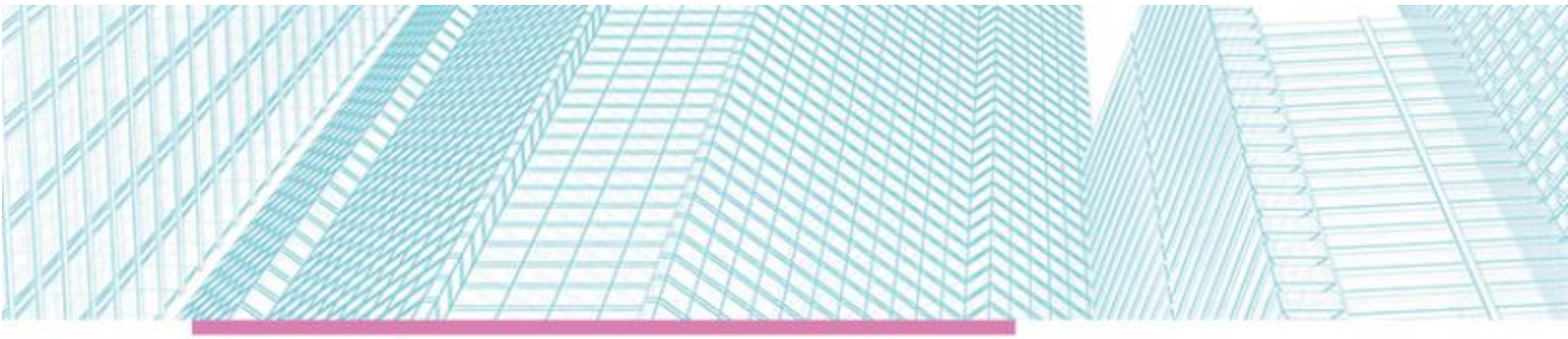
Border to Coast Overseas Developed Markets Equity Fund



Proxy Voting Report

Period: October 01, 2022 - December 31, 2022

Votes Cast	304	Number of meetings	38
For	275	With management	265
Withhold	0	Against management	35
Abstain	0	N/A	4
Against	29		
Other	0		
Total	**304**	**Total**	**304**

In 53% of meetings we have cast one or more votes against management recommendation.

General Highlights

Anti-ESG shareholder proposals

Investors and issuers were faced with a transformed US AGM landscape in 2022. The growing national debate around sustainable investing prompted a dramatic increase in the number of shareholder proposals filed by conservative activists seeking to halt companies' ESG efforts and to combat "woke capitalism". These proposals, now widely referred to as "anti-ESG", entail new challenges for investors seeking to push US companies to step up their ESG efforts.

On the one hand, there are concerns that anti-ESG proponents may seek to take advantage of certain features of the US proxy machinery to block pro-ESG shareholder proposals from reaching ballots. The tactics that may be employed to achieve this are diverse, yet have a common denominator – they concern shareholder proposal excludability under US rules. A shareholder proposal becomes eligible for a vote if it reaches a company's proxy statement, but companies can exclude the proposal if it fails to meet certain procedural and substantive requirements.

Particularly relevant in this sense is that the US Securities and Exchange Commission (SEC) allows companies to leave out substantially duplicative shareholder proposals from its proxy statement, as well as to exclude a shareholder proposal which addresses the same subject matter as a proposal that received low levels of support in any previous meeting. The 2022 proxy season has shown that anti-ESG shareholder proposals often take advantage of these provisions by duplicating the wording of pro-ESG shareholder proposals, which can lead to a number of consequences. First, if the anti-ESG shareholder proposal is submitted first, it will be the one that makes it to the ballot. Second, if an anti-ESG shareholder proposal receives less than 5% support at a meeting, as often is the case, pro-ESG proposals covering the same topic can be excluded from the proxy materials for the next three years.

