Rabobank Pensioenfonds

ROBECO
The Investment Engineers

Proxy Voting Report

Period: April 01, 2021 - June 30, 2021

Votes Cast	**13039**	**Number of meetings**	**992**
For	11726	With management	11550
Withhold	77	Against management	1489
Abstain	30		
Against	1180		
Other	26		
Total	**13039**	**Total**	**13039**

In 674 (68%) out of 992 meetings we have cast one or more votes against management recommendation.

General Highlights

A new frontier in the fight against climate change
Climate change is now a cornerstone of investor stewardship but addressing this topic through votes at shareholder meetings is relatively novel. However, the 2021 proxy voting season has demonstrated that boards will be held accountable for their climate-related oversight by proxy advisors, activist groups, and institutional investors alike.

Historically, shareholders have addressed their climate change concerns to boards through filing shareholder proposals. In the US for instance, the number of climate-related shareholder proposals filed has steadily risen over the years, from 34 in 2012 to over 140 in 2020. Of the proposals filed, many get withdrawn if the request is adopted by the company, but some proposals are also challenged by companies and omitted from the AGM. Although these challenges are intended for poorly drafted or immaterial proposals, companies lagging in climate action often use this mechanism to skirt the concerns raised by shareholders. In these cases, shareholders may escalate their climate-concerns by voting against the nomination of board directors such as the chairman or members of the audit or sustainability committees.

Holding directors accountable for a company's (inadequate) approach to climate change could become the norm. Just recently, Majority Action – an ESG focused shareholder activist group – published their 'Proxy Voting for a 1.5°C World' campaign, which outlines a list of systemically important companies in the three key industries that have not set emissions targets aligned to limiting warming to 1.5°C. The campaign calls on institutional investors to use their voting rights to vote against company directors that have failed in their oversight responsibilities to address escalating climate change.

One of the challenges in adopting such a voting approach is consistently identifying which companies are not in line with a 1.5°C or Paris-aligned scenario. Companies and international organizations often use different methods to calculate their long-term 2050 climate change scenarios, which is then reflected by the discrepancies in short-term targets. Nonetheless, there are several resources like the Climate Action 100+ Net-Zero Benchmark or the Transition Pathway Initiative that investors can use to help track the climate change targets set by companies. The Robeco voting policy incorporates these tools to flag companies where a vote against the chairman of the board is warranted due to climate-related concerns. These benchmarks also enable investors to monitor the annual progress made by companies, and to determine whether to escalate their approach to voting and engagement.

These new guidelines for proxy voting underscore that, where companies are failing to develop effective climate transition plans, boards will appropriately be held accountable. While institutional investors' definitions of what is appropriate may vary, the importance and urgency of holding directors accountable are clear.

Market Highlights

Japan – Catching up on Corporate Governance

Japan is historically a laggard when it comes to corporate governance practices compared to other developed market peers. However, it is taking strides to catch up. The Tokyo Stock Exchange (TSE), Japan's major stock exchange, has announced a market restructuring plan to take effect in the spring of 2022. The goal is to make the Japanese market more attractive for international institutional investors. TSE intends to create different market segments where the new Prime Market will consist of only large-cap companies and require higher standards of corporate governance.

To achieve this higher standard of corporate governance, the council of Japan's Corporate Governance Code initiated a revision of the code. The revision focused on several key topics: ensuring board independence, promoting diversity, the inclusion of sustainability and ESG. The council held a public consultation round for institutional investors. Robeco participated in this consultation in April and some of our recommendations were reflected in the final version of the code that was published in June.

The code further incorporates the importance of sustainability, referencing the UN Sustainable Development Goals (SDG) and the Taskforce for Climate-related Financial Disclosures (TCFD). It pushes companies to improve disclosures on specific sustainability issues such as climate, diversity, and risk management. Specifically for the Prime Market, it asks companies to make relevant disclosures available in English and support electronic voting, further aligning with global best practices. Furthermore, the code pushes for an increase in independence both within the board as well as specific committees. Importantly, the code now asks for an even higher level of independence of boards when there is a controlling shareholder, a majority for the Prime Market, and one-third for other markets.

Although many welcome the changes to the corporate governance code, some are skeptical of the circumstances in which the changes were made. Since these changes were instigated by the market restructuring some argue that the changes are too focused on the Prime Market leaving too low a bar for the remaining market segments. Critics argue that because of the simultaneous changes of the market as well as the corporate governance standards, both have been diluted too much to appease the different groups affected. The Prime Market was intended to be an exclusive group of a few hundred of the largest market cap Japanese companies that could compete on the global stage. The most recent outlooks seem to be watered down, with an estimated 1500 companies qualifying for the Prime Market at a market cap threshold of around JPY 10bn instead of the original JPY 100bn. Additionally, the code will remain based on the "comply or explain" rule without legal enforcement.

