



Proxy Voting Report

Period: April 01, 2020 - June 30, 2020

Votes Cast	14154	Number of meetings	1109
For	12623	With management	12440
Withhold	131	Against management	1714
Abstain	67		
Against	1307		
Other	26		
Total	14154	Total	14154

In 740 (67%) out of 1109 meetings we have cast one or more votes against management recommendation.

General Highlights

Proxy system bends but does not break under Covid-19 pressure

At the beginning of the past quarter, uncertainty around the impact of the Covid-19 pandemic on the 2020 AGM season was still widespread. As we look back on the busiest part of the proxy voting year now, we see that many of these concerns did not materialize. But there were undoubtedly some relatively significant changes.

A comparison of the number of AGMs held in Q2 2019 and Q2 2020 shows the most obvious impact investors had to contend with. The total number of AGMs registered to have taken place in this timeframe has dropped by 7% compared to the previous year. That seems like an improvement, but looking more closely at the progression of meetings each month unveils the underlying challenge. April and May saw less meetings compared to the previous year by 24% and 15% respectively. This in turn meant that meetings in June, already one of the busiest months, increased by 13%. With over 1,000 meetings originally scheduled for April and May cancelled or postponed, June has been exceptionally demanding for investors. Current projections indicate that July will still see a significant slowdown of activity, but it can reasonably be expected that slightly elevated numbers will continue for several months as rescheduled AGMs are held.

What doesn't change, no matter the timing of AGMs, is the need to carefully analyze proposals up for vote. This year more than ever, though, it was vital to consider their merit within a broader societal and economic context. Dividend proposals and executive compensation were placed in the spotlight as a barometer for companies' responses to the pandemic. Investors, regulators, and the media all waded into the debate on what a conscientious and prudent distribution of remuneration and profits should look like.

We believe that the most important element of companies' chosen actions is transparency. For instance, whilst financial regulators in Germany issued guidance to companies in the sector to cut dividends, we still supported corporates that paid out dividends and were able to demonstrate a strong solvency and liquidity position in response to the regulator's opinion. Similarly, we expected convincing reporting on how boards came to executive remuneration decisions in light of the pandemic's effect on workforces and society. In most cases, we saw proactive choices from compensation committees.

It is worth noting that many compensation proposals up for vote this quarter were backward looking, covering the 2019 financial year. That means we will only be able to fully judge decisions made in 2020 at next year's AGMs. With that in mind, we know the Covid-19 pandemic will remain an important consideration for a long time. Over the next months and years, shareholders will gain more clarity on whether boards acted responsibly during this crisis. Where that has not been the case, we will hold boards accountable in future.

Market Highlights

Evolving Corporate Governance in Japan

Despite its usual classification as a developed market, Japan's corporate governance practices have historically lagged its western peers. This is evidenced by the limited supervisory and auditor board independence and low inclusion of women on boards. However, the market is changing. In 2014, Japan was the first Asian country to create a stewardship code. The code was developed with the purpose to promote sustainable growth of companies through investment and dialogue. Since the Code's establishment, over 280 institutional investors have signified their commitment to the code.

The stewardship code in combination with the Corporate Governance code, originally created in 2015, have helped to promote corporate governance reforms in Japan. For example, the corporate governance code requires two or more independent external directors to be appointed to the board. Since the inauguration of both codes, board independence has steadily improved year on year. In 2019, 100 percent of the companies listed on the Nikkei 225 and TOPIX 100 indexes had appointed two or more independent external directors. Furthermore, Japanese companies are not simply complying but exceeding these requirements with increasing numbers of independent directors on the board. That is not to say Japan has completely caught up with its western peers in terms of independence, but the country is on a path of incremental improvement.

This improvement is also visible in the revisions made to the stewardship code since its original publication. The stewardship code had been revised every three years since its inception, as such in March 2020 the newest revision of the code was published. One of this new version's major revisions is the inclusion of ESG factors into the scope of investor engagement with corporates. This revision, in combination with the inclusion of gender diversity in the corporate governance code in 2018 might help to further promote the inclusion of women in Japanese boards. Most Japanese companies fall short of western counterparts when it comes to gender diversity since many boards have none or only one female director.

