

Border to Coast Emerging Markets Equity Fund



Proxy Voting Report

Period: July 01, 2019 - September 30, 2019

Votes Cast	184	Number of Meetings	29
For	153	With Management	152
Withhold	0	Against Management	31
Abstain	0	Other	1
Against	31		
Other	0		
Total	184	Total	184

In 54% of meetings we have cast one or more votes against management recommendation.

General Highlights

Cybersecurity in the Boardroom

Making the right decisions when voting by proxy at AGMs always depends on having the right information at hand. Increasingly, this means being aware of the most material ESG risks a company is facing, and determining whether executives and supervisory boards are equipped to manage these risks. A rapidly developing threat to many corporates, especially those operating in technology-driven sectors, is cyber risk. Our sector knowledge as investors, coupled with lessons from our engagement on cybersecurity, ensures that we are fully aware of this topic's materiality and vote accordingly at shareholder meetings.

Cybersecurity can initially appear a very technical subject. In reality, though, the crux of the issue lies in governance structures responsible for oversight of an organization's attitude towards and policies on cybersecurity. Cybersecurity is above all a human risk, with consultancy Willis Towers Watson estimating that around two-thirds of breaches are caused by employee negligence or malicious acts. A far lower percent of incidents is driven by external threats. As a result, cyber risk's human angle firmly places it into the realm of board's risk supervision role.

Therefore, we expect companies to implement a robust governance structure to manage their approach to cybersecurity, and to design and implement a strategy which mitigates these risks. The board of directors should provide oversight of the strategy and consider cybersecurity as an enterprise-wide risk, and should therefore have the appropriate skills and experience in place to act as a sufficient counterweight to operational cybersecurity personnel. The executives whose role relates to the implementation of the strategy should have appropriate KPIs included in their compensation. Ideally, the Chief Executive's remuneration should also be linked to cybersecurity KPIs, if these represent a material risk to the company's core business.

This year we encountered several cybersecurity-related shareholder proposals up for vote. A notable example was when a proposal asked a major telecommunications company to issue a report assessing the feasibility of tying executive compensation to cybersecurity and data privacy KPIs. We voted in favor, along with around 12% of shareholders, as cyber risk presents material threats to the company operating in the telecommunications arena. The proposal aligned nicely with our engagement objectives, seeking to strengthen accountability for cyber risk in large organizations. Even though such proposals remain unusual for the time being, we expect to see an increased focus on cybersecurity in shareholder resolutions in the future.

The CEO Successorship

Changes in senior executive positions introduce inherent risks to companies and their shareholders. Russell Reynolds, a governance consultant, identified that over a 12-year period (2003-2015) the average departing S&P500 CEO had a tenure of 5.9 years. The company's ability to carry out its strategy and respond to new competitive challenges might be jeopardized by boards and CEOs that do not identify succession planning as a key priority. It is crucial to have a robust succession planning process in place to ensure a smooth transition.

This is arguably one of the more interesting responsibilities of the nominating committee. Sufficient objectivity in both formulating and executing the policy on succession planning is vital. As such, we encourage companies to have only non-executive directors serving on this committee and solely independent directors shall be involved in the process of nominating candidates for key executive positions. The CEO can provide advice to the committee to ensure the company

has a forward-looking approach towards executive talent development. As the transition evolves and the process turns toward the board's selection of finalist candidates, we expect the CEO's participation to diminish.

When undertaking a CEO transition, one of the most contentious topics is the pay package offered to both the outgoing and incoming CEO. According to Alex Edmans, professor at LSE, executive pay should encourage long-term thinking by tying company leaders' remuneration to long-term share price even after they leave the organization. Post-holding requirements could encourage CEOs to be actively engaged in the succession planning strategy of the company. When it comes to the final pay package provided to good leavers, we expect that severance payments must not exceed two years of the executive's base salary in line with international corporate governance best practices. In markets such as Spain and Italy it is common to exceed this threshold, often leading to a larger proportion of votes against compensation plans including such excessive severance payments.

