an Intel spokesperson said.

No orders will be taken after Oct. 20 and the last product will be shipped no later than April 20, 2024,

effective duopoly in the market dominated by Bitmain and MicroBT.

*“This is great news and a huge, unexpected success for our engagement with the company, launched one year ago”, says **Julius van Sambeck**, managing director of Ethius Invest, a Swiss [member of SfC](#).*

In February 2022, Ethius wrote a letter to Intel, supported by SfC members Forma Futura and Etica Sgr, expressing concern about the decision taken by Intel to actively get involved as a supplier of cryptocurrency-mining equipment. In the letter Ethius asked to understand and assess the company’s planned long-term involvement in the professional cryptocurrency mining sector.

What followed was a lengthy exchange through last year and with different representatives of the company as well as various in-depth statements concerning Intels' activity in the field.

“Crypto mining is highly controversial. The current Proof-of-Work principle is designed to waste most of the resources used in the process of solving the mathematical equation powering any protocol”, continues van Sambeck. “The energy consumed by the network is mainly sourced from fossil fuels, resulting in significant carbon emissions”.

In October 2022, SfC hosted a webinar of data scientist and researcher Alex de Vries on the environmental impacts of cryptocurrencies. *“The webinar helped us identifying industries and listed companies that are contributing to cryptocurrencies adverse externalities, by developing specific products or applications for crypto mining”, says Julius van Sambeck. “Without Alex research and helping hand that he provided to the SfC network so far, it would have been impossible for us to fully understand the scope of the future negative impacts that this so called industry has on us. Semiconductor companies should therefore think twice about their exposure, no matter how tempting the short term revenue opportunities of this new market may appear”.*

The engagement of Ethius and SfC on this issue will continue, focussing on two further companies in the semiconductor industry.

“We utilise the full arsenal of tools at our disposal”



Seb Beloe, partner and head of Research at WHEB

SfC's new member WHEB is focussed on impact investing and stewardship. Its engagement strategy is all-round: it includes voting at company meetings, engaging bilaterally with companies, escalating engagement and divesting. The most recent engagement stories includes dialogues with HelloFresh, Keyence and MSA Safety.

Three questions to Seb Beloe, partner and head of Research at WHEB

Seb, what distinguishes WHEB's approach to engagement with companies?

We do extensive work with portfolio companies throughout the year to encourage them to improve their ESG practices. Critically this is led by the analyst within our investment team and supported by our impact research team. This means engagement always takes place in the context of our view of the company from an investment perspective. We then utilise the full arsenal of tools at our disposal including voting at company meetings, engaging bilaterally with companies, escalating engagement to work collaboratively with others who share our objectives and occasionally divesting and publicly reporting our reasons for doing so. We [report](#) about the results of our engagement quarterly.

You are particularly committed to proxy voting. Why?

As Barack Obama said, "there's no such thing as a vote that doesn't matter." We endeavour to vote all our shares, following the guidelines set out in [WHEB's voting policy](#). We use voting to complement our other stewardship strategies. Our objective isn't just to fulfil an obligation as part of a standardised process, but to use voting alongside wider engagement with company management to achieve a change in policy or performance.

For example, when voting against management's recommendations, WHEB's policy is to explain to the

conversation with the company, which we find most effective for driving change.

HelloFresh, Keyence and MSA Safety are your most recent examples of engagement with companies.

What happened with HelloFresh?

We were first alerted to a potential issue with HelloFresh using animal labour in their supply chain by a PETA report into the use of monkey labour for the harvesting of coconuts in Thailand. Our policy in such instances is to initiate a conversation with the company to clarify the company's response and assess the extent to which accusations have been verified. We therefore prepared a range of questions, organised into four categories, and sent these over to the Investor Relations team ahead of a call.

How did the company react?

We had a productive call with the Investor Relations based around four lines of questioning. The engagement is still ongoing. Coconut milk comprises a very small proportion of HelloFresh's ingredients. While HelloFresh had been sourcing from Suree, one of the wholesalers named in the PETA report, their analysis has not yet found any evidence of monkey labour at farms supplying Suree. However, the company had already begun shifting their procurement away from Thailand before it was targeted by PETA as it had seen the NGO's initial campaign targeting US supermarkets.