Since the newest version of the code was published during the 2021 annual shareholder season in Japan, the true implications of the code will not be visible until next year. For now, although the progress might be less extensive than some corporate governance experts might have hoped, it is undeniably moving in the right direction.

Voting Highlights

Johnson & Johnson - 04/22/2021 - United States
Proposal: Shareholder Proposals Regarding Report on Access to COVID-19 Products, Independent Chair, Racial Impact Audit, and Bonus Deferral Policy

Johnson & Johnson researches and develops, manufactures, and sells various products in the health care field worldwide. It operates in three segments: Consumer, Pharmaceutical, and Medical Devices.

Johnson & Johnson (J&J) had four shareholder proposals (SHP) filed at this year's AGM. Perhaps the doubling of the number of SHPs filed at its AGMs compared to recent years was due to J&J's successful creation of a Covid-19 vaccine which put it in the limelight. Alternatively, the high number of SHPs might be a sign of the diverse topics of importance to shareholders during this AGM season. We expect shareholder resolutions to continue to grow in number in the coming years, reflecting the increased focus on ESG topics by investors.

Historically, SHPs at J&J have focused on governance topics of remuneration and independent oversight. These topics also returned at this year's AGM and received sizeable support with one SHP asking for an independent chair (43%) and another for a bonus deferral policy (22%). We supported both these proposals since they are in line with best practices.

This year's AGM also saw the introduction of two new SHPs with topics closely tied to recent events. The first SHP was filed at several pharmaceutical companies who were successful in creating a Covid-19 vaccine. It asked the company to report on how public financial support for development of a vaccine or therapeutics for COVID-19 is being taken into account in access to such products, such as price-setting. We believe this proposal helps ensure that any medical breakthroughs derived from the public's contribution will be priced in an accessible way so that communities of all income levels will benefit equally. Therefore, we supported the proposal which gained support of nearly 32% of the shareholders.

The final SHP filed at the AGM appears to be closely linked to the global support gained by the BLM movement during 2020. The proposal asks the company to conduct and publish a third-party audit to review the racial impact of its policies and practices, to provide recommendations for improving the company's racial impact. The company has already made a commitment to address certain racial issues within its products and product development and we believe this proposal would further promote the integration of diversity and inclusion. Over a third of all shareholders shared this sentiment and supported the proposal.

The wide spread of SHP topics indicates that companies need to increasingly broaden their scope of attention to meet shareholder and community expectations of good corporate responsibility.

Pfizer Inc. - 04/22/2021 - United States
Proposal: Shareholder Proposal Regarding Independent Chair, Report on Political Expenditures and Values Congruency, Report on Access to COVID-19 Products

Pfizer Inc. develops, manufactures, and sells healthcare products worldwide.

At Pfizer's 2021 AGM, two out of the three shareholder proposals (SHP) that were filed were heavily influenced by the major events of 2020, the US elections and Covid-19. The first SHP asked Pfizer to publish an annual report analyzing the congruency of political and electioneering expenditures during the preceding year against publicly stated company values and policies. The proponent was motivated to file the SHP because they found several contradictions in the company's current political spending and its values. Some examples listed were contributions to an effort to strike down the Affordable Care Act, limit women's reproductive rights, and roll back climate regulations. Although the company defended its current contributions by explaining they do not equal endorsements, nearly half of all shareholders agreed with the proponent that current practices appear misaligned and could cause reputational damage. We supported the proposal along with 47% of shareholders, a very large support rate for a SHP in its initial year of filing.

Besides the elections, Covid-19 heavily impacted 2020. As one of the producers of an FDA approved vaccine, Pfizer came out on top in the race to halt the pandemic. Shareholders filed a SHP asking the company how public financial support for development of a vaccine or therapeutics for COVID-19 is being taken into account in access to such products, such as price-setting . This proposal merges a long-standing concern of rising drug prices and the contemporary concern of the global pandemic. While Pfizer maintains it has not received any direct US government funding, we acknowledge the proponent's argument that it has benefitted strongly from indirect support and that transparency on how the company aims to ensure access to its products would benefit shareholders. Therefore, we also supported this resolution. The proposal received 28% support from shareholders.

