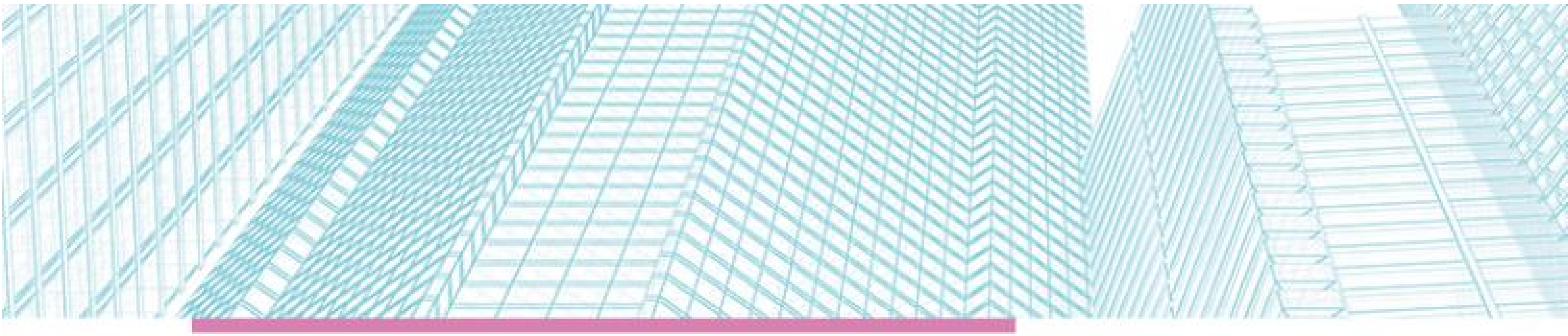
Border to Coast UK Listed Equity Fund



Proxy Voting Report

Period: July 01, 2021 - September 30, 2021

Votes Cast	**487**	**Number of meetings**	**29**
For	453	With management	453
Withhold	0	Against management	34
Abstain	1		
Against	33		
Other	0		
Total	**487**	**Total**	**487**

In 66% of meetings we have cast one or more votes against management recommendation.

General Highlights

Shaping Accountable Remuneration Committees

The tension surrounding executive pay is increasing year on year. Both shareholders as well as civil society at large are increasingly putting question marks behind certain corporate pay practices. Historically, shareholders have been mostly focused on aligning pay with performance, whereas broader stakeholders have focused on pay equity between executives and the broader workforce. This dynamic has changed slightly as the pandemic has brought the stark difference between the C-suite and front-line workers into sharp focus. During the 2021 proxy season, investors have increasingly called out incongruent behavior between executive pay and treatment of the broader workforce. As institutional investors and societal demands for executive pay become more aligned, the pressure on companies to change their historic practices is building.

Despite alignment between institutional investors and society there is one group of shareholders who form a roadblock on the road to reform – insiders. Many listed companies have large portions of their shares, or even dual share classes designed to keep control, in the hands of management, founders and other insiders. These insider shareholders water down strong independent opposition and aid in the vast majority of all 'say on pay' proposals comfortably passing. It can come as no surprise that average executive pay-levels have been steadily increasing despite social and shareholder uproar.

As changing these shareholding structures in the near term is unlikely, we can look at another way that could help circumvent these roadblocks. In most developed markets, boards assign pay setting responsibility to a select group of directors that form a Remuneration Committee. Specifically, this committee is responsible for setting the policy for the remuneration of the executive management, determining targets for performance-related pay schemes and determining the total individual remuneration package of each executive director. Since Remuneration Committees have the power to change remuneration practices, addressing the way these committees work can help catalyze change.

Shareholders have some degree of influence on the composition of the committee. It is essential to have a fully independent committee to ensure management cannot leverage its power in setting its own pay. Besides independence, director backgrounds might also strongly influence the kind of pay practices they approve. Many board directors are former, or current, executives themselves and as such might not share the same reference point for fair pay levels as the general public. This also means executives serving on Remuneration Committees are subject to a conflict of interest – if they are too outspoken on compensation at another company, they risk facing the same fate and worse outcomes themselves. Ensuring a diverse committee might help break historical habits and push for a more critical evaluation of common pay practices.

