

# Policy on engagement with companies

2025



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# Introduction

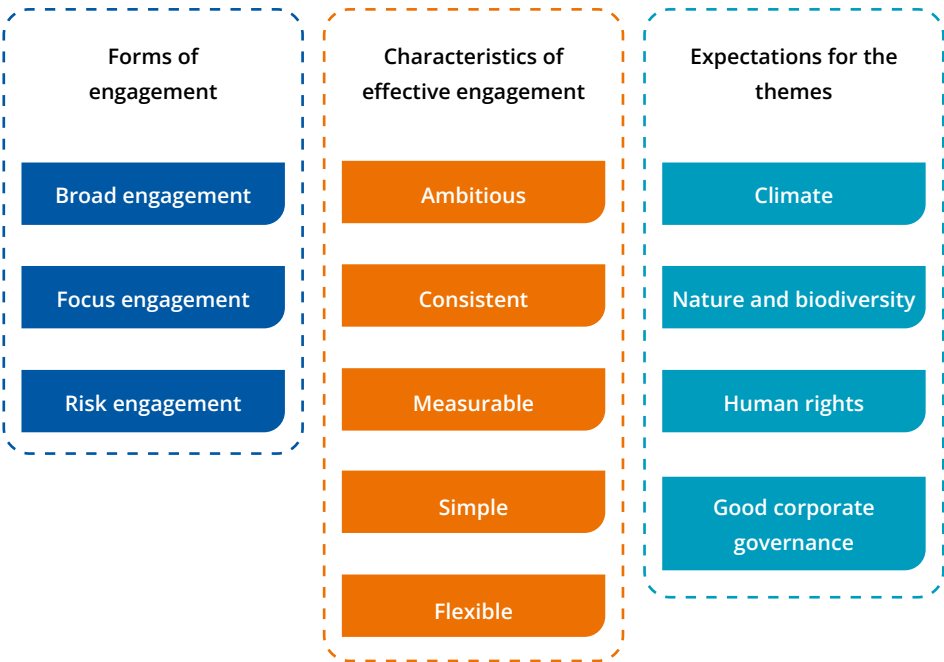
**Engagement is a crucial tool in our Sustainable and Responsible Investment policy. Engagement enables us to hold companies accountable for sustainable and responsible practices and address any misconduct.**

ABP's mission is to work together to build a good pension in a livable world. We recognise that we have the responsibility of considering the societal impact of our investments in both policy and practice.

Our Investment Convictions set out that our investments have an influence on society and that society has an impact on ABP's investments. Guided by our Sustainable and Responsible Investment (SRI) policy, we leverage our influence by engaging with companies on climate, nature and biodiversity, human rights, and corporate governance. This practice is known as engagement.

This document sets out what we expect from companies in relation to those four themes, how we conduct engagement, and how we aim to make it effective.

## The foundations of our engagement



# 1. Forms of engagement

We clearly communicate our expectations for positive impact and the transition to a sustainable society to the companies in which we invest. Our engagement is based on four themes: climate, nature & biodiversity, respect for human rights, and good governance. These four themes are detailed in our [Sustainable and Responsible Investment policy](#).

We do not engage in dialogue with every company. Our capacity is limited, so we must use it wisely. Consequently, we conduct our engagement in three ways:

- **A. Broad engagements**
  - Engagement with a *large group of companies* from different sectors that significantly impact our focus themes and requirements, aiming to ensure these companies meet our (future) *minimum standards*.
- **B. Focus engagements**
  - Intensive engagement with a *small number of companies* in our portfolio, aiming to achieve *positive impact* through expectations tailored to the company and sector.
- **C. Risk engagements**
  - *Ad hoc* engagement with companies that violate legislation and international sustainability norms and standards, aiming to *mitigate*, prevent, or resolve *negative impacts*.

## 2. How we work towards effective engagement

ABP distinguishes five characteristics of effective engagement. When designing our engagement programmes, we focus on these characteristics:

**Ambitious:** We set clear minimum expectations in line with our ambitions.

**Consistent:** We establish comparable expectations for companies with comparable issues.

**Measurable:** We focus on concrete results and impact. We define our goals in advance and set timelines with interim milestones.

