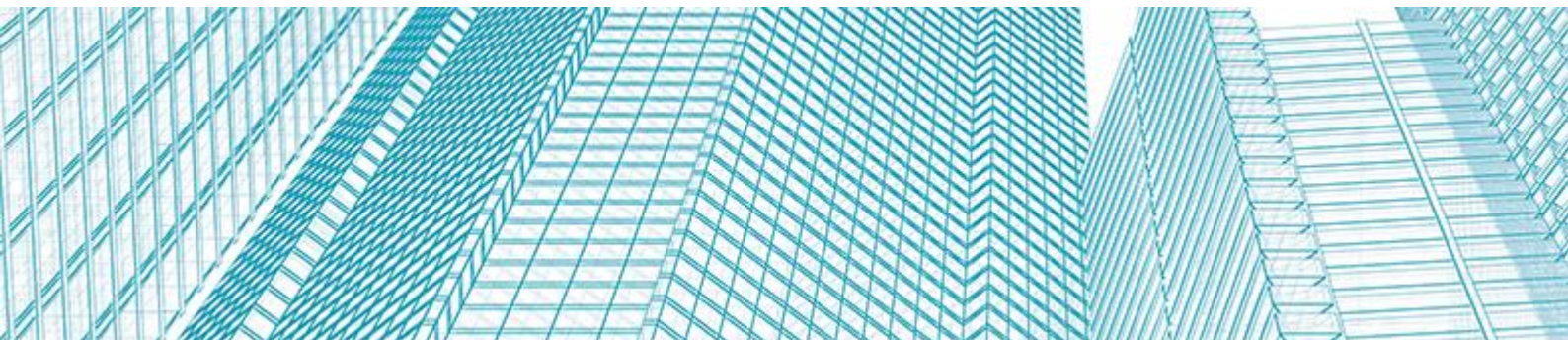


# Border to Coast Global Equity Alpha



## Proxy Voting Report

Period: October 01, 2019 - December 31, 2019

Votes Cast	7	Number of Meetings	2
For	6	With Management	6
Withhold	0	Against Management	1
Abstain	0	Other	0
Against	1		
Other	0		
Total	7	Total	7

In 50% of meetings we have cast one or more votes against management recommendation.

# General Highlights

## **Environmental Shareholder Resolutions Encompass Various Shades of Green**

The risks associated with the energy transition and physical impacts of climate change have put the energy sector under greater scrutiny in recent years. As a result, oil majors and utilities companies have increasingly been targeted by shareholder activism calling upon them to properly address environmental issues linked to their operations. This activism most commonly takes the form of shareholder proposals submitted for a company's annual general meeting.

Growing concerns around the impact of climate change have also led to a shift in investors' voting approaches. For instance, increased collaboration amongst investors has led to a convergence of requests put forth to their issuers, starting from climate risks disclosure, to emission reduction targets, climate stress testing and climate risk governance. Similarly, the recommendations of the Task Force of Climate-related Financial Disclosures published in 2017 have become a reference point for engagement on climate issues and more broadly on ESG issues.

The increased pressure from investors using voting rights has also contributed to companies anticipating shareholders' concerns and addressing them through different channels outside proxy statements, which has coincided with a rise in the direct engagement between investors and companies. This increasing level of companies' responsiveness has concurrently contributed to a decline in the overall level of shareholders proposals submitted. For example, the most recent proxy season in the US saw the lowest number of shareholder proposal submissions in the last five years, from a high of 549 in 2015 to 420 in 2019.

This trend is in part explained by the varying means for companies to address shareholder concerns. In 2018 US proxy season, 48% of filed environmental proposals were withdrawn, while only 37% of filed proposals went to a vote. Historically, these figures were reversed, as a greater proportion of proposal would go to a vote compared to proposals that were withdrawn. However, given that engagement between institutional shareholders and companies has increased, it is likely that the decline in proposals filings could be related to discussions and engagement outside of the proxy process.

In the end, environmental issues are increasingly scrutinized by shareholders and corresponding shareholder resolutions can expect a growing level of support, as investors encourage more companies to improve disclosures and practices on such issues.

# Market Highlights

## **SEC Proposed Rules on Proxy Voting Advice and Shareholder Resolutions**

On November 5th 2019 the Securities Exchange Commission (SEC) proposed a set of changes to several rules related to filing shareholder resolutions and the service offered by proxy voting advisors. We believe that the changes proposed can severely hinder shareholders' rights and do not represent the long-term interest of minority shareholders.

Shareholder resolutions serve as a useful tool to inform corporate management and boards of shareholder priorities and concerns. This has been a strong mechanism in the United States, creating accountability with management and facilitating engagement dialogue between investors and companies in the last decade, whilst enabling the achievement of considerable changes in corporate conduct. We recognize that shareholder proposals vary in their quality and merit, however have a strong preference that the judgement on these issues is left with the owners of the company, as opposed to making the filing process more difficult.

One of the amendments proposed by the SEC involves increasing the resubmission thresholds for shareholder resolutions from 3% to 5% in the first year of resubmission, 6%-15% in the second year, and 10%-25% in the third. This would put under strain novel topics that did not yet gain large traction among investors, but tackle emerging issues that might impact the business over the long-run and therefore are relevant for both the company and its shareholders.

Another proposed rule change involves restricting the amount of shares that can be aggregated to meet the applicable minimum ownership threshold to submit a shareholder proposals. Shareholders that file resolutions together with other investors are more likely to have tested the merits and implications of a resolution more carefully.

For many investors the use of proxy advisors is a practical starting point for their analysis when exercising their voting rights. The suggested regulatory change requiring proxy advisors to share draft reports with issuers before these are available to investors is adverse to the interests of shareholders. This can jeopardize the objective advice of proxy voting advisors, given that companies are entitled to comment on the final vote recommendation. We believe that an independent third party or an appeals system is likely to have more merit related to the SEC's goal of enhancing the quality of interpretation.

Moreover shareholder meetings take place during a concentrated period in the year. Shortening the timeframes between the publication of voting advice and the shareholder meeting taking place will therefore reduce the time that shareholders spend analyzing the agenda and consulting with other relevant stakeholders prior to casting their votes. This means they are more likely to simply vote in line with proxy advisors. Therefore we believe that the regulation will have the opposite effect of its intended effect.

# Votes Against Management

In the following instances, 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
Factset Research Systems Inc.	12/19/2019	Advisory Vote on Executive Compensation	For	Against	Against Management	Long term awards are not linked to performance.	Annual

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