The third proposal that was filed at Pfizer is a recurring one in the US asking for a company to have an independent chair. We voted for this proposal because we believe that an independent chair is in the best position to diligently oversee the executives of a company and set a pro-shareholder agenda. This was the fifth consecutive year this proposal was brought to Pfizer's AGM and it has steadily received increasing support, culminating in 37% of shareholders supporting the proposal in 2021.

As all shareholder proposals filed at the AGM received sizeable support, we expect Pfizer to act accordingly. However, it should be noted that shareholder proposals are advisory in nature and none of the proposals received majority support.

BP plc - 05/12/2021 - United Kingdom
Proposal: Shareholder Proposal Regarding GHG Reduction Targets

BP plc is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.

BP was one of several oil and gas companies in 2021 where shareholder activism organisation Follow This filed resolutions requesting Paris-aligned GHG reduction targets. The proposals are important gauges of investor support for companies' existing climate plans, and what action shareholders believe companies should take to ensure they contribute to the goals of the Paris agreement.

We supported the shareholder proposal at BP, since it requested the company to set Scope 1,2, and 3 emission reduction targets over the short, medium, and long term. The proposal is also asking for the company to report annually on the GHG emissions reduction plan, which we believe should be tied to a non-binding shareholder vote on progress. The reason that the proposal adds value in the case of BP is that the company did not put forward a Say on Climate resolution in 2021. Supporting the resolution acts as an important signal that formalized progress reporting and shareholder feedback mechanisms are a vital component of climate leadership.

Recognizing the targets that BP had already set, we saw further room for improvement on coverage of all emissions scopes and board accountability for implementation. Our support for this resolution was primarily meant to foster accountability via reporting and feedback mechanisms. We believe that Say on Climate resolutions (e.g. periodically on strategy, annually on disclosure) are key elements of climate leadership in the sector. In our vote we also considered the findings of the Climate Action 100+ Net Zero Benchmark.

The shareholder proposal received just over 20% support from shareholders at the AGM. We believe this sends a clear message, and the board has committed to continuing engagement with shareholders on its climate plans, and to report on the progress of this engagement regularly, in line with the UK Corporate Governance Code.

Royal Dutch Shell Plc - 05/18/2021 - United Kingdom
Proposal: Approval of the Energy Transition Strategy and 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.

During Shell's 2021 AGM, two important climate-related proposals were on the agenda. Resolution 20 represented an industry first, as Shell put forward its own climate transition plan for a shareholder vote. Resolution 21 was a shareholder proposal on greenhouse gas reduction targets.

We supported Shell's proposal for approval of the Energy Transition Strategy (Say on Climate), because in our assessment, the climate plan is currently one of the most elaborate and advanced plans in the oil and gas sector. While supporting the resolution, we recognize that the plan will require updates and further improvements in the coming years. At the AGM, we expressed our desire for Shell to increase pace and to already make significant steps in the near future. This aligns with the progress we have expected and seen from Shell during our engagement under the Climate Action 100+ initiative. Following the AGM and a court ruling regarding its transition plan in The Hague, Shell has already further advanced its plans and ambitions.

In addition, a shareholder proposal was filed for Shell to set climate-related targets in the long, medium, and short term. In our assessment, Shell has already set one of the most advanced targets in their sector, and the company should instead focus on implementation in its next steps. Therefore, we abstained from voting on this resolution. Our abstention recognizes the value of this shareholder proposal in the case where companies have not set robust targets (scope 1, 2, and 3 for long-, medium-, and short-term horizons) and have not presented concrete implementation plans. However, this needs to be balanced with the significant progress that Shell had already shown on the specific asks for the resolution.

Shell's own Say on Climate vote received the support of around 89% of votes cast, representing widespread acknowledgement of the strength of its transition plan. Meanwhile, shareholders also voiced their view on the further development of Shell's targets, as the shareholder resolution received 30% of votes in favor.

Amazon.com Inc. - 05/26/2021 - United States
Proposal: Shareholder Proposals Asking for the Company to Act on Issues related to Climate Change, Working Conditions, Inclusivity.

Amazon.com Inc. is a U.S. multinational technology company that engages in the retail sale of consumer products and subscriptions, in North America and internationally. The company focuses on e-commerce, cloud computing, digital streaming, and artificial intelligence.

The shareholder proposals up for vote at the company's annual shareholder meeting largely concerned racial and equity issues, as well as antitrust topics, and responsible use of the company's facial recognition technology. We supported all of the 11 shareholder proposals, asking the company to take action on these topics, aiming to make the company a more transparent and conscientious corporate citizen. Even though the shareholder resolutions were non-binding, they were a way to raise our concerns on certain corporate policies and put pressure on improving Amazon's practices related to civil rights, equity, diversity, and inclusion.

