

Responsible Investment 2020

Government Pension Fund Global

Press seminar 25 February 2021

Responsible investment

Government Pension Fund Global

2020

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Investing sustainably

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Better sustainability reporting

Responses to public consultations in 2020

Sustainability disclosure

- European Commission
- Eumedion
- UK Financial Conduct Authority
- Global Sustainability Standards Board
- IFRS Foundation
- Principles for Responsible Investment
- Sustainable Finance Committee of the German Federal Government

Management incentives

- Hong Kong Stock Exchange
- International Corporate Governance Network

Responsible business

- Global Reporting Initiative
- OECD

Disclose our votes 5 days before the meeting

Example: Walt Disney

	Proposal	Mgt rec	Vote
Management proposals			
3	<p>Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Vote rationale: The board is responsible for attracting the right CEO and setting appropriate remuneration. A substantial proportion of annual remuneration should be provided as shares that are locked in for five to ten years, regardless of resignation or retirement. The board should provide transparency on total remuneration to avoid unacceptable outcomes. The board should ensure that all benefits have a clear business rationale. Pensionable income should constitute a minor part of total remuneration.</p> <p>Global Voting Guidelines CEO remuneration</p>	For	Against
4	Amend Omnibus Stock Plan	For	For



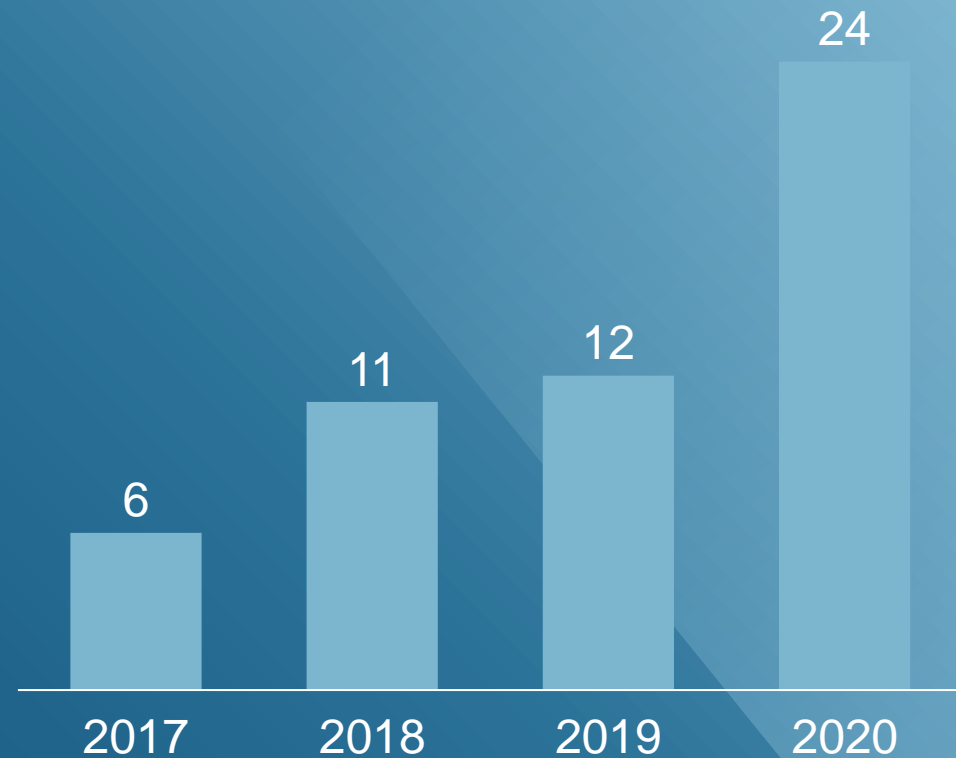
Shareholder proposals on sustainability

262 shareholder proposals in 2020

Our criteria

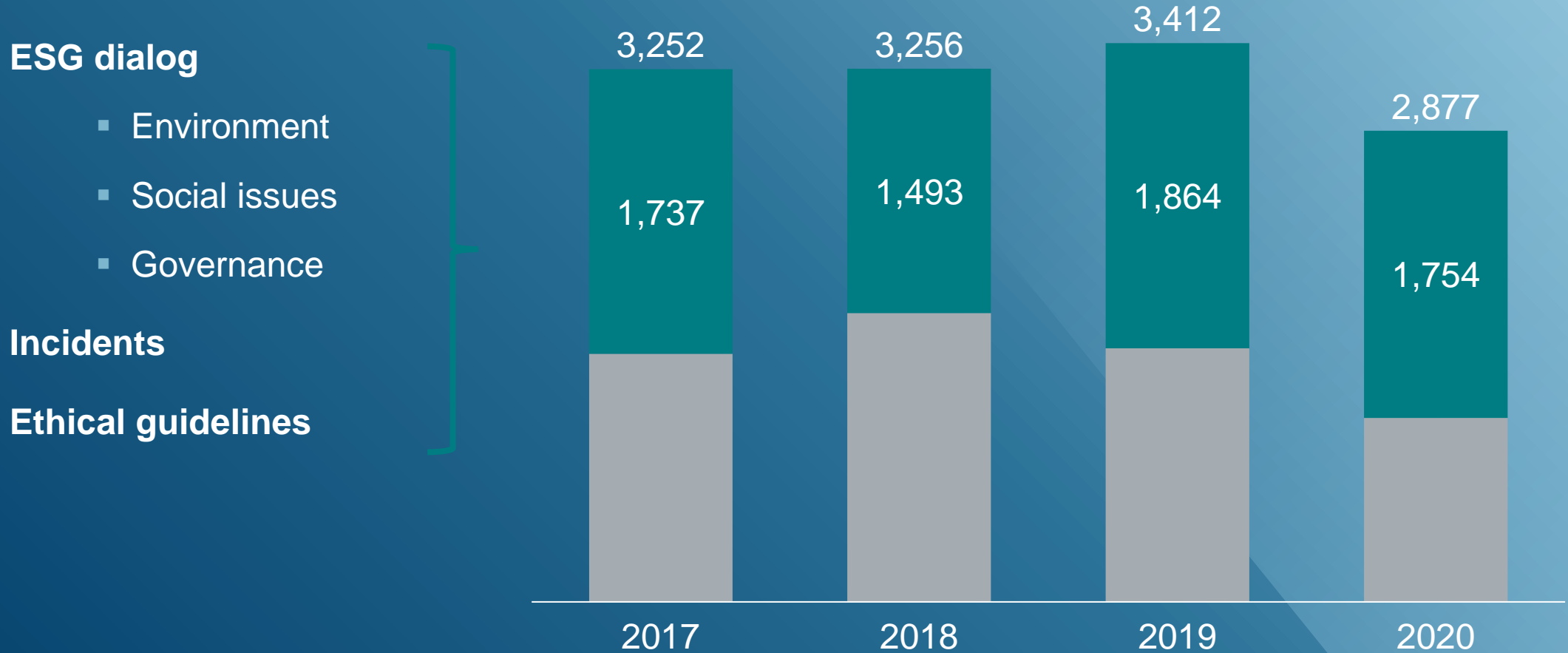


Proposals with majority support



Company dialogue

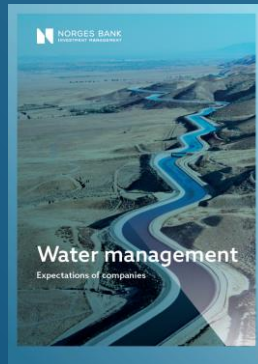
1,754 company meetings on sustainability and governance



Company dialogue

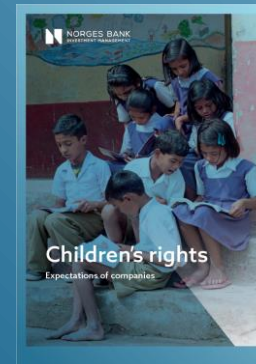
11 new dialogues to follow up on our expectations

Environment



- Targets for water consumption
- Sustainable fishing
- Consumer goods made from raw materials with deforestation risk
- Climate-related lobbying
- Banks' financed emissions
- The carbon transition in the steel industry

Social



- Organisation of the workforce in the platform economy
- Children's health and safety using digital products
- Due diligence process of companies in conflict areas
- Corruption risk in the industrial sector
- Transparency on operations in low-tax environments

