



Proxy Voting Report

Period: July 01, 2022 - September 30, 2022

Votes Cast	505	Number of meetings	51
For	443	With management	403
Withhold	8	Against management	102
Abstain	7		
Against	45		
Other	2		
Total	505	Total	505

In 28 (55%) out of 51 meetings we have cast one or more votes against management recommendation.

General Highlights

Increased scrutiny on Board Elections

Board elections, the process in which investors have the right to elect directors to the company's Board of Directors during shareholder meetings, have consistently been one of the fundamental aspects of corporate governance. Corporate boards are responsible for sufficient oversight and can act as a sounding board for management by providing insights and foresight on directors' relevant fields of expertise. Good corporate governance is defined by distinct responsibilities between executive and non-executive directors, with board committees delving into specific matters that require more time and resources. Global best practice requires corporate boards to have sufficient independence levels, both overall and within separate board committees, while safeguarding a relevant and diversified set of skills, expertise, and experience amongst directors to reflect all stakeholders' perspectives.

Historically, there has not been much scrutiny around the election of board directors. Especially not in the absence of a proxy contest or dedicated campaign to vote Against certain directors. Often investors went along with management's recommendations as the majority of board elections are considered routine items at companies' annual general meetings (AGMs). However, over the past years we have witnessed a rise in interest from the public as to how investors use their voting rights, which along with other trends resulted in increased scrutiny from shareholders regarding board elections. First of all, this means investors are increasingly demanding the possibility to hold individual directors accountable. This is for instance not possible in the case of a slate election method, where board directors are jointly put forward in one list (a slate). Secondly, investors continue to prefer the ability to re-elect directors on an annual basis, which is not the case when the election frequency is set to more than one year or when a board is staggered, meaning that only a rotating part of the board is eligible for (re-)election.

Besides investor preferences regarding the different election types and frequencies, director opposition by shareholders has increased over the past couple of years. The 2022 proxy voting report by Semler Brossy showed that the percentage of directors from Russel 3000 companies receiving less than 95% support rates from investors has increased from 22% five years ago to 30% in 2022. Insufficient board independence, gender diversity concerns or potential overcommitment, have been standard drivers of voting Against a director's election. However, nowadays shareholders use the election of board directors to signal discontent around broader topics like environmental and social concerns.

In 2020, Robeco introduced a policy to vote Against the nomination of the most accountable board member for companies in high carbon emitting sectors that do not sufficiently address the impact of climate change. This year, we introduced a similar policy related to human rights, identifying and voting Against the election of the most accountable board member for companies that face significant human rights issues and are linked to social controversies, while performing insufficient due diligence regarding their human rights impacts. Robeco has also been signaling its discontent regarding some companies'

persistent unacceptable remuneration practices by voting Against the Chairs of their remuneration committee for multiple years now. Finally, we expect shareholders to carry on showing their increased scrutiny of corporate actions, by opposing relevant agenda items such as the re-election of a board member, and we aim to continuously broaden our policies both in terms of scope and themes.

Market Highlights

Market developments in the United States

The US is often cited as a model of good governance characterized by a focus on shareholder rights and robust disclosure requirements. The US corporate governance model is, however, far from being a static system. In the past decades, it has undergone significant changes. These changes were spurred by the accounting scandals of the early 2000s and the 2008 financial crisis, which directed significant scrutiny towards public company boards and raised awareness regarding the far-reaching impacts of poor corporate governance. The Covid-19 pandemic, climate change, and the increase in global wealth and income inequality have again dramatically reshaped the corporate governance landscape. Investors have increased their expectations and are using their rights more than ever to hold companies accountable. Against this backdrop, regulators continued to roll out initiatives to reform the corporate governance system to adapt to these new realities.

One major change that was recently rolled out in the US was the Securities and Exchange Commission's (SEC) adoption of new rules requiring that all companies use 'universal proxy cards' for any meetings involving contested elections. The new rules, which apply to shareholder meetings after August 31, 2022, will overhaul the mechanisms by which proxy contests have been carried out in the US thus far. Prior to the amendments, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if voting in person. These shareholders were therefore faced with a binary choice - to vote either for one slate or the other, resulting in no or sweeping change. The new rules require both the incumbent board and the dissident shareholder to provide shareholders with a slate including the names of all dissident and registrant nominees, allowing shareholders voting by proxy to choose nominees from either side. We welcome this change as it places investors voting in person and by proxy on equal footing.

In a separate initiative, the SEC proposed certain amendments to Rule 14a-8, which governs the process by which shareholder proposals are included in a company's proxy statement. Under this rule, a company may omit a shareholder proposal from its proxy statement if the proposal falls within one of 13 substantive bases for exclusion. The proposed amendments focus in particular on the substantial implementation, duplication, and resubmission of proposals, aiming to "improve the shareholder proposal process and promote consistency." In recent years, the current rules drew criticism over concerns that the existing standards for exclusion were not consistently implemented, thereby leading to unpredictable outcomes. The new rules address these concerns by ensuring a more transparent framework for the rule's application. We support the changes and expressed our position by participating in the public consultation launched by the SEC on the new rules.

