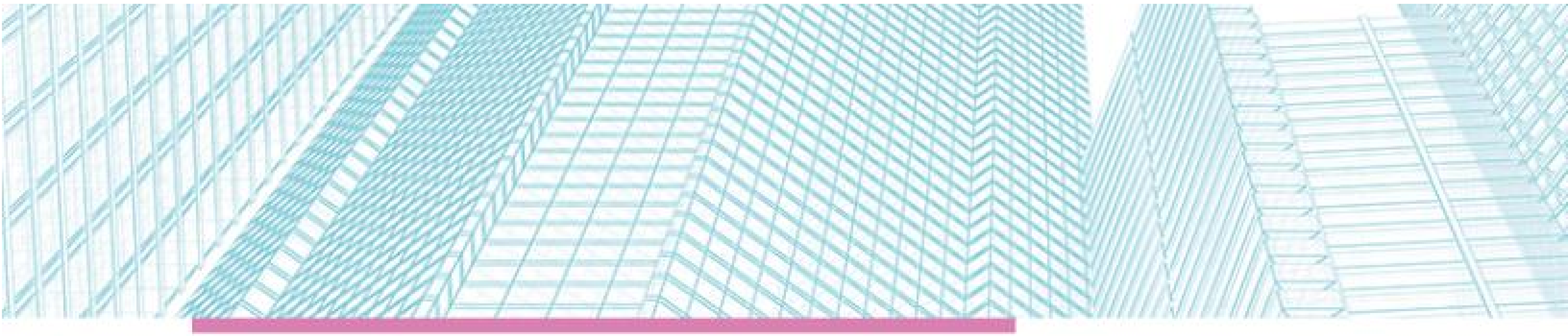
Rabobank Pensioenfonds



# Proxy Voting Report

Period: October 01, 2020 - December 31, 2020

| **Votes Cast** | **1405** | **Number of meetings** | **169** |
|---|---|---|---|
| For | 1267 | With management | 1245 |
| Withhold | 10 | Against management | 160 |
| Abstain | 7 | | |
| Against | 121 | | |
| Other | 0 | | |
| **Total** | **1405** | **Total** | **1405** |

In 77 (46%) out of 169 meetings we have cast one or more votes against management recommendation.

# General Highlights

**Diversity at large**
Diversity matters among employees, as well as among management and the board. The gains of diversity can be significant throughout the whole organization. Several researchers show that diversity corresponds with improved financial performance, but also to higher employee retention rates, stronger employee engagement, and higher talent acquisition. Companies have throughout the years realized that board composition should reflect various stakeholders, and diversity in the board leads to an enhanced decision-making process and less "groupthink".

This year has shown that not only companies, but society as a whole, is facing various challenges. Addressing complex and urgent problems like a pandemic, climate change, biodiversity loss, and political conflict requires a multi-dimensional approach. A diverse group of people with a varied skill set and background is best placed to succeed.

Regarding gender diversity, data on a global level shows that women hold only 16.7% of the board seats at publicly traded firms. Northern and Western Europe have the highest female representation on the board, followed by the US and Canada, and Latin America and the Middle East taking the bottom of the ranking. Imposing quotas in some countries in the last years has assisted in raising female representation, but more action is needed from companies themselves. Shareholders can play a role through their votes at AGMs and engagement.

The challenge of increasing gender diversity is also followed by the challenge of achieving better ethnic diversity. The #MeToo movement, followed by the recent protests against racial injustice and police brutality in the US, has led many companies and organizations to evaluate ways and create a plan that focuses on a systemic transformation. Racial diversity is critical to sustainable growth and addressing issues of injustice would benefit the economy greatly. Investors' ability to structurally challenge insufficient ethnic diversity on boards is constrained by the complexities of fair and accurate data collection.

