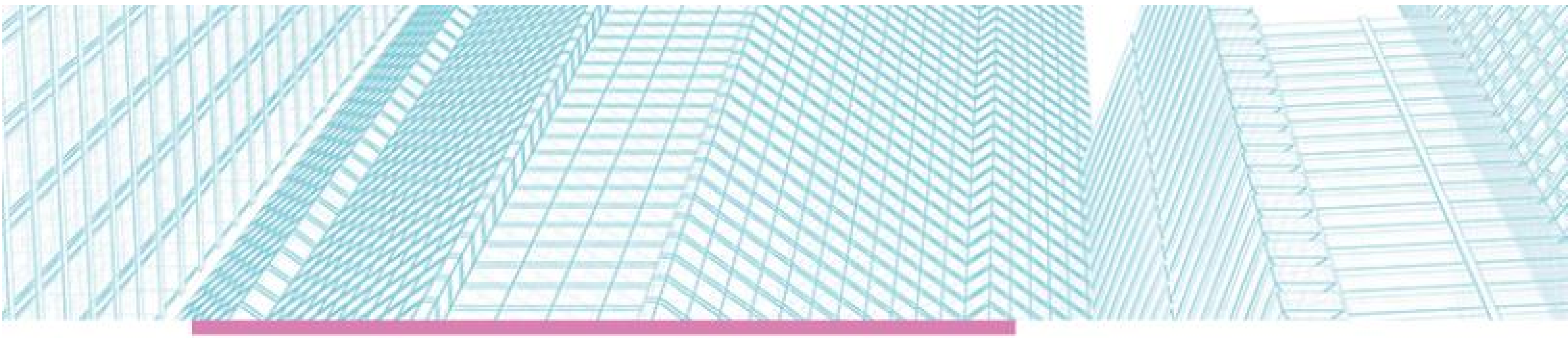

# Proxy Voting Report

Period: January 01, 2022 - March 31, 2022

| Votes Cast | 1398 | Number of meetings | 121 |
|---|---|---|---|
| For | 1204 | With management | 1195 |
| Withhold | 0 | Against management | 192 |
| Abstain | 3 | Other | 11 |
| Against | 185 | | |
| Other | 6 | | |
| **Total** | **1398** | **Total** | **1398** |

In 60% 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 Climates 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

**Costco Wholesale Corp - 01/20/2022 - United States**
Proposal: Shareholder Proposals Regarding Adoption of Targets to Achieve Net-zero Emissions by 2050, and Report on Racial Justice and Food Equity.

Costco Wholesale Corporation, together with its subsidiaries, engages in the operation of membership warehouses in the United States, Puerto Rico, Canada, the United Kingdom, Mexico, Japan, Korea, Australia, Spain, France, Iceland, China, and Taiwan.

At the 2022 AGM of Costco Wholesale Corp, among the usual governance related agenda items, there were two shareholder proposals that received investors' attention. The two resolutions raised the equally important matters of climate change and racial justice, and they were well received by shareholders.

The first shareholder proposal requested the company to adopt short-, medium-, and long-term science-based Green House Gas (GHG) emissions reduction targets to achieve net-zero emissions by 2050. The resolution additionally asked the company to disclose these science-based targets to investors prior to the next AGM. We supported this resolution since a potential adoption of a plan would further encourage the development of GHG emissions reductions goals, and reporting would provide transparency on the company's plan. The resolution received almost 70% of support by shareholders, instigating the need for a comprehensive set of actions by the company.

The second shareholder proposal requested the company to report on its sustainability commitment in order to address structural racism, nutrition insecurity, and health disparities. The proponents stipulated the report may include systems Costco has in place to address racial justice and food equity concerns through product development, marketing, and distribution. This was the first year a resolution focusing on social justice was submitted at the company's AGM. We supported the resolution, since it aims to increase transparency and disclosure on important social and sustainability issues. Additionally, we recognize the importance of this report as it allows investors and the company to better understand the reputational and direct risks related to adverse effects of the company's operations on communities of color and food insecurity. The resolution received just over 17% support by the shareholders.

**Posco - 01/28/2022 - South Korea**
Proposal: Spin-off

POSCO, together with its subsidiaries, manufactures and sells steel rolled products and plates in South Korea and internationally. It operates through four segments: Steel, Construction, Trading, and Others.

At its special meeting at the end of January, Posco sought approval from shareholders for its spin-off arrangement of its steel segment. Upon approval, Posco would be able to spin off its existing steel business division into a separate unlisted entity and transition to a holding company structure. The new Posco Holdings company would then focus on future business portfolio development and group business management whereas the spun-off steel business would assume the Posco name.

The company did not provide a thorough insight into the process the board underwent to establish that this strategic decision was the best for the company and its shareholders. Despite a lack of details, the overall rationale provided by the board was sound. The board explained the move would help the company to transition away from a low-growth steel focus. This would allow the company to pursue a broader range of initiatives such as battery-based alternatives, renewable energy, and green steel. We believe this transition would help position the company for more sustainable growth in the future.

