



Proxy Voting Report

Period: July 01, 2022 - September 30, 2022

Votes Cast	217	Number of meetings	22
For	197	With management	181
Withhold	2	Against management	36
Abstain	6		
Against	12		
Other	0		
Total	217	Total	217

In 15 (68%) out of 22 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

Sainsbury (J) plc - 07/07/2022 - United Kingdom
Proposal: Shareholder Proposal Regarding Living Wage

J Sainsbury plc, together with its subsidiaries, engages in the food, general merchandise and clothing retailing, and financial services activities in the United Kingdom and the Republic of Ireland.

This year at the company's general meeting, among the usual governance-related agenda items, there was a shareholder resolution that attracted media and investors' attention. ShareAction co-filed a resolution, the first of this kind in the UK, asking the company to pay the real Living Wage to all workers by becoming a Living Wage accredited employer.

The Living Wage is a non-statutory concept overseen by the Living Wage Foundation. According to the proponents' perspective, the company should pay all employees and third-party contracted staff the "real Living Wage," which is currently £11.05 per hour in London and £9.90 per hour in the rest of the UK, compared to the statutory National Living Wage, which is £9.50 for those of 23 years and older, regardless of location.

We supported the resolution for numerous reasons. Although the company already pays statutory living wages in several locations, formalizing the payment of living wages through the Living Wage accreditation will ensure accountability to continue paying it in the future. Additionally, this accreditation could become a competitive advantage for the company in the current tight labor market, particularly given that many of its peers do not seem to be accredited organizations. This could signal a commitment to higher and more fair wages, making it easier to attract and retain employees.

The resolution failed to pass, with only 16.7% of investors supporting it. Though the proposal was not widely supported, it is considered a starting point for a dialogue on the social commitment of companies in the industry amidst the cost-of-living crisis.

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