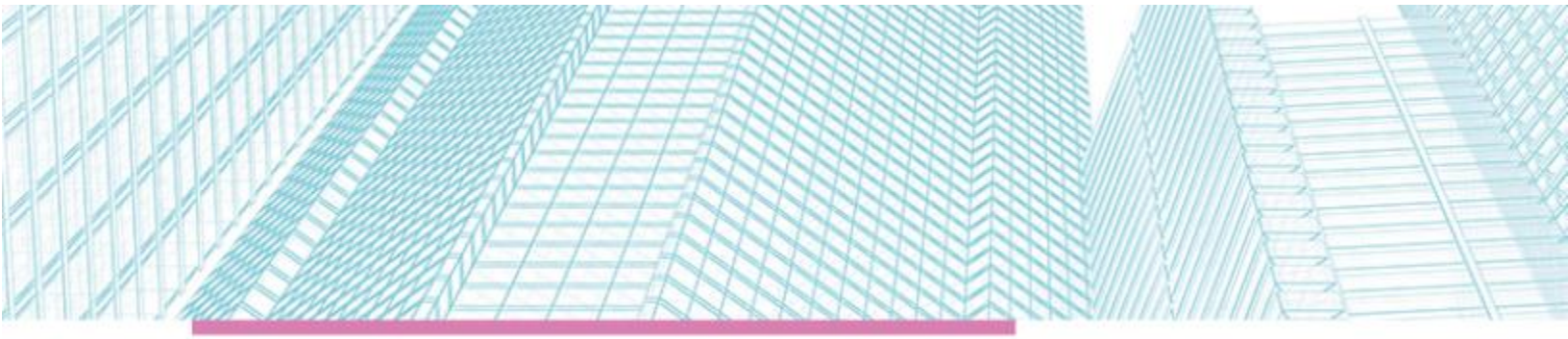
Border to Coast Overseas Developed Markets Equity Fund



Proxy Voting Report

Period: July 01, 2023 - September 30, 2023

Votes Cast	153	Number of meetings	14
For	139	With management	136
Withhold	0	Against management	14
Abstain	0	N/A	3
Against	12		
Other	2		
Total	**153**	**Total**	**153**

In 57% of meetings we have cast one or more votes against management recommendation.

General Highlights

The role of financial institutions in addressing climate change

There is growing awareness among policymakers, investors, and in wider society that financial institutions need to reduce funding of activities that generate significant levels of greenhouse gas emissions. At the same time, they need to increase the financing of low-carbon solutions to facilitate the transition towards net zero emissions by 2050. This is echoed by the Paris Agreement, which explicitly recognizes the need to "make finance flows compatible with a pathway toward low greenhouse gas emissions and climate-resilient development".

Moreover, the 2023 Intergovernmental Panel on Climate Change (IIPCC) report highlights the urgency of near-term climate action and the need for improved access to financial resources. It stated that "if climate goals are to be achieved, both adaptation and mitigation financing would need to increase many-fold". Finance has become a critical enabler for climate action and financial institutions need to incorporate climate change risks into their decision making. In response to these trends, investors have been placing increasing focus on the prominent role that financial institutions can play within the net zero transition. This has been evidenced through numerous collaborative initiatives, and also during this year's proxy season, as investors showed strong support for shareholder proposals requesting reports on transition planning at the annual general meetings (AGMs) of banks.

During the 2023 proxy season, financial institutions were met with a significantly high number of shareholder proposals requesting additional action and disclosures on their climate impacts. Investors increasingly demand financial institutions to show how they are supporting the transition to net zero, and one of the most frequent requests made by shareholders has been the introduction of an annual management proposal outlining the company's climate strategy – the 'Say on Climate'. The introduction of this allows shareholders to hold companies accountable for their transition plans and helps them incentivize companies to develop and deliver clear action plans for financing the climate transition.

In the same vein, shareholders have also been asking companies to adopt a time-bound phase-out policy for lending and underwriting of new fossil fuel exploration and development. This aims to further support capital reallocation towards more sustainable solutions in line with the goals of the Paris Agreement. Lastly, another popular request made by shareholders concerns the adoption of science-based greenhouse gas emissions reduction targets, with the aim of pushing financial institutions to plan for and develop a clear path towards halving their financed emissions by 2030 and reaching net zero by 2050.

In line with growing shareholder expectations, several investor initiatives, such as the Institutional Investors Group on Climate Change (IIGCC) Banks Working Group, have gained prominence over the last few years. The working group was formed in April 2021 following the publication of a set of investor expectations for the banking sector, covering topics such as alignment with the goals of the Paris Agreement, governance of climate risk, and disclosures. Ever since then, the IIGCC has worked with the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre) to further develop and refine investor expectations for banks. Most recently, this collaboration has resulted in the publication of a Net Zero Standard for Banks, which will enable investors to clearly assess and engage with banks on their net zero transition plans.

Based on the expectations of the IIGCC, Robeco has also developed a climate change assessment framework for the financial sector. Using this framework, we assess banks on several indicators of how well they are managing the net zero transition, including their net zero commitment, disclosure of short, medium and

long-term emissions reduction targets, their decarbonization strategy and climate governance, among other things. The outcomes of this assessment are not only used in our engagement activities, but also in our voting approach at the AGMs of the financial institutions under scope.

A negative assessment informs a vote against management on an appropriate agenda item. Through this integrated approach, our aim is to promote sustainable business practices in the financial sector and to encourage management to create long-term value, by avoiding climate-related risks and seeking out the opportunities of low carbon, sustainable development.