Diversity is a complex and constantly evolving notion. Gender and racial diversity have a firm spot on corporates' radar. Nevertheless, lesbian, gay, bisexual, transsexual, and queer (LGBTQ) representation on the board is usually not in the scope of corporate governance standards, and it is estimated that there are fewer than 10 openly LGBTQ members on Fortune 500 boards. A positive development was Nasdaq's decision at the beginning of December, to file a request with the SEC to require its 3,300 listed companies to have or explain why they do not have, at least one female board member and one board member who identifies as either an under-represented minority or LGBTQ. This decision emphasizes the greater need for transparency around diversity and shows that though progress has been made, there are many human rights issues in this arena still to be addressed.

# Market Highlights

**US: Change in shareholder regulations**

On October 30, 2020, the U.S. Department of Labor (DOL) released its final regulation relating to a fiduciary's consideration of environmental, social and governance factors when making investment decisions for plans subject to the Employee Retirement Income Security Act of 1974 (ERISA). In response to the proposed rule, the DOL received several thousand comments, the vast majority of which opposed the new rule. Many investment professionals voiced objection to the proposal's antipathy towards the consideration of ESG factors. In the final rule, the DOL generally softened its stance toward the consideration of economic ESG factors but retained its opposition to the consideration of non-pecuniary ESG or other non-pecuniary factors.

The new rule requires a fiduciary to base its investment decisions solely on pecuniary factors and not subordinate the interests of participants and their beneficiaries to any non-pecuniary objectives. The DOL acknowledged that ESG factors may be compatible with a purely financial analysis of an investment option or strategy, so a fiduciary will be allowed to incorporate pecuniary ESG factors into its decision-making process without having to undergo additional documentation requirements.

A "pecuniary factor" is defined as a factor that a fiduciary prudently determines will have a material effect on the risk or return of an investment based on appropriate investment horizons consistent with the investment objectives and funding policies. The DOL expressed strong disagreement with investor comments which argued that plan investments should focus on society or economy-wide issues. In response, the DOL Secretary penned an op-ed stating that plan fiduciaries are not tasked "with solving the world's problems" but must focus exclusively on providing retirement benefits to plan participants. Several experts have already suggested that this regulation might be repealed under the new Biden administration in the United States.

The new rule continues to express skepticism towards ESG ratings systems and indexes, since a rating or inclusion on an index may be based on a variety of ESG factors, including non-pecuniary ESG considerations. Before using any ESG ratings, a plan fiduciary must determine the methodology, weighting, data source and assumptions used in such a system. When considering an investment in an ESG-indexed fund, the fiduciary must analyze the index's objective, maintenance, benchmarks, and construction to understand whether and how the ESG factors used are pecuniary. The new rule also prohibits the selection of any investment option as a qualified default investment alternative (QDIA) if its investment objectives, goals or principal investment strategies include, consider or indicate the use of non-pecuniary factors, even if its selection as the plan's QDIA would be based solely on pecuniary considerations. This would include funds that exclude investments from certain sectors (e.g., weapons, gaming, or tobacco) in their objectives or principal strategies if the investments are excluded for non-pecuniary reasons. Investment options that includes ESG factors could still be selected as a QDIA, provided that such ESG factors are based purely on financial considerations.

# Voting Highlights

**Procter & Gamble Co. - 10/13/2020 - United States**
Proposal: Shareholder Proposal Regarding Deforestation Report

The Procter & Gamble Company provides branded consumer packaged goods to consumers in North and Latin America, Europe, the Asia Pacific, Greater China, India, the Middle East, and Africa.

Procter & Gamble's Annual General Meeting on the 13th of October saw two shareholder proposals (SHPs) put forth. Although the proposals covered the vastly different topics of deforestation and diversity, both asked the company to issue a report on the issue. This shows that shareholders are interested in further disclosures from companies on those topics they deem material.