Assessment of company reporting

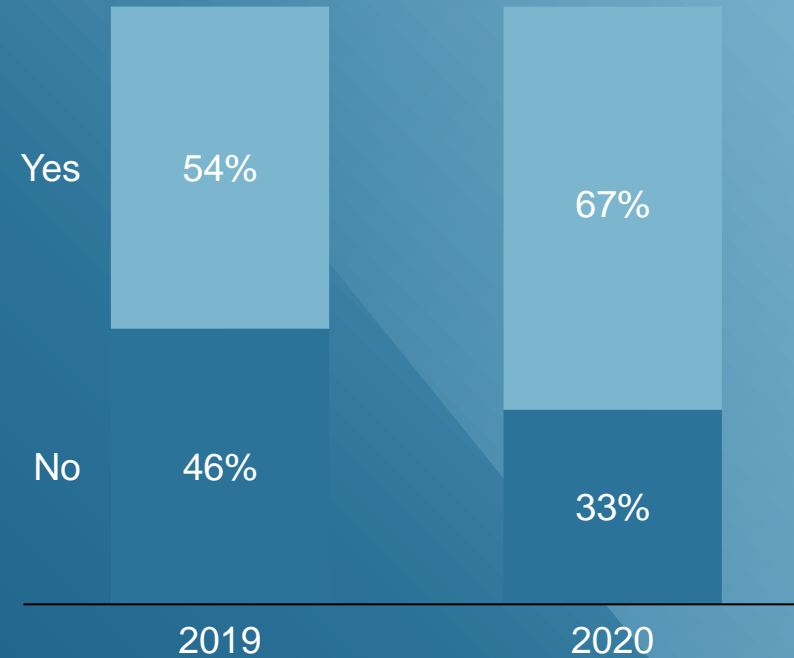
4,158 detailed assessments

160,000 data points

Improvements in 2020

Dialogue yields results

Number of companies with long-term climate goals



Top five holdings in environmental portfolio

Investments in environmental technology



Low-carbon energy and alternative fuels

- Iberdrola SA
- NextEra Energy Inc
- Sempra Energy
- Linde PLC
- EDP - Energias de Portugal SA



Clean energy and energy efficiency

- Keyence Corp
- Thermo Fisher Scientific Inc
- Daikin Industries Ltd
- Legrand SA
- Tesla Inc

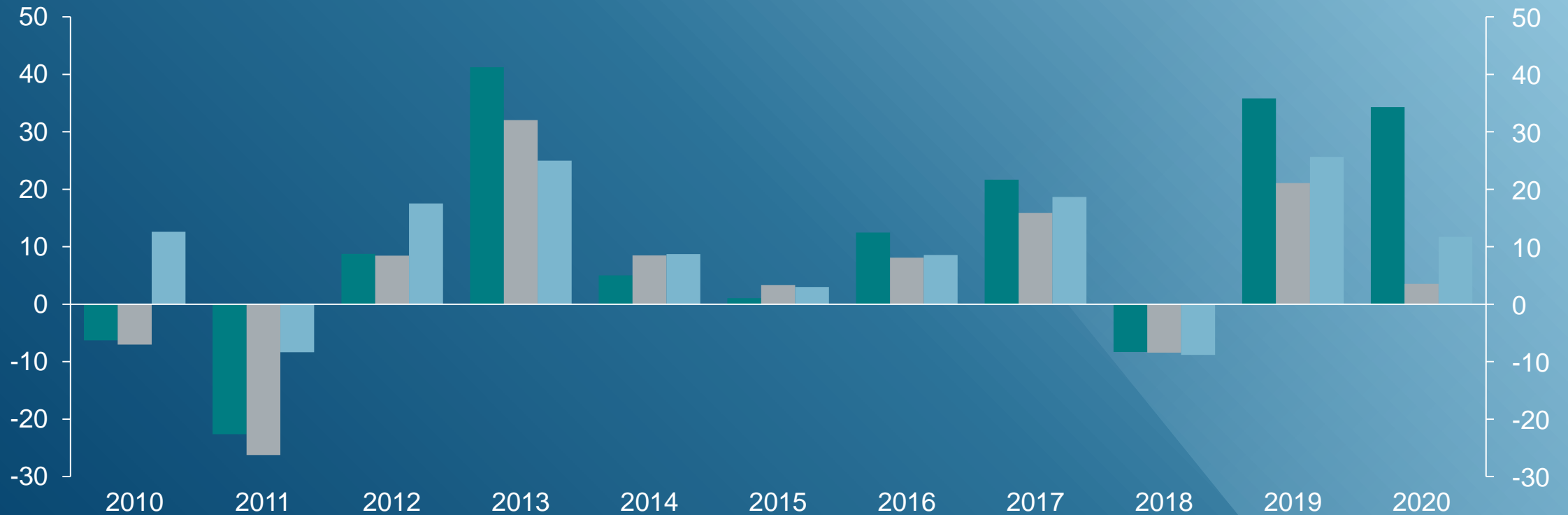


Natural resource management

- Waste Connections Inc
- Koninklijke DSM NV
- DS Smith PLC
- LKQ Corp
- Veolia Environnement SA

Historic return on environmental mandates

Equities. Measured in the fund's currency basket. Percent.