Sign-on bonuses provided to newly hired executives help to attract top talent and improve retention rates. It is sensible to compensate newly appointed CEOs for the remuneration foregone from previous employers. However, this shall involve a reasonable quantum, bearing in mind the potential costs to shareholders. In general terms, we view positively sign-on payments provided in stock and attached to performance targets, as it ensures that executive interests will be aligned with shareholders' priorities.

Voting Highlights

Mahindra & Mahindra Ltd. - 08/07/2019 – India

Proposal: Election of Director

Mahindra & Mahindra Ltd. manufactures automobiles, farm equipment and automotive components. The Company's automobile products include light, medium and heavy commercial vehicles, jeep type vehicles and passenger cars, amongst others.

Board independence is a critical corporate governance topic in the Indian market. Given that company directors are stewards of the interests of all shareholders, we believe independent directors are better suited to fulfill this duty in an objective manner. At Mahindra & Mahindra's 2019 shareholder meeting we voted against a newly-appointed director due to his professional services relationship with the company and the overall insufficient level of independence on the board.

According to the International Corporate Governance Network (ICGN) principles, independence is compromised if a director is or has recently been employed by a firm providing professional services to the company. Given that this newly-appointed director is employed by a firm that provides legal services to Mahindra & Mahindra, we are wary of conflicts of interest that might arise from this business relationship. We are concerned that situations may arise where the director is forced to weigh his own interests as an employee of the law firm against those of shareholders in board discussions and decision-making.

The company has classified two board members as independent, despite having served on the board for twenty seven years. Local corporate governance provisions consider that directors' independence is jeopardized should they hold their position for more than ten consecutive years. We agree that long tenures can harm directors' objective judgment and the company has not provided sufficient information on how the independence of these directors has been preserved over the years. Although the re-appointment of these directors was not up for vote this year, we have a negative view on the overall independence level of the board.

With a chairman who is affiliated with the Mahindra family, India's local corporate governance law requires that the supervisory board should be comprised of at least 50% of independent directors. At the moment their independence rate according to our classification is below this threshold, thus we do not believe that the newly-appointed director contributes to improve the overall board composition.

Votes Against Management

In the following instance, Border to Coast Pension Partnership voted against the recommendation of management at the shareholder meeting. In each instance where a vote against management has been cast, the rationale for the vote is also provided.

Issuer Name	Meeting Date	Proposal Description	Management Recommendation	Vote Decision	With Or Against Management	Vote Note	Meeting Type
Aberdeen New India Investment Trust Plc	9/5/2019	Elect Hasan Askari	For	Against	Against Management	The nominee is the Chair of the board and the company has not put the dividend policy up for vote.	Annual
China Gas Holdings Ltd.	8/21/2019	Elect JIANG Xinhao	For	Against	Against Management	Serves on too many boards	Annual
China Gas Holdings Ltd.	8/21/2019	Elect MAO Erwan	For	Against	Against Management	No independent lead or presiding director	Annual
China Gas Holdings Ltd.	8/21/2019	Authority to Issue Shares w/o Preemptive Rights	For	Against	Against Management	Issue price discount not disclosed	Annual
China Gas Holdings Ltd.	8/21/2019	Authority to Issue Repurchased Shares	For	Against	Against Management	Issue price discount not disclosed	Annual
China Gas Holdings Ltd.	8/21/2019	Refreshment of Share Option Scheme	For	Against	Against Management	Excessive range of participants; Change of control provision	Annual
China Telecom Corporation	8/19/2019	Elect LIU Guiqing	For	Against	Against Management	Board is not sufficiently independent	Special
Dr. Reddy's Laboratories Ltd.	7/30/2019	Elect G. V. Prasad	For	Against	Against Management	The roles of Chair and CEO are combined and there is no lead independent director.	Annual