Another development we are closely following is the California Gender Board Diversity Law. In May 2022, the California law requiring increased female representation on public company boards headquartered in the state was struck down. The decision came weeks after a court invalidated a bill requiring California-based publicly listed corporations to

have board members from underrepresented communities. This outcome prompted concerns that the rulings will stifle future efforts to enact diversity regulations in the US. Despite this, companies continue to face mounting pressure from shareholders to increase diversity in the boardroom. At the same time, the Nasdaq Board Diversity Rules, which became effective in August 2022, signal that the focus on diversity remains ongoing and that companies should continue striving to ensure an adequate level of board diversity.

Voting Highlights

Tesla Inc - 08/04/2022 - United States

Proposals: Election of Directors, Proposal Regarding Supermajority Requirement, Shareholder Proposals on Proxy Access and Reporting on Anti-harassment and Discrimination Efforts

Tesla, Inc. is a US multinational company that designs, develops, manufactures, leases, and sells electric vehicles, and energy generation and storage systems in the United States, China, and internationally.

The company's 2022 annual general meeting (AGM) featured important resolutions regarding the company's governance practices and social controversies. In 2021, a shareholder proposal to declassify the board received majority support, but the company failed to provide a meaningful response to the vote. For this reason, we voted Against the re-election of the two nominating and corporate governance committee members subject to vote. A substantial proportion of shareholders followed suit, which resulted in 31% and 36% of votes Against these directors.

Another important management proposal featured in the AGM was the elimination of the supermajority vote requirement, which stipulates that at least two-thirds of the Company's outstanding common stock are required to amend certain provisions. We supported this proposal. However, even though it received 97% of the votes For, the resolution was not approved because the total number of votes cast in favor did not amount to at least two-thirds of the total outstanding shares of Tesla's common stock, and therefore did not meet the supermajority requirement. This was also the case for a proposal to reduce director terms, which received 99% of the votes For.

Several management-opposed shareholder proposals received high support rates, especially one regarding the adoption of proxy access. This proposal sought to grant an unlimited group of shareholders owning at least 3% of the outstanding shares continuously for at least 3 years the right to place nominees on the company's AGM agenda. We believe that shareholders should be able to nominate directors that faithfully represent their interests. As such, we supported this proposal, which was ultimately approved, having received 51% shareholder support. Another noteworthy shareholder proposal was related to annual reporting on anti-harassment and discrimination efforts. Tesla is facing multiple lawsuits alleging discrimination and anti-union tactics, and this proposal stems from the overwhelmingly negative media coverage surrounding these allegations. We supported this proposal as we believe that shareholders would benefit from enhanced disclosure on this topic. Overall, the proposal received significant support, 46.5% of votes For, but was not approved.

Petroleo Brasileiro S.A. Petrobras - 08/19/2022 - United States

Proposals: Election of Directors

Petróleo Brasileiro S.A. - Petrobras explores for, produces, and sells oil and gas in Brazil and internationally.

Petrobras already held its Annual General Meeting (AGM) back in April, where eight directors, including the CEO, were elected to the company's Board of Directors. However, the largest shareholder, the federal government of Brazil, announced through a letter its intent to dismiss the CEO from his role and appoint a replacement. As a result, and at the request of the largest shareholder, the company convened an Extraordinary General Meeting (EGM) to elect a new Board of Directors on August 19th.

The initial list presented by the Brazilian government for the EGM included eight nominees. However, the company's Eligibility Committee excluded two directors from the ballot due to compliance concerns as both proposed directors hold high-ranking positions within the Brazilian government. Apart from the list presented by the Brazilian government, two nominees were presented by minority shareholders.

Due to the nature of the proxy voting mechanisms in the Brazilian market (more information can be found in this year's Q1 market highlight), we decided to concentrate all our votes around the directors presented by minority shareholders as we expected the Brazilian government to still present the two rejected candidates during the EGM itself.

Ultimately, from the list of eight candidates submitted by the federal government, six were elected, including the new proposed Chairman and the two candidates that were rejected by the Eligibility Committee. As expected, these were brought forward by the largest shareholder during the EGM. However, by focusing our votes on the candidates presented by minority shareholders, we have been able to contribute to their elections.

Alibaba Group Holding Ltd - 09/30/2022 - Cayman Islands

Proposal: Board elections

Alibaba Group Holding Limited, through its subsidiaries, provides technology infrastructure and marketing reach to merchants, brands, retailers, and other businesses to engage with their users and customers in the People's Republic of China and internationally.

At the company's annual general meeting (AGM), the focus was on the election of directors. As in previous years, the Alibaba Partnership, a formal partnership agreement that was initiated by the founders of the Group in 2010, has the exclusive right to nominate or, in limited situations, appoint up to a simple majority of the members of the company's board. Currently, 4 out of the 11 directors on the board are appointed by the Partnership. The Partnership's nomination right is not fully exercised since its nominees do not currently comprise a majority of the board.

We decided to oppose the re-election of the more respective accountable member of the nomination committee, as the board fails to incorporate the appropriate level of gender diversity. Compared to previous years, we acknowledge that there have been positive developments regarding the company's corporate governance structure, including an increase in the board's overall independence and a now 100% independent compensation committee.

However, we expect these improvements to continue, considering the company's anticipated primary listing on the Hong Kong Stock

Exchange. In preparation for this listing, the company will adopt an Employee Stock Ownership Plan (ESOP) to comply with the amended Chapter 17 of the Hong Kong Listing Rules, which will be subject to shareholders' approval at an upcoming EGM. We provided input to the company to help them identify the material issues they should consider when they design their new ESOP.

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