Among the 11 proposals submitted by shareholders, we supported the one asking from the company's board to adopt a policy to require that the chair of the board shall be an independent director who has not previously served as an executive officer. From a shareholder's point of view, we believe that an independent chair strengthens corporate governance and has a better oversight of management practices, leading to shareholder value creation.

We also supported the resolution asking the company to report on plastic packaging and setting goals to reduce the impact of plastic pollution. According to the proponent's statement, Amazon approximately generates 465 million pounds of plastic packaging waste, of which 22 million ends in the ocean. We acknowledge the environmental risks coming from plastic pollution and we encouraged the company to take necessary action to address this issue by supporting this resolution.

Additionally, we supported the resolution asking the board to adopt a policy that promotes representation of employees' perspectives among corporate decisions, by including employees in the list of candidates put forward by the Nominating and Governance Committee. Employee representation on the board helps companies consider the views of an important stakeholder group, and is standard practice in some other markets. Even though it is not prevalent in the US yet, we believe it could play an important role in ensuring more responsible company management.

Lastly, we voted in favor of the three resolutions asking for an analysis of the company's impact on civil rights, a human rights impact report assessing the risks incurred by facial recognition technology, and a report on customer due diligence related to facial recognition products. Robeco co-filed the resolution on enhanced customer due diligence as part of our engagement with the company on the social impact of artificial intelligence. The proposal received 35% of votes in favor. Amazon was among many other companies that last year made supportive statements on the Black Lives Matter movement, and those proposals practically focus on mitigating human rights risks and violations and promoting racial equality.

Exxon Mobil Corp. - 05/26/2021 - United States
Proposal: Shareholder Proposal and Proxy Fight

Exxon Mobil Corporation is engaged in energy business. The Company is engaged in the exploration, production, transportation and sale of crude oil and natural gas, and the manufacture, transportation, and sale of petroleum products.

Perhaps the most high-profile AGM of the year, Exxon's shareholder meeting marked a turn for the oil majors. In addition to concluding a proxy fight that had been building for months, multiple shareholder proposals were also filed with some of them receiving majority support.

ESG-focused activist investor Engine No. 1 filed resolutions at Exxon's AGM aimed at replacing four directors with their own candidates. These resolutions were part of a campaign to enhance climate oversight on the board and were supported by some of the US' largest pension funds. The core argument of Engine No. 1 was that ExxonMobil's board, which is saturated with CEOs at some of America's largest companies, did not actually include anyone with dedicated energy industry experience. So, it nominated four candidates from the energy world in both the U.S. and Europe. Meanwhile, Exxon claimed to have evolved its strategy and maintained its historical leadership position among peers.

The nominations were very successful, resulting in three new members joining the board: an executive at Marathon Petroleum and Andeavor, the former Executive Vice President of Renewable Products at Neste Oyj, and a strategist at Google's owner Alphabet Inc and former US assistant secretary of energy. These directors were ultimately chosen for their expertise in sustainability and the energy transition. Another resolution that gained shareholder approval relates to the disclosure on Exxon's lobbying activities and related spending, which asked the company to account for whether and how its lobbying aligns with the Paris Agreement.

In the end, Engine No. 1 won a very expensive proxy fight with only a tiny .002 percent of the stock, by leveraging shareholder discontent to support a business case for meaningful change. Although this was certainly helped by Exxon-Mobil's poor performance, with losses last year of USD 22 billion (its worst performance in forty years), it was also due to the quality of the nominees which gained backing from some of the largest institutional investors in the US.

We supported all shareholder proposals (besides one 'Trojan Horse proposal', which aimed to limit progress on climate-related issues) and dissident board nominees, in addition to voting against the re-election of chairman of the board and lead independent director due to insufficiently addressing shareholder concerns on climate.

Facebook Inc - 05/26/2021 - United States
Proposal: Shareholder Proposals Asking for Independent Chair, Recapitalization, Report on Child Exploitation, and Human Right Expertise in the Board

Facebook Inc. is a U.S. multinational conglomerate focusing on information technology. Facebook offers products and services globally through its social networking platforms, Facebook, Facebook Messenger, Instagram, WhatsApp.

At this year's Facebook AGM, there were once again many shareholder resolutions up for vote. These proposals were asking for Facebook to improve their corporate governance practices, to combat potential legal and reputational risks, and to promote human rights.