Another way to push for change is through direct dialogues with remuneration committees. Therefore, Robeco regularly engages with companies to give direct feedback on remuneration. These discussions help a remuneration committee translate voting results into actionable items for change. Remuneration committees often use the help of compensation consultants, who provide the committee with suggestions based on comparable companies. This common practice might counteract change as it helps to maintain a status quo that is no longer supported by many shareholders. It is therefore essential for remuneration committees to also have input from shareholders to be informed of changing demands. Closer collaboration with shareholders will prevent companies from unexpected shareholder dissent.

A last resort to influence a Remuneration Committee's behavior is to use voting rights to oppose reelection of committee members who have failed to meaningfully improve remuneration practices. Border to Coast uses this leverage when proposed changes are egregiously out of step with best practice or when the committee has not responded to persistent dissent.

As remuneration continues to be a contested item on the yearly AGM agenda, we believe shareholders will increasingly look at the roles of Remuneration Committees directly. This is in line with a broader shareholder movement to use director elections to voice concerns on a broad range of issues. We expect to see a more proactive approach of compensation committees to reach out to shareholders or else risk their position on the board altogether.

Diversity and Inclusivity

Diversity and inclusivity have increasingly become a hot topic in recent years, either as agenda items at AGMs, or in investors' engagement efforts with companies to help them address issues of social inequality in their organizations. The Me Too movement that was initiated in 2017 after sexual harassment and abuse of women in workplaces, and the Black Lives Matter Movement that exposed the lack of racial and ethnic equality in our societies, made investors realize that corporations must step up their efforts to promote diversity, equity, and inclusivity(DE&I). It is clear that gender or racial quotas in higher management and corporate boardrooms, remain important as the first step to promote diversity, but these alone are no longer enough to change the system and address our social and racial biases.

Companies should become more inclusive and reflect the communities they are a part of to ensure their long-term prosperity and competitiveness. A 2019 McKinsey report shows that inclusion matters, highlighting that even relatively diverse companies are facing challenges to increase inclusivity. Corporations should try to create work environments characterized by inclusive leadership, equality and fairness of opportunity, and freedom from bias and discrimination. Companies should uphold a zero-tolerance policy for discriminatory behavior, and ensure the representation of diverse talent. Companies should build a culture where all employees feel they can bring their whole selves to work, by supporting the formation of employee working groups with diverse/minority backgrounds. The same report shows that those diverse companies that do take those steps to build up inclusivity tend to outperform their peers financially.

Many shareholder advocates and investors are now focusing on the role corporations play in exacerbating racial and social inequalities in our societies. Historically, corporations have perpetuated societal inequalities through their corporate culture and behavior. For example, we have seen communities of color to be disproportionately affected by environmental damages caused by corporate polluters. In this year's AGM season, we saw resolutions submitted by shareholders asking from many major US banks to conduct racial equity audits to detect how their business activities might have "adverse impacts on non-white stakeholders and communities of color". The purpose of this proposal is to conduct an independent and objective evaluation of the effectiveness of the banks' internal and external actions in combatting systemic racism, and the impact of the banks' own policies related to mortgage lending, retail banking, and small business lending on communities of color. These proposals have become more important to ensure accountability of corporate purpose statements.

Diversity though has more aspects than only gender, race, or ethnicity. In December 2020, Nasdaq, the stock exchange, filed a request with the SEC to require its 3,300 listed companies to have at least one female board member and one board member who identifies as either an under-represented minority or LGBTQ, on a comply or explain basis. Corporate disability inclusion is also becoming a central aspect of the diversity and inclusivity dialogue. A 2018 report published by

Accenture shows that corporations that embrace best practices for employing people with disabilities have outperformed their peers. The report also noted that including people with disabilities in the workforce leads to increased innovation, higher productivity, and a more inclusive working environment. These dimensions of diversity are difficult to capture, and consequently hard to set specific targets for certain companies, for example because of the EU's General Data Protection Regulation - a strict set of privacy and security rules about the use of personal information. Nevertheless, this year saw shareholders asking more US companies to reveal diversity data about their workforces. Extra disclosure and measurable employee diversity data will allow investors to assess and have better oversight of the companies' diversity and inclusion efforts.