Although this latest revision is still fresh it has already helped to broaden the corporate governance agenda in 2020. For instance, the first Japanese shareholder resolution on climate change was brought forward at Mizuho Financial's AGM. The proposal received support of 34% of the shareholders. The high level of support for the first climate proposal will serve as a precedent moving forward, pushing Japan to catch up with its peers on yet another front of corporate governance.

Voting Highlights

Wolters Kluwers NV - 04/23/2020 - Netherlands

Proposal: Management Board Remuneration Policy

Wolters Kluwer NV is a global information services and solutions provider. The Company provides its services to professionals in the health, tax and accounting, risk and compliance, finance, and legal sectors.

The executive remuneration policy at Wolters Kluwer has been an ongoing source of shareholder concern.

The European shareholder rights directive requires company to request shareholders' approval for their remuneration policy on a regular basis with an approval threshold of 75% of outstanding shares. At this year's AGM, the company proposed a new management remuneration policy which only had a few changes compared the previous policy. These changes were predominantly positive such as the inclusion of predefined performance metrics that the board can choose from in determining the bonus, which used to be completely at the board's discretion. The company also implemented shareholding requirements for the top executives, and post vesting selling restricted to the variable pay. However, we believe that both the peer group for pay benchmarking and the nature of the KPI's leave room for improvement.

The proposed remuneration policy was voted down during the AGM since 47.9% of shareholders voted against the proposal, failing to achieve the 75% approval threshold. This means that the old remuneration policy will stay in place until further notice, and the board will have to put forth a newly revised policy for shareholders to vote on.

Barclays plc - 05/07/2020 - United Kingdom

Proposal: Company engagement on shareholder and management proposals regarding climate change strategy

Barclays PLC is a global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management, and investment management services.

At Barclays' 2020 AGM, investors were presented with two strong, binding climate resolutions. Both management and shareholders put forth separate climate proposals, an unprecedented occurrence. Having engaged with Barclays' Chairman and the shareholder resolution's proponent, ShareAction, we supported both the management and shareholder resolutions regarding the bank's climate change strategy.

Shareholders have lauded the bank's ambitions as outlined in management's own proposal. The company has committed to becoming a net zero bank across Scopes 1, 2, and 3 by 2050 to align with the Paris Climate Agreement. In engagement with the company, it became clear that many details of this strategy's implementation still needed to be ironed out, but Barclays' promise to bring more information to shareholders before the end of 2020 allayed this concern to some extent. Well-designed climate strategies require extensive preparation, and the bank's plans to engage various stakeholders in its planning were evidence of a robust approach.

Meanwhile, the shareholder proposal filed at Barclays' AGM outlined a matching focus on alignment with the Paris Agreement with a more concrete request. The resolution was somewhat more granular in its initial sectoral focus, but Barclays

agreed that the energy sector would also be an initial target in its climate strategy under management's proposal. Furthermore, the shareholder resolution's request involved a phasing out of non-Paris compliant financing whilst leaving management sufficient leeway in defining Paris alignment and necessary phase out timelines. We were convinced that these resolutions could co-exist and pull management in the same direction of becoming a net-zero bank. We believe, and the company had acknowledged, that implementing the bank's proposed strategy will involve following the approach outlined in the shareholder proposal in future, and thus saw no material conflict between the resolutions.

Shareholders overwhelmingly supported management's proposal, but rejected ShareAction's resolution. Nonetheless, nearly a quarter of shareholders did support the shareholder resolution, sending an important signal to the company that investors have high expectations for the implementation of its strategy.

Equinor ASA - 05/14/2020 - Norway

Proposal: Shareholder proposal regarding GHG reduction targets

Equinor ASA operates as an energy company. The Company develops oil, gas, wind, and solar energy projects, as well as focuses on offshore operations and exploration services. Equinor serves customers worldwide.

Equinor's 2020 AGM saw an onslaught of shareholder proposals aiming to influence the company's climate strategy and environmental management. Several proposals attempted to impose restrictions on the company's exploration activities, either requesting an outright ban on such processes or by excluding certain areas. Many of these overstepped shareholders' purview in terms of climate strategy, prescribing a fixed path that management must follow. However, among the slew of climate proposals at the AGM, proposal 9 on setting net carbon intensity targets stood out as a smart, constructive resolution. The proposal asked for short-, medium-, and long-term reduction targets covering Equinor's Scope 1, 2, and 3 carbon intensity. It also made reference to the Paris Climate Agreement's goal to limit global warming to well below 2°C above pre-industrial levels, an aim that we expect oil and gas companies to align with in their climate strategy. We voted for the resolution.