Shareholders requested that the company gradually eliminate the special class of super-voting shares that the CEO has, which gives him the majority voting control of the company. We supported this resolution since we believe that one vote per share generally operates as a safeguard for common shareholders. We also supported the shareholder resolution asking for the board chair to be independent. We believe that an independent chair is in a better position to uphold shareholders' best interest and oversee management decisions. We favored both proposals since they contribute to improved corporate governance practices and increase board accountability.

Regarding social issues, again this year two resolutions were submitted requesting human/civil rights expertise to be added to the board, and reporting on online child exploitation. We believe that the company should address the increasing sexual child exploitation issue due to the encrypted messaging services provided on their platforms. It is necessary for the company to assess, report and proactively address this sensitive issue, and to efficiently mitigate potential operational and reputational risks.

Shareholders proposed that the nominating committee will nominate at least one candidate on the board, who has human/civil rights expertise. We were among the

4.06% of the shareholders who supported this proposal. We believe that a director with this type of experience within the board, would better help face human-right-related risks and ensure accountability and oversight. We were pleased to see the company launching its corporate human rights policy in March 2021, but an independent director with experience in the field is highly important, given Facebook's preeminent role in the social media landscape and the risks this entails.

Finally, we supported the proposal asking the company to report on reducing false and divisive information. Shareholders need detailed information to assess how the company is managing and mitigating related risks by the misuse of their platforms.

HSBC Holdings plc - 05/28/2021 - United Kingdom
Proposal: Approval of Climate Policy

HSBC Holdings plc (HSBC) is a banking and financial services company. The Company manages its products and services through three businesses: Wealth and Personal Banking (WPB), Commercial Banking (CMB), and Global Banking and Markets (GBM).

HSBC put its climate policy to vote at its recent AGM and received 99% support. We also voted in favor of the resolution, given the significant strides taken by the company. The result was preceded by pressure from a shareholder resolution filed by a USD 2.4 trillion investor coalition led by ShareAction that was ultimately withdrawn. ShareAction expressed its support for HSBC's own proposal instead.

HSBC has committed to phase out financing (project finance, corporate finance, and underwriting) of coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. This is an important move by the bank given its exposure to Asia, and HSBC's global rank as the world's 15th largest coal power financer. To date, HSBC has been one of the only European banks with no corporate financing restriction for companies exposed to the thermal coal sector and has provided more than USD 15 bn of financing to coal developers from October 2018 to 2020.

HSBC acknowledged that expansion of coal-fired power is incompatible with the goals of the Paris agreement. This is a relatively big turnaround given the company's previous stance and financing of coal-related activities. HSBC has also committed to set, disclose, and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement, starting with oil & gas and power & utilities sectors. It will use 1.5°C pathways that are not overly reliant on negative emissions technologies.

The company will publish a new coal policy by the end of 2021 which is expected to include several elements, namely: 1.) a prohibition of general corporate financing and underwriting to companies that are highly dependent on coal mining and/or coal power, as well as companies planning new coal mines, coal plants and coal infrastructure, 2.) commitment to help clients develop, publish and implement coal phase-out plans in line with the 2030/2040 timelines by a specific date and no later than December 2023, 3.) a commitment to focus on the entire coal supply chain, including coal equipment manufacturers and any other coal supply chain function that contributes to the expansion of coal-related activities. Following the AGM, we will continue to monitor how HSBC upholds their new commitments.

Alphabet Inc - 06/02/2021 - United States
Proposal: Shareholder Proposals Asking for Recapitalization, Linking Executive Pay to Sustainability and Diversity, Report on Whistleblower Policies, and Human Right Expertise in the Board.

Alphabet Inc is a U.S. multinational conglomerate company that is the parent company of Google and several Google subsidiaries. Alphabet Inc provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. The company offers performance and brand advertising services.

Alphabet was another large American tech company that was targeted by a handful of shareholder proposals (SHP) focusing on social and corporate governance topics. We supported the SHP requesting the board to initiate a 7-year recapitalization plan, that would ultimately result in one vote per share. We view this plan to be on the best interest of minority shareholders, allowing them to have an equal voice and express it with their votes when it comes to important matters.

We also supported the SHP asking the nominating committee to add at least one candidate to the board who has human and/or civil rights expertise. The company has received criticism by the media for not doing enough to protect user privacy, with numerous allegations of private data misuse, and we engage with the company on the social impact of artificial intelligence. We believe that board-level oversight of human rights considerations is a positive step and in line with our engagement asks. Additionally, we supported the SHP asking for a third-party review of the whistleblower policy effectiveness. Taking into consideration the risks the company faces due to ineffective whistleblower protections , and given the recent controversies, we believe that the request outlined in this proposal would benefit shareholders.