In addition, anti-ESG shareholder proposals are often verbatim copies of pro-ESG shareholder proposals; they tackle the same topics ranging from lobbying to racial equity, and often appear to be fueled by a desire to advance rather than hinder a company's ESG goals. Discerning the true objective of the proposal in many cases requires an in-depth analysis that spans well beyond the proxy materials made available by companies. This analysis covers aspects such as the proponent, the views expressed by the proponent, and any public statements made by the proponent regarding the shareholder proposal in question, thereby placing a burden on proxy analyses. Robeco assesses each shareholder proposal on a case-by-case basis and supports resolutions which aim to increase transparency on material ESG issues, enhance long-term shareholder value creation, address material ESG risks and enforce appropriate conduct.

Market Highlights

Corporate Governance in Australia

In recent years, climate activism has become increasingly prominent in Australia, with shareholder associations such as the Australasian Centre for Corporate Responsibility (ACCR) and Market Forces strongly advocating for sustainability goals through engagement and the submission of shareholder proposals. This is in line with the wider global trend of growing scrutiny of companies over sustainability concerns by investors and regulators alike. For the Australian market however, Rio Tinto's detonation of the Juukan Gorge cave in 2020 pushed sustainability concerns further into the forefront of the corporate agenda, and throughout the 2022 proxy season we continued to observe its effects on shareholder activism.

ACCR is a shareholder advocacy organization which focuses on the management of ESG-related issues. Throughout 2022, the organization filed a total of 13 shareholder proposals, of which eight were related to climate concerns. Climate proposals included requests for a climate sensitivity analysis at BHP Billiton's and Origin Energy's annual general meetings, and requests to stop advocating for the development of new and expanded coal mines at Rio Tinto, Woodside Energy and Santos.

In addition, Market Forces has actively targeted Australian banks connected with fossil fuel financing. The shareholder activist group submitted proposals to the upcoming AGMs of National Australia Bank, ANZ Bank and Westpac, requesting that the banks report on how they plan to stop financing fossil fuel projects. Earlier in Q4, Market Forces also submitted a similar proposal at Commonwealth Bank's October AGM, which received less than 10% support.

Despite their continued efforts in pushing for corporate climate action, shareholder activists such as ACCR and Market Forces have struggled to gather significant support and pass climate proposals at AGMs. The Australian regulatory environment presents a significant obstacle for passing shareholder resolutions related to climate, as shareholders are not allowed to propose an advisory resolution unless it is permitted under the company's constitution. Consequently, it is often the case that ACCR's and Market Force's climate proposals are not put up for vote at AGMs.

This issue gained significant attention in the past, as part of the 2015 court case of Australasian Centre for Corporate Responsibility versus Commonwealth Bank of Australia. The case came to light due to the omission by the Commonwealth Bank of two ordinary proposals filed by ACCR. In the end, Commonwealth Bank won the case, which harmed the prospect of activism through advisory shareholder resolutions. However, shareholders will often submit a resolution to amend the constitution along with the advisory resolution they would like to pass. Robeco is supportive of proposals that facilitate the submission of shareholder resolutions, as we deem these to be an important means of engagement between companies and shareholders.

Voting Highlights

BHP Group Limited - 11/10/2022 - Australia
Proposal: Shareholder Proposal regarding Lobbying Activity Alignment with the Paris Agreement and Shareholder Proposal regarding Audited Climate Sensitivity Analysis

BHP Group Limited operates as a resources company in Australia, Europe, China, Japan, India, South Korea, the rest of Asia, North America, South America, and internationally. It operates through Petroleum, Copper, Iron Ore, and Coal segments.

Besides the routine agenda items, the 2022 Annual General Meeting (AGM) of BHP Group included two noteworthy environmental shareholder proposals filed by the Australian Centre for Corporate Responsibility (ACCR). The proponent of both proposals clearly intended for BHP Group to become a climate leader in terms of climate policy advocacy and climate accounting. However, both proposals triggered quite a debate about the level of commitment, and responsibility companies have toward society and investors when it comes to enabling an environmentally sustainable future.

With the shareholder proposal regarding lobbying activity alignment with the Paris Agreement, the ACCR requested the company and its shareholders to proactively advocate for Australian policy settings that are consistent with the Paris Agreement's objective of limiting global warming to 1.5 degrees. After careful consideration, Robeco decided not to support this proposal. While it sounded supportable in spirit, we ultimately believed the resolution to be too broad and ambiguous. Although we believe companies should provide shareholders with adequate disclosure to allow them to understand the nature of their advocacy and lobbying activities, the Supervisory Board and Management should retain the flexibility to assess each policy idea of the Australian government on its merits.