**Recognizable:** We consider the wishes of our participants when setting our engagement expectations.

**Flexible:** We closely monitor current developments and may decide to engage based on new information.

ABP no longer invests in every company, but in a pool of companies that meet our minimum criteria.

We also aim to make our equity portfolio progressively more sustainable. Engagement plays an important role in this process. Through our engagements, we seek to achieve positive impact, reduce or prevent negative impact, and encourage companies to continue meeting our minimum criteria in the future.

Our asset manager, APG, conducts engagement with the companies in which we invest on our behalf, by holding discussions with executives and board members about ABP's sustainability themes.

The execution and effectiveness of this engagement are continuously evaluated. If a company does not make sufficient progress, we can intensify our engagement or use our voting rights to express our dissatisfaction. We may also collaborate with other investors or draw media attention to an issue.

The insights we gain from our discussions with companies feed into the gradual tightening of our minimum requirements. With this approach, we encourage companies to continue meeting our (future) [minimum requirements](#) so that we can remain invested in them.

We report [here](#) on our engagements from the past financial year.

## 3. What we expect from companies

Our engagement aims to inform the companies we invest in about our ambitions and expectations, and to hold them accountable for their efforts to pursue sustainable and responsible business practices in relation to ABP's four themes.

### 3.1 Climate

For the theme of climate, ABP's goal<sup>1</sup> is to align its investment portfolio with the objectives of the Paris Agreement. Our engagement objectives and expectations for this theme focus on companies' greenhouse-gas emissions and investment activities.

We discuss these topics with companies in the following sectors: car manufacturers, banks, the chemical industry, utilities, food producers and cement companies. We expect these companies to publish their Scope 1, Scope 2 and material Scope 3 emissions<sup>2</sup> no later than 2030. In addition, we expect the following from the respective sectors:

#### Car manufacturers

- Publish emission-reduction targets by 2025 at the latest
- By 2030, disclose investments in new infrastructure for electric vehicles
- Ensure responsible production of electric vehicles

#### Banks

- By 2025, commit to achieving net-zero emissions by 2050 for all financed and facilitated emissions
- By 2030, set and publish short, medium and long-term emission-reduction targets

#### Chemical industry

- By 2025, publish energy-efficiency targets, the measures implemented and the estimated emission reductions achieved
- Review and publish existing short, medium and long-term emission-reduction targets
- By 2030, disclose the value of investments in low-carbon energy generation

#### Food producers

- By 2025, publish an investment plan that prioritises projects that reduce emissions
- By 2030, disclose investments consistent with their climate objectives and the value of investments in low-carbon energy generation and material-efficient packaging

#### Utilities

- Publish emission-reduction targets by 2025 at the latest
- By 2030, publish climate-transition plans for individual production facilities aligned with the company's overall climate strategy
- Invest in the long-term generation of electricity without fossil fuels

#### Cement companies

- Work to reduce emissions released during the cement-production process

<sup>1</sup> See also ABP's Climate Policy 2022-2030

<sup>2</sup> Scope 1: direct CO<sub>2</sub> emissions, caused by own sources within the organisation. Scope 2: indirect CO<sub>2</sub> emissions, from the generation of electricity or heat bought in and consumed. Scope 3: the emissions caused by the use of the business's products (source: Greenhouse Gas Protocol).

## 3.2 Nature and biodiversity

For the theme of nature and biodiversity, ABP's goal is for its investment portfolio to help halt biodiversity loss and to ensure that its investments do not contribute to deforestation.

Our engagement objectives and expectations for this theme focus on deforestation, the conservation and restoration of biodiversity, animal welfare, circularity, and the use of natural resources.

We engage with companies in the following sectors: the chemical industry, beverage producers, food companies, metals and mining, and supermarkets. We expect these companies to commit to eliminating deforestation by 2025 at the latest, and to publish anti-deforestation and land-conversion policies aimed at halting forest loss and soil degradation. We also ask these companies to disclose their exposure to deforestation-related risks. In addition, we expect the following from the respective sectors:

### Chemical industry

- Provide evidence by 2025 of a robust environmental management system
- Publish, by 2025, policies on water management and water discharge
- By 2025, develop a plan to ensure that chemical waste is properly treated and disclose the quantity of hazardous waste generated and how it is disposed of

### Beverage sector

- By 2025, prepare a water-management plan with measures to reduce water use and replenish water sources
- Disclose the share of water sourced from water-scarce areas and commit to ensuring that their operations do not negatively affect the availability and quality of water