The proposal was framed in a supportive manner, seeking to underpin the company's existing climate commitments with quantitative targets over various timeframes. Earlier this year, Equinor had published an updated climate roadmap that targeted a significant reduction in the net carbon intensity across all scopes by 2050. The ambition represented a major step forward for the company, which the shareholder proposal also acknowledged. However, a key requirement for making companies accountable for their long term climate ambitions is setting intermediate waypoints in the form of short- and medium-term targets.

Finally, the proposal refrained from imposing absolute targets on Scope 3 emissions, but rather focuses on intensity metrics, which is a constructive approach. This proposal was in shareholders' best long-term interests, as it approached Equinor's role in the energy transition in a balanced, yet demanding manner.

Our support was echoed by 27% of shareholders when excluding the Norwegian state's 67% stake in Equinor. In absolute terms, however, this only translated into 3.2% of outstanding shares being voted in favor.

Royal Dutch Shell Plc - 05/19/2020 - United Kingdom

Proposal: Shareholder proposal regarding GHG reduction targets

Royal Dutch Shell PLC, through subsidiaries, explores, produces, and refines petroleum. The Company produces fuels, chemicals, and lubricants. Royal Dutch

Shell owns and operates gasoline filling stations worldwide.

Climate change represents the largest and most complex of sustainability issues, in that it is inextricably linked to many of the other challenges present in the world today. We are therefore keen to play our part in ways that reflect our role, approach and strategies as long term responsible shareholders. Furthermore, how a company responds to the challenges presented by climate change now and in the future will have a significant effect on long term shareholder value creation and preservation. Royal Dutch Shell has become an industry leader in coordinating a climate response, but much work remains to be done.

In April, Shell announced their new climate ambition which builds on their 2017 ambition and the joint statement between Shell and a group of institutional investors including Robeco. The new ambition is to have net zero emissions on scope 1 and 2 (emissions from their own operations). Additionally the carbon intensity should be reduced by 65% (compared to Shell's earlier target of 50%). This implies that some carbon related energy will remain for specific clients and applications. In order to become a fully NetZero emissions company, Shell will have to work together with clients and other organization along the value chain. This is a new element of the ambition, which still needs further development in the near future.

During Shell's recent AGM, there was one shareholder proposal filed, requesting Shell to set and adhere to short, medium, and long-term scope 3 emission reduction targets. While we agree with the spirit and of this proposal, our assessment framework for shareholder resolutions informed our abstention on the proposal. Shell has translated their ambition into short term targets and has shown significant leadership in the climate debate. Shell has made significant steps (especially compared to other oil and gas companies) in their efforts for the energy transition.

McDonald's Corp - 05/21/2020 - United States

Proposal: Advisory Vote on Executive Compensation

McDonald's Corporation franchises and operates fast-food restaurants in the global restaurant industry. The Company's restaurants serves a variety of value-priced menu products in countries around the world.

We voted against the advisory vote on executive compensation at McDonald's shareholder meeting held on May 21st. Our main concern related to the equity award treatment upon termination awarded to the departing CEO, who breached the company's Standards of Business Conduct. This proposal received 20% of votes against from McDonald's shareholder base at the general meeting.

McDonald's terminated its former CEO's employment in November 2019 after the board determined that he violated the company's policy by engaging in a consensual relationship with an employee. Although we commend the board's decision to hold executives accountable for their behavior, we recognize that the board used its discretion to allow a large portion of his outstanding options to vest years after his departure. In fact, the departing CEO would not have received this equity treatment had his departure been classified as a termination for cause in connection with the policy violation.

According to the termination agreement, the departing CEO will walk away with USD 14 million in prorated performance-based equity and over USD 28 million in unvested options. Options will continue to vest even though he is no longer with the company, meaning that he can reap the benefits of any stock price appreciation at McDonald's without directly contributing to its success three years after his departure. On the other hand, his performance-based restricted stock is prorated to his termination date, which we deem a more sensible treatment of his equity

awards. A forfeiture of his outstanding stock options, or at least proration, would have been a more appropriate decision from the Compensation Committee to incentivize adherence to the company's Standards of Business Conduct.