What will be your next steps?

We aim to follow up in 2023 to monitor progress made and as we hope to better understand how audit checks are completed. Independently of this, we also aim to discuss evidence with PETA and research claims that the use of monkeys for coconut harvesting is a traditional/historic practice. We believe that HelloFresh was establishing proportional measures to prepare for the risk as soon as it became aware of it.

Successful conclusion of our CAT bond fund engagement



Source: [Adobe Stock](#)

Catastrophe bonds (CAT bonds) transfer part of the risk of natural disasters assumed by insurance companies to the capital markets. As a result, CAT bonds can have a certain positive effect from a

underlying the CAT bonds **cover sustainable insurance purposes** such as for residential property in the event of an incident and do not include insurance purposes that conflict with climate protection or sustainable development. But this is precisely where the value chain of CAT bonds (still) lacks the necessary transparency and commitment to a clear sustainability alignment of the included insurance transactions.

This is why the engagement of **Bank für Kirche und Caritas** (BKC), which was also conducted on behalf of **Shareholders for Change** (SfC), starts. In a dialogue lasting several years with four CAT bond fund managers **Plenum Investment, Twelve Capital, SCOR Investment Partners** and **Fermat Capital Management**, changes were sought in this regard.

Plenum Investment already implemented all of our engagement demands in 2020, and Twelve Capital is now following suit. Twelve Capital has recently integrated a broad exclusion criteria filter into its processes, which is applied at sponsor (e.g. reinsurance) and CAT bond level. This is intended to prevent, for example, insurance payments in the event of a natural disaster from flowing to unconventional oil and gas production projects. In addition to the introduction of a formalised sustainability assessment process, a dedicated engagement process has also been established to encourage increased sustainability focus and transparency along the CAT bond value chain among insurance brokers and reinsurers.

In addition, Plenum Investment and Twelve Capital, together with four other Swiss CAT bond fund managers, have developed a **unified sustainability data requirement** to push for change with greater market power in the CAT bond value chain

“We are pleased that two of the CAT Bonds fund managers we accompanied with engagement dialogues have not only integrated a clearly defined sustainability process in their investments, but are also actively engaged in increasing sustainability transparency in the CAT Bonds value chain”, said **Tommy Piemonte**, Head of Sustainable Investment Research at BKC.

Shareholder engagement in the media

SfC presented as good practice of collaborative engagement by ‘Pathway to Paris’



The project '[Pathway to Paris](#)', launched by pwc and WWF and sponsored by the German ministry of economy and environment protection, aims to support and accelerate the transformation of the German economy towards greenhouse gas neutrality in Germany. For this purpose, various tools were developed that help to understand and strategically implement the necessary change requirements for Paris-compatible emission reductions in various sectors.

On this basis, companies and financial market actors can jointly discuss transformation strategies and measures, identify investment needs and develop financing solutions. In addition, financial market actors will be able to better understand transformation-based risks and opportunities in the individual sectors and take them into account in their risk systems.

About 50 companies and 40 financial institutions are participating in the workshops and sparring sessions of 'Pathway to Paris'.

In a recent publication (December 2022) dedicated to the transformation tool 'engagement with companies', 'Pathway to Paris' listed SfC - Shareholders for Change as a good practice for 'Collaborative engagement in initiatives and associations'.

Here is report's excerpt quoting SfC (translated into English):

Investors

In recent years, various organisations and initiatives have expanded their activities in connection with the organisation of dialogue processes with companies or have been founded to exert influence on companies.

The following is an initial overview:

- Working Group of Church Investors (AKI)
 - Climate Action 100+
 - Corporate Responsibility Interface Center e. V. (CRIC)
 - UN-convened Net-Zero Asset Owner Alliance (NZAOA)
 - Principles for Responsible Investment (PRI)
- Shareholders for Change (SfC).

The full report (in German) can be downloaded [HERE](#)



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