The first SHP asked that the Company issue a report assessing its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. Proponents of the proposal stated that the company lags on implementing its existing no-deforestation commitment and lacks a comprehensive plan to mitigate exposure to deforestation and forest degradation throughout its operations. Although the company is vocal on its achievement of reaching 100% RSPO certified sustainable palm oil and 100% third-party certified wood pulp it does not commit to an overall zero deforestation policy across all of its materials. Additionally, despite its achievement of its sustainable palm oil goal, one of its certified suppliers has been involved in human rights abuses and violation. This draws attention to the fact that certification does not guarantee compliance. Although we recognize that Procter & Gamble has been working on its no-deforestation efforts, the company still has room for improvement. As such, we supported the proposal's request for the company to assess its no-deforestation efforts across all relevant commodities. The proposal was supported by 67% of shareholders, a clear signal to the company to step up its efforts.

The second SHP requested that the Company publish an annual report assessing its diversity and inclusion efforts. Specifically, the report should include the process that the Board follows for assessing the effectiveness of its diversity and inclusion programs, and the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees. The company has built advertising around equality themes for several of its brands and has highlighted its commitment to diversity and inclusion on its public disclosures. However, the company currently does not disclose any meaningful statistics on diversity or inclusion. Although we echo the company's statement that metrics alone cannot provide the full picture, we do believe that disclosure of certain metrics helps to improve transparency which in turn can help investors compare efforts across companies. Therefore, we supported the proposal.

It is encouraging to see that there is a broad trend to request that companies improve their disclosures on material ESG topics to improve transparency to shareholders and stakeholders alike.

**BHP Group Limited - 10/14/2020 - Australia**
Proposal: Several Shareholder Resolutions

BHP Group engages in the natural resources business worldwide. It operates through Petroleum, Copper, Iron Ore, and Coal segments.

At BHP's Annual meeting, the Australasian Centre for Corporate Responsibility

(ACCR) raised their concerns on ESG related issues by submitting three shareholder proposals (SHPs). The first proposal regarding facilitating nonbinding proposals is a recurring shareholder proposal in Australia where current regulations do not enable advisory resolutions to be brought forward by shareholders. This is contrary to other jurisdictions such as the US and UK where such advisory shareholder proposals are common practice. We believe the ability to bring forward advisory proposals strengthens shareholder power and thus supported this proposal.

The second SHP regarding cultural heritage protection was withdrawn by the ACCR after they brokered an outcome with BHP directly. The original resolution requested that the company take several steps to protect indigenous cultural heritage sites. This proposal followed Rio Tinto's controversial detonation of the Juukan Gorge, a 46,000-year-old aboriginal site. Although Rio Tinto had consent, this consent was granted prior to the uncovering of further artifacts. Following the incident, Australian lawmakers are reviewing the current legislation. The SHP was meant to ensure that BHP took appropriate steps to prevent similar events from occurring in the interim period before the legislation is revised. Although BHP was unresponsive at first, in the end the group's Chairman met with the Alliance, a coalition of more than 20 Aboriginal and Torres Strait Islander organizations and leaders from across Australia. Following the meeting, BHP committed to: Implement principles jointly developed with the Alliance to strengthen Free, Prior and Informed Consent (FPIC) in agreement making; Support national and state cultural heritage legislative reform that ensure FPIC in agreement making for Traditional Owners and Aboriginal Land Councils; Establish keeping places that are reflective of Traditional Owners' values and culture, that are a source of pride where artefacts can be stored and visited; Cultural mapping; and prescribed bodies corporate funding (PBC's manage native titles on behalf of the traditional owners ). This outcome is a great example of the power that even non-binding shareholder resolutions can have.

The last SHP that was brought forward to BHP's AGM asked that the Company review the advocacy activities of its industry associations in relation to COVID-19. Although the SHP is understandable given some trends in the industry, BHP far exceeds its peers both in its analysis and disclosures related to industry associations as well as its environmental and climate commitments. Therefore, we did not feel it was appropriate to support this SHP as it neglects BHP leadership in this area, and voted against the resolution.