We believe that exempting the CEO from crucial provisions around corporate policy has a negative potential impact on the company's culture. The decision to continue the former CEO's option vesting can be interpreted as a lack of commitment to the company's stated policies and ethical commitments. We consider that the board should have recognized the potential reputational impact of its decision in determining the generous severance terms for the departing CEO.

Chevron Corp. - 05/27/2020 - United States

Proposal: Shareholder proposal on lobbying activity disclosure

Chevron Corporation is an integrated energy company with operations in countries located around the world. The Company produces and transports crude oil and natural gas. Chevron also refines, markets, and distributes fuels, as well as is involved in chemical and mining operations, power generation, and energy services.

Not all shareholder proposals are created equal. This was especially evident at Chevron's recent AGM where the National Center for Public Policy Research (NCPPr) filed a proposal requesting an annual report on lobbying activities. At first glance, the proposal simply aims to increase disclosure and transparency – two aspects that typically garner widespread shareholder support. However, further investigation reveals that the proponent's intentions were much more subversive. The NCPPr is known as a conservative think-tank in the US that supports free-market solutions to issues of public policy and sustainability. If necessary, the center will also obstruct initiatives that oppose its political agenda, which is what occurred at the Chevron AGM.

The Securities and Exchange Commission (SEC) in the US allows corporations to exclude any resolution from its proxy materials that is substantially similar to one it has already received. This regulation prevents shareholders from having to vote more than once on the same proposal and saves corporate resources from being spent on redundant shareholder concerns. However the NCPPr utilized this rule to undermine a shareholder proposal that would have been filed by As You Sow, a shareholder advocacy non-profit organization. The NCPPr explained their actions in their latest investor guide report: "We knew with a high degree of certainty that 'As You Sow' would target Chevron with one of its sham proposals attacking its membership in certain trade associations. So we filed a proposal – and did it early – that mirrored the same operative language that AYS normally uses, but we completely reversed the rationale". In the end, the proposal that was genuinely filed by As You Sow was rejected by the SEC for being too similar to the anti-social NCPPr proposal.

During the AGM we voted against the NCPPr proposal on lobbying and it failed to pass by only gaining 29% support from shareholders. While we agree with the aim of enhanced transparency around lobbying activities and industry associations, shareholder proposals should not be used to undermine the material concerns of other shareholders.

Exxon Mobil Corp. - 05/27/2020 - United States

Proposal: Election of Directors

Exxon Mobil Corporation operates petroleum and petrochemicals businesses on a worldwide basis. The Company operations include exploration and production of oil and gas, electric power generation, and coal and minerals operations. Exxon Mobil also manufactures and markets fuels, lubricants, and chemicals.

As an oil major Exxon and its peers are facing increasing scrutiny of their handling of climate-related topics. Historically, Exxon has been a laggard on these issues. This was exemplified again last year when the company blocked a shareholder proposal filed by Climate Action 100+ that called for the company to report on the alignment between its strategy and the Paris Agreement. Keeping such shareholder proposals off the agenda appears to be the company's strategy to limit shareholders from expressing their discontent with the company's stance and actions towards climate change.

We voted against lead director Kenneth Frazier as well as CEO Darren Woods, because we see the company's failure to address climate change as a structural issue and believe the full board is responsible, not just the E&S committee. The chair and lead director are responsible for putting the climate dialogue on the agenda and their inaction on the matter merits a vote against. Director Braly only became the chair of the E&S committee in 2019 and as such is relatively new to her role. Additionally, Braly is one of only two women on the board. Therefore we decided to support this director this year but will monitor her performance as chair of the E&S committee in the future.

The rising discontent of shareholders will become more difficult to ignore for Exxon. Last year, the company's lack of addressing climate change led to one of its top 20 shareholders divesting from the company. Such actions show that Exxon will have to start listening to its shareholders or risk increasing shareholder action in the future.

Total S.A. - 05/29/2020 - France

Proposal: Company engagement on shareholder proposal regarding GHG reduction targets

Total SA explores for, produces, refines, transports, and markets oil and natural gas. The Company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives, and resins. Total operates gasoline filling stations in Europe, the United States, and Africa.