The other resolution filed by the ACCR requested the company and shareholders to include a climate sensitivity analysis in the company's audited financial statements starting from the 2023 financial year. After analyzing BHP Group's efforts and those of other major resource companies, we decided to support this shareholder proposal. Firstly, while BHP's disclosures are generally good, we believe the quantitative substantiation of scenario analysis can be further improved by third-party verification. Moreover, while we acknowledge auditors have limited ability in auditing the materiality of future-oriented sensitivity analysis, some companies already go beyond the disclosures in financial statements as BHP has them. We, therefore, believe BHP could further improve by reporting the assumed commodity prices and assessing the impact of assets under different climate scenarios. Finally, several accounting bodies like the IASB, FASB, and IAASB have stated that material climate change issues should be considered in the preparation and audit of financial statements.

In the end, neither of the proposals were adopted, where the shareholder resolutions on positive advocacy and climate accounting received 12.73% and 18.67% support respectively.

Oracle Corp. - 11/16/2022 - United States
Proposals: Advisory Vote on Executive Compensation and Director Elections.

Oracle offers products and services that address enterprise information technology environments worldwide.

Oracle's 2022 AGM occurred amidst continued scrutiny over the company's compensation practices. The company's Say on Pay proposal was voted down for several years in a row prior to 2017 and subsequently faced dissent levels of around 40%.

This year, we once again voted Against the Say on Pay proposal after concluding that there are significant concerns regarding the company's compensation program based on three main factors: the modification of the 2018 performance-based stock options (PSOs), pay and performance misalignment and the lack of a meaningful response to shareholder dissent.

In fiscal 2018, Oracle granted Chairman, CTO, founder, and near-controlling shareholder Lawrence Ellison as well as the CEO performance-based stock options (PSOs) to be earned upon the attainment of stock price, market capitalization, and operational performance goals. As none of the goals were achieved in fiscal 2020, 2019 or 2018, the company disclosed in its 2021 Proxy Statement that it had decided to extend the PSO performance period by three years after "taking into consideration stockholders' feedback." The modified fair value of the awards was disclosed in the 2022 Proxy Statement and stood at over USD 138 million for both executives. We consider that the company failed to provide a compelling rationale for modifying the PSO performance period, thereby casting a shadow on the predictability of the remuneration committee's decisions. In addition, we view the modified fair value of the awards as being excessive. We have significant concerns regarding the lack of a clawback policy for LTI awards and the absence of performance-based LTI awards for certain executives. Finally, we believe Oracle failed to respond adequately to the sustained high levels of shareholder dissent against the Say on Pay proposal.

In light of the above, we escalated our concerns by voting Against the re-election of all remuneration committee members at the 2022 AGM. The meeting saw between 27% and 30% of the votes cast Against their re-election, with the Say-on-Pay proposal again facing high dissent (ca. 33%).

Cisco Systems, Inc. - 12/08/2022 - United States

Proposal: Shareholder Proposals Regarding Report on Tax Transparency and feedback on Executive Compensation

Cisco Systems, Inc. designs, manufactures and sells Internet Protocol-based networking and other products related to the communications and information technology industry in the Americas, Europe, the Middle East, Africa, the Asia Pacific, Japan, and China.

Prior to this year's Annual General Meeting (AGM), Robeco had the opportunity to have a conference call with the company's representatives and members of the Investor Relations (IR) team. During the call, they discussed the company's latest proxy statement and the tax transparency shareholder resolution. Additionally, they provided feedback on structural improvements for the executive compensation scheme, like extending the performance period under the Long-term Incentive plan and disclosing more granularly how the ESG KPIs are linked to the overall strategy.