Over the next decades due to megatrends, such as climate change, there will be a global change in demographics, and our countries will become even more diverse. This change will have certain social effects, but also a substantial impact on labor markets and consumer trends. Corporations need to conduct an open dialogue with investors and governments to manage the resulting impacts. And though there are barriers, like data availability on specific DE&I targets, diversity should be approached more holistically, not aiming only to reach specific figures but aiming to enhance inclusion.

Voting Highlights

Vodafone Group plc - 07/27/2021 - United Kingdom
Proposal: Appointment of Auditor

Vodafone Group plc engages in telecommunication services in Europe and internationally.

Vodafone's annual meeting in July did not pose any extraordinary proposals, but it does provide a good example of the implementation of our principles around auditor best practices. Vodafone appointed a new auditor at the AGM of 2020. While under its previous auditor it only paid audit and audit-related fees, with the new auditor non audit related fees were also paid.

We believe that in order to ensure an auditor's independence it is important that fees paid for other services do not constitute a significant share of total fees paid to the auditor. We believe that if the auditor significantly relies on the income of these other services, it might create a conflict of interest. Since the auditor might not be inclined to perform the audit diligently and raise any issues which might put its relationship with its client for its other services at risk.

In order to avoid such conflict of interest we always examine the proportion of non-audit related fees to total fees paid to the auditor. In the case of Vodafone, the introduction of non-audit related fees last year did not immediately result in a vote against as the proportion was still deemed appropriate. However, this year audit fees decreased while other fees increased tipping the ratio above our threshold. Therefor we voted against the appointment of the auditor and the auditor's fees. Our approach is in line with the UK Corporate Governance Code.

Both the auditor (97.5%) and auditor fee (98.44%) proposals received the overwhelming support of shareholders at the AGM. It is good to note, however, that the opposition did increase by about 2% compared to earlier years. We are not disappointed with the vote result as we do not believe the current auditor is incapable of performing its duties independently, but we do hope the audit committee recognizes the signal of opposition and is reminded to reign in other fees paid to the auditor to avoid the creation of a persistent conflict of interest.

Ashtead Group plc - 09/16/2021 - United Kingdom
Proposal: Executive Remuneration Report and Policy

Ashtead Group plc, together with its subsidiaries, engages in the construction, industrial, and general equipment rental business in the United States, the United Kingdom, and Canada.

At the company's annual shareholder meeting that took place on September 16, we had the opportunity to cast our advisory vote on the annual remuneration report, but also to cast our binding vote on the remuneration policy that would be implemented over the next three years. Though the compensation committee provided reasonable disclosure and rationales on the changes in executives' remuneration policy and the structure of the remuneration report, we decided to not support any of the two remuneration related proposals for the reasons we explain in detail below.

The main reason behind our Against vote on the remuneration report was the excessive base salary increase of 18.5% for the finance director. Though we understand compensation committee's rationale behind their decision to this base salary adjustment, since there has been a significant growth in the business and the responsibilities for the finance director have increased, we were concerned with the size of the increase, that coincides with a significant proposed increase in long term incentive opportunity. We are concerned with the compounding effect that high fixed pay raises can have to the quantum of the overall compensation. We view these changes with skepticism, since it is preferably for companies that have the ambition to grow over the next years, to translate that into performance linked rewards, avoiding in that way excessive compensation when performance has fallen below expectations.

Regarding our decision to not support the remuneration policy, we were conscious of the remuneration committee's proposed changes. Mainly we were concerned with committee's decision to grant the Performance Share Plan (PSP) at increased levels over the next 3 years. Specifically, for FY2021/22 the PSP would be at the level of 250% of base salary for the chief executive and 200% for the finance director (vs typical grant levels of 200% and 150%), and for FY2022/23 was suggested to reach a maximum opportunity of 350% of base salary for the chief executive and 225% of base salary for the finance director. The suggested base salary increase for the finance director that was proposed in the remuneration report, in combination with the above suggested increases, would lead to a significantly increased outcome for the overall compensation level regardless of changes in executive performance.

Additionally, we were concerned with the introduction of the Strategic Plan Award. This is a significant one-off award that would be granted in FY2021/22 (350% of base salary for the chief executive and 250% of base salary for the finance director) based on performance against performance targets that are measured in the final year of the performance period only. We consider that this plan would exceed the typical long term incentive opportunity available to the Company's UK market cap peers, thus we didn't support this proposal.

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