**BHP Group Plc - 10/15/2020 - United Kingdom**
Proposal: Several Shareholder Resolutions

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**Unibail-Rodamco-Westfield - 11/10/2020 - France**
Proposal: Issuance of Shares & Shareholder Proposal Regarding Election of Additional Board Members

Unibail-Rodamco-Westfield is a commercial real estate company, with a portfolio valued at €60.4 bln as of June 2020. The portfolio value is divided into mainly retail, offices, and convention and exhibition venues.

Before Unibail-Rodamco-Westfield's extraordinary meeting on 10th of November, we saw a group of shareholders raising their voice against the proposed EUR 3.5 billion issuance of shares with preemptive rights, characterizing it as highly dilutive and destructive to current shareholders. The group of investors opposing this proposal held 4.1% of the stapled shares in URW, and was led by Léon Bressler, the former Chairman and CEO of URW, and the French technology entrepreneur Xavier Niel.
Additionally, this group of investors also proposed the appointment of Léon Bressler, Susana Gallardo, and Xavier Niel to the Supervisory Board. According to the proponents, the addition of these three members would strengthen the board by bringing beneficial outside perspectives.

Regarding the proposal related to the issuance of shares, we carefully examined the company's communication on cash availability and factors related to market conditions and previous issuance of shares. We acknowledge the opponents' concerns around the proposal, and their general plan to restore the firm's focus on a solely European portfolio. Nevertheless, even though that it is not possible to accurately determine the level of potential dilution, we understand that the Covid-19 pandemic lockdown is an exceptional event. The issuance will strengthen company's balance sheet, help maintain a strong investment-grade credit rating, and secure access to debt markets. As a result, we ultimately supported the issuance proposal.

Regarding the Shareholder Proposals related to the election of the three additional directors, we only supported the election of Léon Bressler to strengthen the Supervisory Board. Mr. Bressler is the most experienced in real estate out of the three nominees and has an extensive background with the company. Our concern with the election of the other two nominees was that potentially it would lead to an enlarged Supervisory Board of 12 members, with a disproportionate representation of the proponents to their holding in the company.

**Microsoft Corporation - 12/02/2020 - United States**
Proposal: Shareholder Proposal Regarding Report on Non-Management Employee Representation on the Board

Microsoft Corporation develops and sells software products. The Company offers operating system software, server application software, and business and consumer applications software, among others. Microsoft also develops video game consoles and digital music entertainment devices.

At Microsoft's 2020 AGM, a recurring shareholder proposal regarding board composition was once more put to a vote. The proposal asked the company to consider the merits and drawbacks of adding non-management employee representatives to the board in a setup sometimes called 'shared governance' or 'codetermination'. A handful of such proposals crop up each year in the US, but they tend to receive muted support from shareholders.

Several European markets have requirements for employee representation or have a history of such requirements that still affects common practices today. Meanwhile, it is very rare in the US. Legislative proposals several years ago sought to mandate the European model in the Anglo-Saxon world, but none were ultimately passed into law. With that, shareholders have taken on the role of suggesting codetermination at American companies. Their arguments are based, in large part, on company commitments to initiatives like the Business Roundtable Statement on the Purpose of a Corporation. Microsoft signed the Statement, proclaiming a renewed focus on all vital stakeholders, including employees. The proponents imply that adding employee representatives to the board would be a tangible move away from the shareholder primacy model in line with the Statement.

We supported the proposal at Microsoft, as we believe preparing a report analyzing the feasibility of shared governance is not overly onerous and could provide useful insight into the board's thought-process, while providing a good foundation for further dialogue between investors and the board.

Microsoft's board rejected the shareholder resolution, arguing that the role of the nominating committee is to select the most qualified directors whilst maintaining high independence levels. Nearly 95% of shareholders agreed with management that these priorities are not compatible with employee representatives, but the proposal did achieve a marginally higher support rate than the preceding year. We continue to believe that the academic research demonstrating the effectiveness of employee representation on boards supports further investigation into whether such an addition would be of value to Microsoft and its peers.