Cisco was among the three big US tech companies (Amazon and Microsoft) where we saw a tax transparency resolution being up to vote. The shareholder proposal requested the company to publish a tax transparency report in line with the Global Reporting Initiative's (GRI) Tax Standard. The tax transparency resolution fillings were coordinated by Pirc, Europe's largest independent corporate governance and shareholder advisory consultancy, and have been part of a larger campaign targeting 30 companies in sectors with a reputation for tax avoidance or with governments as customers.

On our call, the company's representatives recommended voting against the

resolution because it would potentially harm their business regarding specific manufacturing plants in parts of the world where they want to keep details private on a country-by-country basis. Although the company provides some level of disclosure, we decided to support the proposal since regulatory trends and controversies regarding the company's taxes justify additional disclosure. The company still needs to disclose the voting outcome of the AGM.

Microsoft Corporation - 12/13/2022 - United States

Proposals: Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options, Shareholder Proposal Regarding Report on Government Use of Technology, Shareholder Proposal Regarding Risks of Developing Military Weapons, and Shareholder Proposal Regarding Report on Tax Transparency.

Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. The company operates in three segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.

The company's 2022 AGM agenda included several proposals routinely encountered on US firm ballots and six management-opposed shareholder proposals. Below, we highlight four resolutions deemed to be of particular importance.

One of the shareholder proposals up for a vote requested that the board provide a report on how its 401(k) retirement funds manage the growing systemic risk to the economy created by investing retirement plan funds in companies contributing significantly to climate change. While we deem the spirit of the proposal supportive, we consider that the company's retirement plan options fall outside the shareholders' remit. The resolution garnered low support (ca. 11%).

Two shareholder proposals on the meeting agenda addressed the same topic: the risks associated with certain Microsoft products and technologies. One proposal requested a report assessing "whether governmental customer use of Microsoft's technology, including defense contract use, does or can contribute to violations of privacy, civil and human rights, and conflicts with the policies and principles set forth in Microsoft's CSR Report and other public disclosures." The other resolution requested a report assessing "the reputational and financial risks to the company for being identified as a company involved in the development of weapons used by the military for training and/or combat purposes." We supported both resolutions as we consider that additional disclosure on this material topic would benefit shareholders. The first resolution was approved by ca. 20% of the votes cast, while the second received lower support (11%).

Finally, we highlight the shareholder proposal requesting that the board issue a tax transparency prepared in line with the Global Reporting Initiative's Tax Standard. We supported the resolution as we consider that the requested disclosure is essential for investors to adequately assess the company's risk profile. In light of recent regulatory developments - most notably, the EU "Public" country-by-country directive - we consider that it is in the company's best interest to prepare for the more stringent disclosure requirements and heightened expectations from regulators and investors. Around 23% of the votes were cast in favor of the proposal.

National Australia Bank Limited - 12/16/2022 - Australia

Proposal: Shareholder Proposals on Facilitating Nonbinding Proposals and Reporting on Fossil Fuel Exposure

National Australia Bank Limited provides financial services to individuals and businesses in Australia, New Zealand, and internationally.

This year's annual general meeting (AGM) of National Australia Bank featured two noteworthy shareholder proposals. Activist group Market Forces submitted these proposals, as part of a broader campaign that aims to hold the big four Australian banks accountable for their lending activities to the fossil fuel sector, in light of their climate commitments.

The first proposal requested the company to amend its constitution to allow the submission of nonbinding resolutions. In the Australian market, shareholders are not allowed to propose advisory resolutions unless permitted under the company's constitution, and companies are allowed to exclude nonbinding resolutions from their voting agenda. In an attempt to avoid this, shareholder proposals aiming to facilitate nonbinding proposals are frequently submitted accompanying the advisory resolutions that shareholders would like to pass, as was seen in this meeting. We supported this proposal, since we view the facilitation of shareholder proposals as an enhancement to shareholder rights.

The second shareholder proposal requested the company to annually disclose information demonstrating how its financing will not be used for new or expanded fossil fuel projects. The proponent highlighted that, in recent years, the company has continuously engaged in lending activities associated with the expansion of the fossil fuel industry which are not aligned with its net zero commitments and undermine its global emissions goals. We support sensible shareholder resolutions that request companies to report on environmental topics that are material for their business. As such, we decided to support this resolution.

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