Grasim Industries Ltd.	8/23/2019	Elect Kumar Mangalam Birla	For	Against	Against Management	The nominee has attended less than 75% of meetings without a valid excuse. Insufficient nomination and remuneration committee independence requirement. Board is not sufficiently independent. Professional Services Relationship.	Annual
Grasim Industries Ltd.	8/23/2019	Elect Cyril S. Shroff	For	Against	Against Management	The nominee has attended less than 75% of meetings without a valid excuse. Insufficient nomination and remuneration committee independence requirement. Board is not sufficiently independent. Professional Services Relationship.	Annual
Grasim Industries Ltd.	8/23/2019	Continuation of Office of Arun Thiagarajan	For	Against	Against Management	Failure to disclose breakdown of fees, lack independence audit committee	Annual
Grasim Industries Ltd.	8/23/2019	Elect N. Mohanraj	For	Against	Against Management	Board is not sufficiently independent	Annual
HCL Technologies Ltd.	8/6/2019	Elect Robin A. Abrams	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence.	Annual

HCL Technologies Ltd.	8/6/2019	Elect Shiv Nadar	For	Against	Against Management	Insider on nomination and remuneration committee. Insufficient nomination and remuneration committee independence requirement	Annual
HCL Technologies Ltd.	8/6/2019	Elect Ramanathan Srinivasan	For	Against	Against Management	Combined chairman and managing director	Annual
HCL Technologies Ltd.	8/6/2019	Elect S. Madhavan	For	Against	Against Management	Audit fees or breakdown not disclosed	Annual
Hero MotoCorp Ltd	7/29/2019	Elect Meleveetil Damodaran	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence.	Annual
Hero MotoCorp Ltd	7/29/2019	Elect Pradeep Dinodia	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence.	Annual
Hero MotoCorp Ltd	7/29/2019	Re-appointment of Vikram Sitaram Kasbekar (Executive Director); Approval of Remuneration	For	Against	Against Management	Compensation policy is not in best interests of shareholders	Annual
ITC Ltd.	7/12/2019	Elect Hemant Bhargava	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence. Board is not sufficiently independent.	Annual
ITC Ltd.	7/12/2019	Elect Sunil Behari Mathur	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence. Board is not sufficiently independent.	Annual

Larsen & Toubro Ltd.	8/1/2019	Elect Mukund M. Chitale	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence.	Annual
Mahindra & Mahindra Ltd.	8/7/2019	Elect Haigreve Khaitan	For	Against	Against Management	Board is not sufficiently independent; Professional Services Relationship	Annual
Maruti Suzuki India Ltd.	8/27/2019	Elect Davinder Singh Brar	For	Against	Against Management	The nominee serves on the Audit Committee that lacks sufficient independence.	Annual
Maruti Suzuki India Ltd.	8/27/2019	Elect Toshihiro Suzuki	For	Against	Against Management	Insufficient nomination and remuneration committee independence requirement. Insufficient nomination and remuneration committee independence requirement. Board is not sufficiently independent.	Annual
Maruti Suzuki India Ltd.	8/27/2019	Directors' Commission	For	Against	Against Management	Directors' commission is determined based on company performance or at the nomination and remuneration committee's discretion.	Annual
Maruti Suzuki India Ltd.	8/27/2019	Elect and Appoint Takahiko Hashimoto (Director-Marketing & Sales); Approval of Remuneration	For	Against	Against Management	Board is insufficiently independent. Remuneration provides for guaranteed minimum annual bonus.	Annual
NetEase Inc	9/13/2019	Elect Denny Lee	For	Against	Against Management	Serves on too many boards	Annual

NetEase Inc	9/13/2019	Elect Michael Leung	For	Against	Against Management	Director serves on excessive audit committees; No independent lead or presiding director	Annual
Sun Pharmaceutical Industries Ltd.	8/28/2019	Remuneration of Kalyanasundaram Subramanian (Whole-Time Director)	For	Against	Against Management	The Company has not disclosed the specific performance targets to the incentive-based remuneration	Annual
Sun Pharmaceutical Industries Ltd.	8/28/2019	Elect Sailesh T. Desai	For	Against	Against Management	Insider on audit committee; Board is not sufficiently independent	Annual

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