**Cisco Systems, Inc. - 12/10/2020 - United States**
Proposal: Advisory vote on executive compensation

Cisco Systems, Inc., is engaged in designing and selling a range of technologies across networking, security, collaboration, applications, and the cloud. Its product and technologies include infrastructure platforms; applications; security and other products.

When assessing an executive compensation package, we analyze, among other factors, the overall structure, transparency, and height of the plan put up for vote by the company. The structure of Cisco's compensation policy does not meet our expectations.

The disconnect between executive pay and performance at Cisco has been an ongoing point of shareholder concern. The performance-based awards granted under the Company's long-term incentive plan have a performance period of less than three consecutive years. With such a short performance period, it is unlikely that management is being incentivized to deliver on long-term business strategy. Moreover 50% of performance awards are based on a TSR multiplier relative to the S&P 500 group. It can be questioned whether the peer group is appropriate to truly reflect the target company. Failure to define an appropriate peer group could cause awards to be granted despite poor performance, and in the past year, significant awards were granted despite below-median performance. We note that the Company's fiscal year ended after the stock market crash in early 2020, which is not the case for the entire peer group. Given the disruption to global markets as well as the significant headwinds involved in operating during a global pandemic, the Company's financial results and TSR may not be fully comparable to the year-end results for peers with fiscal year-ends preceding the crash. Nonetheless, the board has not presented sufficient rationale to warrant the size of the payout in relation to the performance throughout the previous year.

An improved structure of the compensation package is necessary to ensure that management is properly incentivized to act in the best interest of both the company and shareholders. At Cisco, there is room to improve this alignment and disclosure towards shareholders.

**Australia & New Zealand Banking Group Ltd. - 12/16/2020 - Australia**
Proposal: Shareholder Proposal Regarding Reducing Exposure to Fossil Fuel Assets

Australia and New Zealand Banking Group Limited provides various banking and financial products and services in Australia, New Zealand, the Asia Pacific, Europe, and the Americas.

For the second year in a row, shareholders of Australia and New Zealand Banking Group (ANZ) have brought forward a proposal requesting the company publish a report addressing reducing exposure to fossil fuel assets in line with the Paris Agreement. We supported the proposal again this year since we acknowledge the important role financial institutions have in financing the transition to a low carbon economy. Companies should not only acknowledge the harmful environmental effects of their continuous funding of high carbon emitting sectors, but also be aware of the financial risk of funding soon to be stranded assets. Overall, the wording of the proposal is sufficiently broad to allow management to implement strategies and targets that accommodate such a transition.

At last year’s AGM the proposal gathered significant support, with 14.9% of the shareholders voting in favor of the proposal. The company took notice and updated its climate policy in October to include restrictions on further financing of coal and to pledge to exit the sector by 2030. Although these changes were a positive first step, they did not meet all of the proposal’s requests.

Specifically, the proposal requested the company to disclose strategies and targets to reduce exposure to fossil fuel (oil, gas, coal) assets in line with the climate goals of the Paris Agreement, including the elimination of exposure to thermal coal in OECD countries by no later than 2030. While the company has somewhat addressed concerns regarding its funding of coal projects it has not made similar public commitments towards reducing its exposure in oil and gas. It is lagging several peers who have made commitments to phase out these fossil fuel exposures. Furthermore, the company has been entangled in various controversies regarding its funding of gas fracking practices in important Australian basins. Although we acknowledge the important role that gas has as a transition fuel, the company should investigate its gas funding practices ensuring adherence to environmental best practice in gas extraction projects.

Perhaps this year’s devastating Australian bushfires helped to increase support for the proposal as support rates doubled to 28.9% vote in favor. This steep increase in support is a clear statement from shareholders showing ANZ that they must continue to improve on their environmental commitments.

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