Border to Coast Emerging Markets Equity Fund

Proxy Voting Report

Period: April 01, 2021 – June 30, 2021

Votes Cast	1482	Number of Meetings	133
For	1138	With Management	1066
Abstain	42	Against Management	296
Against	302	Other	120
Other	0		
Total	**1482**	**Total**	**1482**

In 76% of meetings we have cast one or more votes against management recommendation.

General Highlight

A new frontier in the fight against climate change

Climate change is now a cornerstone of investor stewardship but addressing this topic through votes at shareholder meetings is relatively novel. However, the 2021 proxy voting season has demonstrated that boards will be held accountable for their climate-related oversight by proxy advisors, activist groups, and institutional investors alike.

Historically, shareholders have addressed their climate change concerns to boards through filing shareholder proposals. In the US for instance, the number of climate-related shareholder proposals filed has steadily risen over the years, from 34 in 2012 to over 140 in 2020. Of the proposals filed, many get withdrawn if the request is adopted by the company, but some proposals are also challenged by companies and omitted from the AGM. Although these challenges are intended for poorly drafted or immaterial proposals, companies lagging in climate action often use this mechanism to skirt the concerns raised by shareholders. In these cases, shareholders may escalate their climate-concerns by voting against the nomination of board directors such as the chairman or members of the audit or sustainability committees.

Holding directors accountable for a company's (inadequate) approach to climate change could become the norm. Just recently, Majority Action – an ESG focused shareholder activist group – published their 'Proxy Voting for a 1.5°C World' campaign, which outlines a list of systemically important companies in the three key industries that have not set emissions targets aligned to limiting warming to 1.5°C. The campaign calls on institutional investors to use their voting rights to vote against company directors that have failed in their oversight responsibilities to address escalating climate change.

One of the challenges in adopting such a voting approach is consistently identifying which companies are not in line with a 1.5°C or Paris-aligned scenario. Companies and international organizations often use different methods to calculate their long-term 2050 climate change scenarios, which is then reflected by the discrepancies in short-term targets. Nonetheless, there are several resources like the Climate Action 100+ Net-Zero Benchmark or the Transition Pathway Initiative (TPI) that investors can use to help track the climate change targets set by companies. The Border to Coast voting guidelines incorporate the toolkit of the TPI to flag companies where a vote against the chairman of the board is warranted due to climate-related concerns. These benchmarks also enable investors to monitor the annual progress made by companies, and to determine whether to escalate their approach to voting and engagement.

These new guidelines for proxy voting underscore that, where companies are failing to develop effective climate transition plans, boards will appropriately be held accountable. While institutional investors' definitions of what is appropriate may vary, the importance and urgency of holding directors accountable are clear.

Voting Highlights

Anhui Conch Cement Company Limited - 05/28/2021 – China
Proposal: Accounts and Reports

Anhui Conch Cement Co Ltd is a China-based company principally engaged in production and sale of cement, commodity clinker and aggregate.

Climate change poses a material risk to many industries, and high-emitting sectors, in particular. The voting decisions of investors are more frequently being influenced by the issue, as well. We believe it is vital to hold boards accountable for their actions to mitigate the risks and their companies' impact on the climate.

Anhui Conch Cement operates in an industry that makes a significant direct contribution to climate change, as the industrial process emits greenhouse gases (GHG). It is also harmful due to the process' high energy consumption, which often comes from fossil fuel-intensive sources. Given the large scale on which cement is produced globally, the industry would qualify as the third largest emitting 'country' behind the Chinese and US economies.

In order to assess the climate-preparedness of companies in this and similar sectors, we make use of the toolkit of the Transition Pathway Initiative (TPI), which ranks the climate-related management quality of companies. If companies score poorly on this benchmark, they are likely not sufficiently -prepared for the risks and opportunities of climate change.

We use the annual shareholder meeting of companies who fail this assessment as a welcome opportunity to voice our discontent with this lagging climate approach, by voting against the most accountable board member. That is either the Chair of the board, the Lead Independent Director, or the Chair of the Risk/Audit committee. However, due to staggered board elections or differing market practices, it is sometimes not possible to assign responsibility to a director who is up for vote in a certain year.

Therefore, lacking an accountable board member up for re-election, we oppose the approval of the accounts and reports. That is the proposal we targeted at Anhui Conch's AGM in May, as it ranks as Level 1 in the TPI methodology.

NetEase Inc - 06/23/2021 - United States
Proposal: Election of Director

NetEase Inc is a technology company, engaged in developing and operating online game services, intelligent learning services, and other products.

The AGM season always places the roles and responsibilities of boards of directors firmly into the spotlight. Shareholders must decide if directors have properly discharged their duties over the past year, and if they are fit to represent investors' interests in the future. While it is difficult to continually monitor the performance of individual board members, shareholders should aim for the boards of their companies to reflect certain elements of best practices to encourage robust oversight.

These standards vary by market but are generally based on the same philosophy: boards where highly qualified directors represent a variety of views, can dedicate sufficient time to their role, and are regularly refreshed to ensure independence are more likely to provide a healthy challenge to the C-suite, which is in the best interests of the market.

At the AGM of NetEase, we voted against two directors, as the board fell afoul of several of the above guidelines. We voted against the former CFO (until 2007) of the company, who has served on the board for 19 years and holds five further board seats at other companies. We generally believe that this level of outside commitments will inhibit the director's ability to focus fully on their responsibilities at all of these companies. Therefore, we considered director Lee 'overboarded' and opposed his re-election.

We had further structural concerns about the composition of the board. The average board tenure is excessive, with the last director having been appointed 14 years ago. Meanwhile, the board is composed of 5 male directors, with only one woman serving on the board. We believe that companies listed on large US exchanges like the Nasdaq should have at least 30% gender diversity (rounding down to account for board size). Finally, no independent Chair or lead director has been appointed, leaving the board with insufficient outside leadership.

For the above reasons, we voted against the longest-serving member of the Nominating Committee, in the absence of a committee Chair, as we believe he is responsible for the poor board composition.

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