- Achieve 100% circular water use by 2030
- Commit to reducing waste and improving the recyclability of packaging materials
- By 2030, reach a recycling rate of at least 70% for packaging materials

### Food producers

- By 2025, implement product-certification schemes and commit to reducing waste and improving the recyclability of packaging materials
- By 2030, adopt measures to reduce deforestation in their supply chains and achieve a recycling rate of at least 70% for packaging materials

### Metals and mining sector

- By 2025, establish an anonymous grievance mechanism through which stakeholders can report deforestation activities or incidents
- Commit to reducing waste and ensuring the quality of water discharges
- By 2030, refrain from developing any new mines in World Heritage Sites or protected areas

### Supermarkets

- By 2025, adopt an animal-welfare policy
- Promote animal welfare and carry out annual audits on animal welfare throughout their supply chains
- By 2030, publish a strategy to achieve a 50:50 balance between plant-based and animal proteins, and launch campaigns to promote the consumption of sustainable alternative protein sources

### 3.3 Human rights

For the theme of human rights, ABP's goal is for all companies to respect human rights not only within their own operations but also throughout their supply chains. ABP is committed to fair business practices and fair supply chains, and we hold companies accountable in this regard.

Our engagement objectives and expectations for this theme focus on living wages, the responsible sourcing of transition minerals, and artificial intelligence. We engage with companies in the following sectors: food companies, supermarkets, restaurants, car manufacturers that use transition minerals, companies active in artificial intelligence, and companies involved in renewable energy.

We expect the following from these companies:

#### **Food companies, supermarkets and restaurants**

- By 2025, publish an analysis of the living-wage gap within their operations, together with measures to close this gap
- By 2030, demonstrate substantial progress towards achieving living wages or living incomes throughout their supply chains, including for contractors and franchisees

#### **Car manufacturers using transition minerals**

- By 2025, conduct human-rights due diligence (HRDD) throughout their supply chains, prohibit forced labour, and establish grievance procedures
- By 2030, publish an HRDD implementation plan on human rights, with concrete targets for corrective action, and report on progress

#### **Companies active in artificial intelligence (AI)**

- By 2025, publish a policy for responsible AI use, outlining how AI is applied ethically and responsibly
- By 2030, demonstrate that they proactively remedy harm caused by high-risk AI applications, and implement a transparent grievance mechanism, including a whistleblower and anti-retaliation policy for their own employees

#### **Companies involved in renewable energy**

- For all new renewable-energy projects, take into account the rights of all affected stakeholders



### 3.4 Good corporate governance

For the theme of good corporate governance, ABP aims to promote sound governance practices at the companies in which it invests. Our engagement objectives and expectations for this theme focus on remuneration, taxation, transparent reporting and its oversight, and the composition of company boards.

For this theme, we engage with companies from, among others, the following sectors: IT companies, pharmaceutical companies, car manufacturers, utilities, banks, chemical companies and food companies. We expect the following from these companies:

#### IT companies

- Fully disclose the metrics and objectives used in executive remuneration policies<sup>3</sup>
- Ensure mechanisms are in place to prevent misaligned or excessive remuneration from being awarded

#### IT companies and pharmaceutical companies

- Publish a transparent and responsible approach to tax reporting and tax payments

#### Car manufacturers, utilities, banks, chemical companies and food companies

- Appoint a board member responsible for climate and sustainability, and integrate sustainability into the determination of executive remuneration

Beyond the expectations outlined above, we may also conduct ad hoc engagement, where risks warrant it, with a select group of companies in our portfolio that create the greatest negative impact on society and the environment (i.e. those that violate legislation or international sustainability norms and standards). Our aim here is to reduce, prevent, or remedy this negative impact.

For such engagements, we have formulated the following general expectations. Depending on the situation, we may add further relevant expectations:

- Integrate corporate social responsibility into policies and management systems
- Identify and assess negative impacts in operations, supply chains and business relationships
- Cease, prevent or mitigate negative impacts
- Monitor practical implementation and outcomes
- Communicate how impacts are addressed
- Provide or cooperate in remediation measures, where applicable

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<sup>3</sup> We also encourage companies to ensure that part of the CEO's remuneration is performance-related.

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