Shareholders were asked to vote on a shareholder resolution requesting the company to amend their articles of association to set absolute emissions reduction targets aligned with the Paris Agreement covering all emission scopes. We had conference calls with both Total and the proponents that filed this shareholder resolution to discuss this topic, and incorporated the insights from our discussions in our final analysis. In line with our proprietary assessment framework for climate-related shareholder proposals filed at Oil & Gas companies, we concluded that an abstention was warranted. The content of the proposal itself is supportable. Our framework also looks into what commitments companies already have made. We share the spirit of the resolution, but recognize that the resolution puts additional practical constraints on meeting the company's ambition. We believe that setting absolute emissions reductions targets constrains the company's ability to determine how to provide the energy that customers need while contributing to decarbonization by also supplying lower-carbon energy products.

Total released a joint statement with CA100+ investors at the beginning of May, committing to becoming Net Zero by 2050 for Scope 1-2, including Scope 3 in Europe. They also set a 60% carbon intensity reduction target for energy products used worldwide by Total consumers by 2050, with intermediate steps of 15% reduction by 2030 and 35% by 2040.

According to the Transition Pathway Initiative (TPI) report assessing the carbon performance of European integrated oil and gas companies, none of the companies reviewed will have emission intensity targets in line with the 2 degree scenario established in the Paris Agreement. However, most of the initiatives needed to

deliver on this ambition will take place outside of the company's own operations and TPI's intensity calculation cannot capture efforts on these grounds. Total's emission intensity targets are comparable to its European peers and represent one of the most proactive climate ambitions in the industry.

We believe that Total has made significant steps in their efforts for the energy transition, in line with best practices in the oil and gas sector. We welcome the company's openness to formalize this commitment in conjunction with shareholders, and recognize this is the first step to ensure the company operates in line with the Paris Agreement goals.

Alphabet Inc - 06/03/2020 - United States

Proposal: Company engagement on shareholder proposal regarding human rights risk oversight committee

Alphabet Inc. operates as a holding company. The Company, through its subsidiaries, provides web-based search, advertisements, maps, software applications, mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products.

We co-led the filing of a shareholder proposal at Alphabet's Annual General Meeting (AGM) requesting the company to establish a human rights risk oversight committee at the board level, comprised of independent directors with relevant experience. Alphabet reported that 16% of shareholders voted in favor of our resolution. With approximately 53% of Alphabet's voting rights controlled by the company's executive officers and board members, support for the resolution translates to roughly 45% of the non-controlling shareholder votes.

Alphabet has been reluctant to establish a dialogue with shareholders on ESG topics. Prior to filing the resolution, we coordinated an engagement letter which was signed by 83 investors worldwide representing 10 USD trillion in AUM. The company acknowledged receipt of the letter, but continued to reject establishing a dialogue with shareholders. The lack of responsiveness from the company prompted the filing of this shareholder proposal at the company's 2020 AGM.

Alphabet's technologies, products, and services have transformed users' daily lives and the global economy. As a result, Alphabet's internal decisions can have far-reaching consequences for individuals and society. Its business model presents inherent material risks, including regulatory, reputational and human capital risks. Given shareholders' own commitments to conduct human rights due diligence under the United Nations Guiding Principles (UNGPs), we have a responsibility to ensure the company is overseeing such risks at the highest level.

Because these risks are relevant to every Alphabet subsidiary and technology, and inherent in the Company's business model, it is imperative that a commitment to human rights is codified at the highest level of the Company for the purposes of oversight and accountability. While the Board is accountable to investors, it is unclear which criteria and processes are used to determine when and how the Board becomes involved in overseeing human rights risks, nor whether it has sufficient time and expertise to manage these specific risks.

In the current board structure, the Audit Committee has considered topics related to human rights, including the company's ongoing work to address harmful content and commitment to privacy across all its product areas. However we do not believe that the board's current committee structure can provide sufficient attention to auditing, environmental sustainability and human rights topics. Moreover the existing board committee members do not have sufficient relevant human rights experience to effectively oversee these matters.

We are concerned regarding Alphabet's failure to engage around this issue and to

provide meaningful disclosure around how it ensures appropriate oversight is afforded to this vast and expansive issue from the audit committee. Accordingly, we believe that creation of the proposed committee would serve the company and shareholders' interests.

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