Market Highlights

UK Audit and Corporate Governance Reform

Between May and September 2023, the UK's Financial Reporting Council (FRC) ran a much-awaited public consultation on an overhauled UK Corporate Governance Code (the Code). The consultation occurred amidst criticism that the government is delaying the far-reaching audit reform it pledged to roll out after the country was rocked by a series of high-profile scandals at retailer BHS, café and cake chain Patisserie Valerie and construction firm Carillion.

This criticism intensified after recent reports that the Audit Reform Bill would not be included in the King's Speech scheduled for November 2023. Despite the uncertainty surrounding the implementation of the audit reform, we believe that the proposed changes to the Code would strengthen the country's corporate governance regime.

The background

The proposed changes were developed by the regulator to address the UK Government's June 2022 response to the White Paper "Restoring Trust in Audit and Corporate Governance". This response set out a package of measures to revamp the UK audit and corporate governance regime. Given that part of these measures were aimed at strengthening the Code, the FRC then issued a position paper highlighting how it would support the government in rolling out these reforms. In light of this background, the proposed changes are largely focused on internal controls, assurance and resilience.

This article, highlights some of the most material changes that would be introduced by the amended Code.

The changes

The UK government had previously requested the adoption of a requirement reminiscent of the US Sarbanes-Oxley Act for an explicit directors' statement about the effectiveness of the company's internal controls, including those over financial reporting, but also concerning wider operational and compliance risks and the basis for that assessment. Now, the FRC is proposing to implement this by requiring the board to make an annual declaration that the company's risk management and internal control systems have been effective throughout the reporting period in question. This addition increases the accountability of the board over risk oversight.

Furthermore, all companies reporting against the Code would be required to produce an audit and assurance policy (AAP) on a "comply or explain" basis. The requirements of the AAP would be set out in regulations, but are expected to include, amongst others, details on the company's internal auditing and assurance arrangements, on its policy to tender the external audit services and whether the external assurance proposed will be limited or reasonable. This change would lead to comparable reporting and ultimately to more transparency and accountability. Nonetheless, we believe it is important that the policy is informative and not only describes principles and responsibilities, but also criteria that were tested by the audit committee, and the results of such review.

The revised Code also proposes to expand the audit committee's responsibilities. The key additions would be the duty to develop the AAP and a duty to monitor the integrity of narrative reporting, including sustainability reporting. Notably,

according to the revised Code, a company's annual report should describe the assurance of ESG metrics and other sustainability-related information. These changes are a step in the right direction yet consider that a major issue that still needs to be addressed is the harmonization of sustainability reporting standards.

Furthermore, the amended Code introduces a requirement for the board to report on "the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance". This information is key for investors, as it enables them to more accurately price climate-related risks.

Companies would also be required to list all significant director appointments in the annual report, with the board required to explain how each director has sufficient time to undertake their role effectively in light of their other commitments. The benefits of serving on multiple boards (e.g. broadened expertise and an enhanced network of contacts) can be diminished by excessive time commitments, to the extent that overboarded directors may become unable to adequately discharge their fiduciary duties. For this reason, it is crucial for the board to have adequate policies and practices in place to evaluate whether directors have sufficient time to dedicate to their duties.

In addition, the FRC also sought to strengthen the Code in the area of diversity and inclusion, proposing to incorporate a reference to inclusion and to give equal weight to all protected and non-protected characteristics. This amendment promotes enhanced disclosure on diversity and inclusion, while also encouraging companies to consider diversity beyond gender and to shift their workplace culture in a meaningful way.

Finally, the Code aims to provide greater transparency around companies' malus and clawback arrangements. In particular, companies would be required to disclose whether such arrangements are in place, the minimum conditions in which these would apply, the minimum period for the arrangements and why the period is best suited to the organization, as well as whether the provisions were used in the last financial year. Clawback policies are key to ensuring an adequate link between pay and performance, as well as sound accountability for the board and executives. As such, the added disclosure would enable investors to better assess the risks embedded in a company's corporate governance.

Voting Highlights

Nike, Inc. - 09/12/2023 - United States

Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report & Shareholder Proposal Regarding Report on Supply Chain Management.

NIKE, Inc., together with its subsidiaries, designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide.

At Nike's 2023 AGM, shareholders voted on a number of resolutions routinely encountered on US firm ballots, as well as on two management-opposed shareholder proposals.

The Say on Pay proposal was particularly relevant as the resolution only garnered 65% support at the 2022 AGM. We engaged with Nike on the topic of executive remuneration and were pleased to see that the company rolled out major improvements to its compensation program. In particular, the company increased the ratio of long-term incentives (LTI) delivered in the form of performance-based equity awards (PSUs), while also moving to year-long targets under the short-term incentive plan (STI) and making no discretionary upward adjustments to final payouts. While recognising the positive changes, we maintained our concern regarding pay magnitude. Per the Summary Compensation Table, 2023 CEO pay stood at nearly USD 33 million. This, alongside a few other areas of concern, resulted in the company failing our remuneration framework. We therefore cast a vote Against the Say on Pay proposal.

The first shareholder proposal on the agenda requested that "Nike 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." The second asked that the company "issue a report assessing the effectiveness of its existing supply chain management infrastructure in ensuring alignment with Nike's equity goals and human rights commitments." While recognising Nike's existing disclosures and efforts when it comes to pay equity and supply chain management, we assessed that there is further room for improvement and that the disclosures requested by the proposals would allow shareholder to better assess the firm's risk profile. As a result, we supported both proposals.

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