Lastly, shareholders requested the company prepare a report assessing the feasibility of integrating sustainability and diversity metrics in its executive compensation program. In the prior year, the same resolution was supported by 13.1% of the votes, showcasing that shareholders do value the integration of environmental and social factors into the business strategy. We believe that the adoption of this proposal is necessary, and thus we supported this SHP also this year, and we encourage the company to introduce a bonus program that links executives' compensation to specific ESG goals.

NetEase Inc - 06/23/2021 - United States
Proposal: Election of Director

NetEase Inc is a technology company, engaged in developing and operating online game services, intelligent learning services, and other products.

The AGM season always places the roles and responsibilities of boards of directors firmly into the spotlight. Shareholders must decide if directors have properly discharged their duties over the past year, and if they are fit to represent investors' interests in the future. While it is difficult to continually monitor the performance of individual board members, shareholders should aim for the boards of their companies to reflect certain elements of best practices to encourage robust oversight.

These standards vary by market but are generally based on the same philosophy: boards where highly qualified directors represent a variety of views, can dedicate sufficient time to their role, and are regularly refreshed to ensure independence are more likely to provide a healthy challenge to the C-suite, which is in the best interests of the market.

At the AGM of NetEase, we voted against two directors, as the board fell afoul of several of the above guidelines. We voted against the former CFO (until 2007) of the company, who has served on the board for 19 years and holds five further board seats at other companies. We generally believe that this level of outside commitments will inhibit the director's ability to focus fully on their responsibilities at all of these companies. Therefore, we considered director Lee 'overboarded' and opposed his re-election.

We had further structural concerns about the composition of the board. The average board tenure is excessive, with the last director having been appointed 14 years ago. Meanwhile, the board is composed of 5 male directors, with only one woman serving on the board. We believe that companies listed on large US exchanges like the Nasdaq should have at least 30% gender diversity (rounding down to account for board size). Finally, no independent Chair or lead director has been appointed, leaving the board with insufficient outside leadership.

For the above reasons, we voted against the longest-serving member of the Nominating Committee, in the absence of a committee Chair, as we believe he is responsible for the poor board composition.

Fujifilm Holdings Corp. - 06/29/2021 - Japan
Proposal: Special Merit Award

Fujifilm Holdings Corporation is a Japan-based holding company engaged in the business related to photography, medical care & printing & liquid crystal display materials and copying machines.

Executive pay in Japan is not usually the most controversial item on the agenda of shareholder meetings. Nonetheless, at Fujifilm Holdings' AGM in June 2021, our concerns with a special proposal on the topic led to our vote against the board's recommendation.

After nearly 20 years as Chairman and CEO of Fujifilm, Shigetaka Komori stepped down at the AGM. He will continue as Chief Adviser to the company. When he took the company's helm in 2003, the company's industry was facing significant headwinds, seemingly at the mercy of the relentless push towards digitalization. The company needed to reinvent itself, and has arguably found a successful path through aggressive investments in business transformation.

The company has proposed a one-time special merit award of Yen 500 million in cash to recognize the long-serving executive's work. While we recognize the importance of the director's contribution to the success of the company, we believe executives' pay should be tied formally to company performance. Well-designed pay structures would naturally align good performance with reasonably high payouts. Instead, the proposed award has been determined ex-post, with no formal performance criteria and only limited disclosure about how the size of the grant was agreed by the board.

As a result, we voted against the proposal on the basis of a lack of structured alignment between pay and performance.

Disclaimer

Robeco Institutional Asset Management B.V. ('Robeco') distributes voting reports as a service to its clients and other interested parties. Robeco also uses these reports to demonstrate its compliance with the principles and best practices of the Tabaksblat Code which are relevant to Robeco. Although Robeco compiles these reports with utmost care on the basis of several internal and external sources which are deemed to be reliable, Robeco cannot guarantee the completeness, correctness or timeliness of this information. Nor can Robeco guarantee that the use of this information will lead to the right analyses, results and/or that this information is suitable for specific purposes. Robeco can therefore never be held responsible for issues such as, but not limited to, possible omissions, inaccuracies and/or changes made at a later stage. Without written prior consent from Robeco you are not allowed to use this report for any purpose other than the specific one for which it was compiled by Robeco.