Furthermore, the split took place entirely within Posco as the group would retain 100% interest in the newly created steel business. To quell shareholders' concerns, the board unanimously stated that the spun-off steel business would not be separately listed. Moreover, the new entity's articles of incorporation provide that any future listing would require the approval of the holding company's shareholders by a supermajority.

Given the proposed benefits and the safeguards provided it came as no surprise that the overwhelming majority (89%) of shareholders supported the spin-off proposal.

### Apple Inc - 03/04/2022 - United States

Proposal: Advisory Vote on Executive Compensation and Shareholder Proposals Regarding Report on Effectiveness of Supply Chain Policies on Forced Labor, Median Gender and Racial Pay Equity Report, Civil Rights Audit, Concealment Clauses.

Apple Inc. is a U.S. multinational technology company, that designs, manufactures, and markets consumer electronics, computer software, and online services

At Apple's annual shareholder meeting, we voted against the executive compensation report, both because of the significant height and the issues with the structure of the renumeration package. We are concerned that the Long term incentive (LTI) plan is overly reliant on only one relative metric (TSR). This would allow for Performance Stock Units (PSUs) to be capped at target, even when TSR is negative.

We were concerned by the high quantum of total compensation for all named executive officers (NEOs) and the CEO. The compensation committee justified the high compensation levels based on the size, performance and profitability of the company. Nevertheless, we were disturbed that the compensation levels of the CEO reached the $84 million -more than double the amount afforded by the Company's self-disclosed peer group. Additionally, we are concerned that the compensation levels of all NEOs are comparable to the pay packages given
to CEOs in the company's peers. Our concerns regarding the remuneration practices were shared by approximately 36% of the shareholders, who decided to vote against the Say on Pay, signaling a strong message to the company's consistent failure to address the remuneration design issues.

Together with the remuneration report, social shareholder resolutions shared the main stage in this year's Apple AGM. We consider this to be in line with the broader trend we expected this season, with investors shifting their focus on social matters. Specifically, we supported the shareholder proposal asking the company to report on forced labor in its supply chain. We believe that the proposal's call for transparency regarding the effectiveness of the company's commitment to human rights would benefit shareholders. The resolution was supported by 34% of the shareholders. Additionally, we supported the shareholder resolution asking Apple to report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. This proposal received approximately 36% of votes For, showing that shareholders are calling the company to increase the disclosure and transparency on their pay practices and to promote pay equity.

An interesting proposal submitted by shareholders was the one requesting the company to perform a Civil Rights Audit. The audit will analyse the adverse impact of Apple's policies and practices on the civil rights of company stakeholders. We voted For the resolution since we believe that the Audit would help shareholders better assess the effectiveness of Apple's efforts to address the issue of any inequality in its workforce and mitigate any related risks. The resolution received support by 54% of the shareholders.

Lastly, we supported the shareholder proposal regarding the concealment clauses. The resolution was asking the company to prepare a public report assessing the potential risks associated with its use of concealment clauses in employment agreements, in the context of harassment, discrimination and other unlawful acts. The resolution received 50% support from the shareholders. We consider that this report could help shareholders ensure that these issues are being thoroughly addressed and considered by the board and management. Moreover, we trust that the requested report will bring an additional benefit of providing reassurance to current and potential employees who may have concerns regarding how the company's policies may affect their employment-related claims.

### Walt Disney Co - 03/09/2022 - United States

Proposal: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report.

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. It operates through two segments, Disney Media and Entertainment Distribution; and Disney Parks, Experiences and Products.

As it was expected, this year's proxy season saw an increased number of shareholder resolutions focusing on social topics. We saw this trend in the company's AGM, with three social shareholder proposals up to vote on the agenda. Whilst two of these resolutions were considered anti-social, since they were submitted by extreme right think tank proponents that usually aim to undermine progressive ESG resolutions, the 3rd resolution aimed to address the pay inequity issue.

The resolution requested the company to report on both median and adjusted pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. We supported the resolution since it aimed to increase disclosure and transparency on the company's compensation practices. Additionally, the resolution received almost a 60% support by the shareholders, showcasing that investors have truly shifted their focus on the social matters this proxy season.

### 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.

### Naver Co Ltd - 03/14/2022 - South Korea

Proposals: Financial Statements and Allocation of Profits/Dividends & Board Elections

NAVER Corporation, together with its subsidiaries, provides internet and online search portals, and mobile messenger platform services in South Korea, Japan, and internationally.

The company's 2022 AGM saw shareholders vote on a number of management proposals routinely encountered on Korean firm ballots. Two resolutions were of particular importance – the approval of the financial statements and allocation of profits, and the election of the audit committee chair. We voted against both proposals due to Naver's failure to include audited financial statements in its meeting disclosures.

Notably, submitting unaudited financials for approval is not uncommon for Korean companies. This is widely perceived as being prompted by a much-criticised particularity of the country's regulations, whereby the deadline for submitting the audited financials is set 7 days after the deadline for dispatching the meeting notice and circular. That said, we expect companies to disclose the audited financial statements ahead of the meeting so as to provide shareholders with meaningful, accurate and consistent financial information.

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