

2021 Engagement Priorities

At Rockefeller Asset Management, ESG engagement is an important part of our investment process. Our direct dialogue with companies seeks to maximize shareholder returns and catalyze positive change. To do this, we identify what we believe are the most material issues for each company. We then engage management teams to understand their approach to managing these issues and propose specific ways they can improve their ESG performance to enhance overall value.

In 2020, as Covid-19 swept the human and economic landscape, many of our conversations with companies turned to address the impacts on their people, their business, and their strategy. In 2021, we intend to continue discussing their efforts to adapt to new post-COVID-19 realities. Yet as we think about longer term drivers of value among the companies across our strategies, the topics below emerge as paramount. Not all topics will apply to all companies. For example, “ocean health”, is most relevant to companies whose operations have an impact on the oceans and “data privacy” is most relevant to companies that collect large amounts of consumer data. At times, the most material issues for a given company will fall outside of this framework. While our engagements with each company are tailored to their unique business models, this year we plan to apply a particular focus on these five areas, which we believe has the potential to maximize our impact over the course of the year.

ENVIRONMENT

- Climate Action:** Climate change is seen by many as the defining issue of our time. As temperatures rise, climate variability increases, and regulation drives use toward a low carbon economy, climate risk is increasingly recognized as investment risk. We support the Paris Agreement on Climate Change and know that companies’ ability to adapt their business models will impact their performance. Our engagement will focus on both mitigation and adaptation.
 - GHG emissions reduction:** We will encourage companies to accelerate their journey toward net zero emissions, in line with Science Based Targets and the Paris Agreement.
 - Climate adaptation:** We will seek to understand how each company will be affected by climate physical risk, climate transition risk, and how well they are prepared to adapt their businesses. We will also ask companies to report their analysis and transition planning along TCFD guidelines.
- Ocean Health:** The blue economy is worth \$2.5 trillion dollars and is expected to grow at twice the rate of the mainstream economy.¹ The ocean is also one of our greatest carbon sinks, not to mention a source of joy. We will seek to work with mainstream companies to improve ocean health outcomes while increasing their competitive positioning.
 - Pollution Prevention:** We will seek to work with both land and marine based companies to reduce plastic pollution, chemical runoff, microplastics and other pollutants.
 - Conservation:** We will seek to encourage companies to consider operating models and business-integrated initiatives that enhance ocean conservation.

SOCIAL

- Data Privacy and Security:** Personal data has become a significant driver of financial value. Yet as companies collect more personal data and move more information to the cloud, they face greater scrutiny from consumers and regulators. Data breaches can erode corporate value with astonishing speed and be extremely costly to mitigate.
 - Data breach prevention:** We plan to engage companies to help increase our confidence that they have robust systems in place, know how much cyber security is appropriate, and are regularly monitoring systems and processes.

¹ Responsible Investor Research, and Credit Suisse. 2020, *Investors and the Blue Economy*, www.esg-data.com/blue-economy.

4. **Labor Management:** Covid-19 has certainly shone a spotlight on how heavily companies rely on human capital in their own operations and in supply chains. Strong labor policies are essential to operating responsibly and maintaining overall competitiveness.
- **Health, safety and human rights:** We intend to work with companies to promote safe and healthy working environments and also encourage companies to prioritize human rights across their supply chain.
 - **Diversity, Equity and Inclusion:** Data increasingly shows that diversity among board members, executives and employees can enhance productivity and innovation. Across sectors, this issue has become increasingly important for attracting and retaining talent. We plan to work with companies to improve and disclose metrics that show progress.

GOVERNANCE

5. **Integrating ESG into Business Strategy:** Good performance on ESG is much more than a risk reduction mechanism, it can be a powerful driver of growth and innovation. Employees want to work for companies that do good in the world, while consumers increasingly seek products that align with their values. Integrating ESG into business strategy can help companies improve their competitive differentiation, transition to a low carbon economy, adapt to sustainable market trends, stay ahead of regulation, and attract top talent.
- **Oversight at board level:** Evidence shows that good governance is one of the most financially material issues. Because real action begins with a commitment from the top, we intend to encourage companies to increase board oversight of ESG issues.

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