



Proxy Voting Report

Period: January 01, 2022 - March 31, 2022

Votes Cast	171	Number of meetings	28
For	122	With management	121
Withhold	0	Against management	47
Abstain	0	Other	3
Against	49		
Other	0		
Total	171	Total	171

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

General Highlights

ESG focus this Proxy Season

The Annual General Meeting (AGM) is a key moment for investors to exercise their stewardship duties by using voting rights. Even though most agenda items are related to governance topics, environmental and social topics get increasing attention at AGMs. Rubber stamping proposals is a thing of the past, and management can no longer expect high support rates for all their proposals.

Climate expectations have steadily developed beyond setting public long-term carbon reductions targets, to now include concrete plans on how to make progress in the short and medium-term. Additionally, 2022 will be the second year in which several companies will propose a so-called Say on Climate, a management proposal requesting shareholders' approval on the company's climate transition plan. Last year shareholders still had to get used to these proposals, which resulted in high degrees of shareholder support. We expect that this year shareholders will have further developed their voting approaches on Say on Climate and might take a stricter stance on these plans.

The Social (S) in ESG is also increasingly receiving the spotlight during AGMs. Investors become more aware of the relevance of human resource management, providing a fair workplace, and having diversity in oversight. As evidenced by the rise in shareholder proposals focusing on these issues and improvements in investors' stewardship policies e.g. by pushing for broader diversity on boards.

While investors' push for incorporation of ESG under variable pay is partially successful, often the chosen metrics are not that material, and it is unclear how performance is measured. The ESG metrics should be treated the same way as financial metrics in remuneration; they should be measurable, require management effort to achieve, and should be underpinned by a strategy. Like the rest of incentive pay, ESG in remuneration should also be pay for performance.

As well as the increased number of environmental and social topics making it on to agendas, governance remains a key topic. We are content to see that, after years of lagging other developed peers, Japan is raising its expectations for the percentage of independent directors. Similarly, initial positive steps are being taken by the Brazilian stock exchange and exchange commission in improving its proxy voting mechanisms for foreign investors.

All in all, this proxy season is prone to be an exciting one with a varied range of ESG issues likely to receive improved attention during this AGM season.

Market Highlights

Proxy Voting Developments in Brazil

The Brazilian market is well-known for its continuous challenges regarding its proxy voting mechanisms. In particular, there are two major concerns. First, the default election method in Brazil does not allow for individual elections which inhibits shareholders' opportunity to hold specific members of the board accountable and express dissent. While an alternative election method does allow for this, it is only adopted at less than 5% of AGMs, often leads to confusion, and comes with a large administrative burden as it cannot be accommodated through the electronic voting infrastructure. The second major issue surrounding Brazilian AGMs is caused by last-minute additions or amendments to the agenda of the meeting when international investors can no longer alter their votes already cast. All in all, it is worrying that international investors are not able to correctly perform their stewardship responsibilities on such a vital part of governance.

Given these continued issues, Robeco decided to take action. They drafted a letter to summarize the main issues experienced. To ensure the letter would get the desired attention they leveraged a partnership with Brazil's Stewardship Association, Associação de Investidores no Mercado de Capitais (AMEC). AMEC represents around \$700 billion Reais assets under management in the Brazilian market. AMEC embraced the call for change and sent the letter to the Brazilian Stock Exchange (B3) and the Brazilian Securities and Exchange Commission (CVM) on behalf of its members requesting calls with both parties.

B3 was very receptive to hearing concerns. During the call, they shared that they were in the process of aligning with major custodians in the market to solve the issue regarding the incompatibility of the alternative election with the electronic proxy infrastructure. This is a major step in reducing the administrative burden of international investors in Brazil. In order to achieve even further change a call with the regulator was essential. Robeco submitted several concrete suggestions to AMEC and the Association delivered investors' suggestions to CVM both for the short- and long-term.

Each year at the end of February CVM publishes an official letter with guidelines on procedures to be observed by publicly traded companies. This year the letter included several of the suggestions raised. Especially encouraging was the commitment from CVM to create a Working Group to focus on the issues related to the exercise of voting rights by national and foreign shareholders at AGMs, in order to enable the necessary regulatory improvements for the effective protection of minority shareholders. It was encouraging to see this initial step towards a more structural and permanent improvement of the Brazilian proxy voting system.

Voting Highlights

Banco Bradesco S.A. - 03/10/2022 - Brazil

Banco Bradesco S.A., together with its subsidiaries, provides various banking products and services to individuals, corporates, and businesses in Brazil and internationally. The company operates through Banking and Insurance segments.

On March 10th Banco Bradesco held their 2022 Annual General Meeting. Unlike many of its Brazilian Peers Banco Bradesco offers individual election of its board of directors which we see as a global best practice. That is unfortunately where the best practice adherence largely ends. As is still common in Brazil, the company is controlled with a large share of ownership by a single family. This ownership structure is reflected in the board composition where the majority of directors are family members or affiliates. Although the company has added an additional independent board member during 2021, the independent board members do not serve on the remuneration or nomination committees limiting their scope of influence significantly. Therefore, we voted against several affiliated directors due to the lack of key committee independence.

This lack of independent influence is also evident by the remuneration policy put forward at the meeting. The company does not operate a performance-based Long-Term Incentive (LTI) plan and has very poor overall disclosure. This lack of LTI and disclosure make it hard for shareholders to determine whether pay is sufficiently aligned with performance. Furthermore, the company stipulates that non-executive directors may participate in short-term variable remuneration, which we believe may compromise the directors' objectivity. Overall, we believe the remuneration policy presented was insufficient and we voted against the proposal.

Unfortunately, Banco Bradesco is not isolated in not adhering to governance best practice. We are expecting to see more such examples throughout the Brazilian proxy season. However, there is a glimmer of hope on the horizon with the renewed focus of both the Brazilian stock exchange and the regulator to ensure that Brazil can compete in a global market by improving adherence to best practices in the future.

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