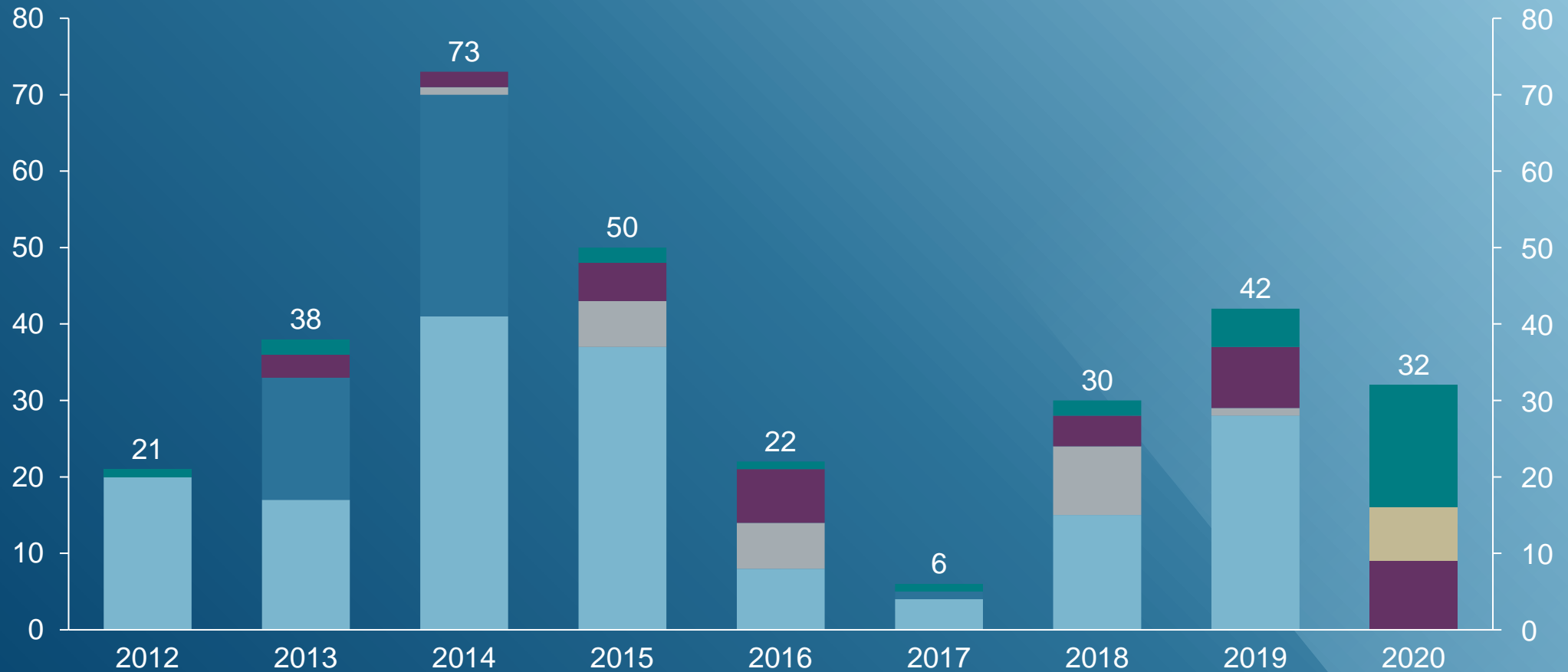
Return on environmental mandates Return on the benchmark index for equities
Return on funding of the environment mandates*

* Includes dedicated allocation to environment-related equity mandates in the benchmark portfolio



Risk-based divestments

Number of companies 2012-2020



- Other
- Human rights
- Water management
- Tax and transparency
- Anti-corruption
- Climate change



Risk-based divestments

Impact of risk-based divestments on equity management. Percentage points



Climate reporting – TCFD

We integrate climate risk considerations across the bank's operations

Corporate governance

- The mandate sets requirement of responsible investment management
- The board sets principles for responsible investment and supervises
- Management sets the strategy for responsible investment and comprehensive risk management

Risk management

- Monitoring the entire portfolio and analysis of **1,770** exposed companies
- Climate-related dialogue with **564** companies
- Exclusion of **4** companies in 2020 and risk-based divestment of **170** companies since 2012

Strategy

- Climate-relevant adaptations to the investment universe
- Establish principles, exercise ownership and invest sustainably
- Climate scenario analysis under continuous development

Metrics and targets

- Carbon intensity of **133** tonnes of CO₂-e per million USD in revenue
- **9.5** percent return on environmental mandates since 2010
- **0.27** percent excess return on risk-based divestment related to climate since 2012



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