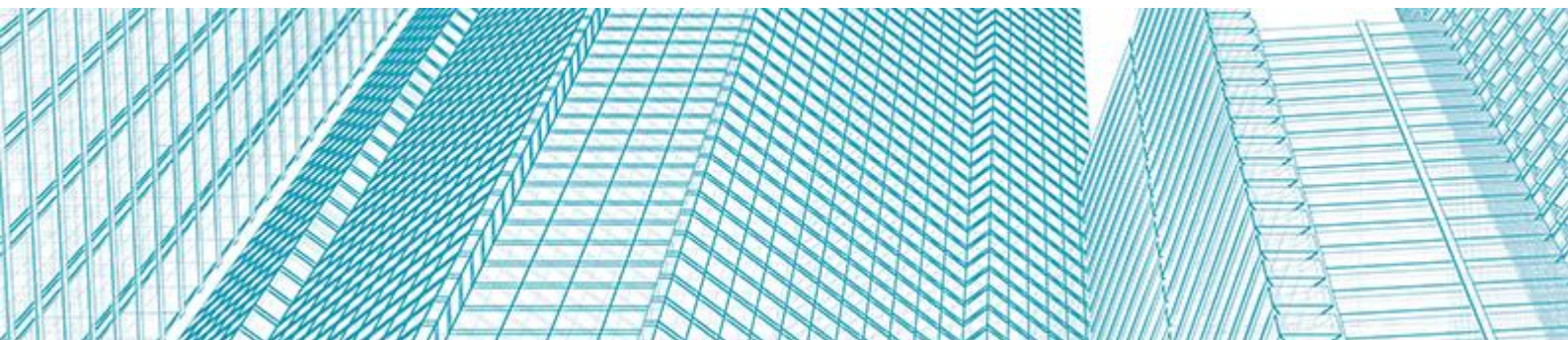


# Border to Coast UK Listed Equity Alpha Fund



## Proxy Voting Report

Period: July 01, 2019 - September 30, 2019

Votes Cast	535	Number of Meetings	35
For	485	With Management	485
Withhold	0	Against Management	50
Abstain	0	Other	0
Against	50		
Other	0		
Total	535	Total	535

In 68% 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.

# 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
Aveva Group	7/8/2019	Elect Philip Aiken	For	Against	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity.	Annual
Aveva Group	7/8/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Aveva Group	7/8/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Babcock International Group plc	7/18/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Babcock International Group plc	7/18/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Babcock International Group plc	7/18/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
BT Group	7/10/2019	Remuneration Report (Advisory)	For	Against	Against Management	Questionable variable incentive awards for incoming CEO	Annual
BT Group	7/10/2019	Elect Jan P. du Plessis	For	Against	Against Management	The nominee serves as Chairman of the Nominating	Annual

BT Group	7/10/2019	Authorisation of Political Donations	For	Against	Against Management	Committee and the board lacks sufficient diversity. Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Burberry Group	7/17/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Burberry Group	7/17/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Burberry Group	7/17/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Codemasters Group Holdings Plc	7/17/2019	Remuneration Report (Advisory)	For	Against	Against Management	The company has not disclosed a maximum award level. The compensation plan lacks of clawback provisions.	Annual
Codemasters Group Holdings Plc	7/17/2019	Elect Gerhard Florin	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
Codemasters Group Holdings Plc	7/17/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual

Consort Medical Plc	9/11/2019	Remuneration Report (Advisory)	For	Against	Against Management	Lowering of LTI performance conditions; Increased LTI grant	Annual
Diageo plc	9/19/2019	Elect HO Kwon Ping	For	Against	Against Management	Potential overcommitment	Annual
Diageo plc	9/19/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Dixons Carphone plc	9/5/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Experian Plc	7/24/2019	Elect Mike Rogers	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
First Group	7/25/2019	Elect David Robbie	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
First Group	7/25/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
First Group	7/25/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual

First Group	7/25/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Homeserve	7/19/2019	Elect J.M. Barry Gibson	For	Against	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity.	Annual
Homeserve	7/19/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Homeserve	7/19/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Intermediate Capital Group	7/25/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Intermediate Capital Group	7/25/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Johnson Matthey plc	7/17/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Joules Group Plc	9/25/2019	Remuneration Report (Advisory)	For	Against	Against Management	Significant salary increase on appointment of new CEO, with	Annual

insufficient explanation to justify this move.

Joules Group Plc	9/25/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Liontrust Asset Management plc	9/20/2019	Remuneration Report (Advisory)	For	Against	Against Management	The company has not disclosed a maximum award level.	Annual
Liontrust Asset Management plc	9/20/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Marks & Spencer Group	7/9/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Oxford Instruments plc	9/10/2019	Elect Neil A.P. Carson	For	Against	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity.	Annual
Oxford Instruments plc	9/10/2019	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual



Oxford Instruments plc	9/10/2019	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Royal Mail Plc	7/18/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Scapa Group plc	7/23/2019	Remuneration Report (Advisory)	For	Against	Against Management	The compensation plan lacks of clawback provisions, significant increase in fixed pay, lack disclosure STIP targets	Annual
Scapa Group plc	7/23/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Severfield Plc	9/3/2019	Elect John Dodds	For	Against	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity. The nominee is the Chair of the board and has a tenure of 9 years.	Annual
Severfield Plc	9/3/2019	Appointment of Auditor	For	Against	Against Management	Audit fees are excessive.	Annual

Severfield Plc	9/3/2019	Authority to Set Auditor's Fees	For	Against	Against Management	Audit fees are excessive.	Annual
Tekmar Group Plc	8/21/2019	Elect Alasdair MacDonald	For	Against	Against Management	The nominee is the Chair of the board and the company has not put the dividend policy up for vote. The nominee is Chair of the nominations committee, and the CEO serves on this committee.	Annual
Thruvision Group Plc.	9/23/2019	Remuneration Report (Advisory)	For	Against	Against Management	The compensation plan lacks of clawback provisions.	Annual
Thruvision Group Plc.	9/23/2019	Elect Thomas Black	For	Against	Against Management	The nominee is the Chair of the board and the company has not put the dividend policy up for vote. The nominee serves on the Audit Committee that lacks sufficient independence. Nominee is an executive and serves on the Remuneration Committee.	Annual
Thruvision Group Plc.	9/23/2019	Elect Paul Taylor	For	Against	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity and independence.	Annual
Thruvision Group Plc.	9/23/2019	Authority to Set Auditor's Fees	For	Against	Against Management	Excessive non-audit fees	Annual

Vodafone Group plc	7/23/2019	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
--------------------	-----------	--------------------------------------	-----	---------	--------------------	--	--------

**Disclaimer**

Robeco Institutional Asset Management B.V. ('Robeco') distributes voting reports as a service to its clients and other interested parties. Robeco also uses these reports to demonstrate its compliance with the principles and best practices of the Tabaksblat Code which are relevant to Robeco. Although Robeco compiles these reports with utmost care on the basis of several internal and external sources which are deemed to be reliable, Robeco cannot guarantee the completeness, correctness or timeliness of this information. Nor can Robeco guarantee that the use of this information will lead to the right analyses, results and/or that this information is suitable for specific purposes. Robeco can therefore never be held responsible for issues such as, but not limited to, possible omissions, inaccuracies and/or changes made at a later stage. Without written prior consent from Robeco you are not allowed to use this report for any purpose other than the specific one for which it was compiled by Robeco

