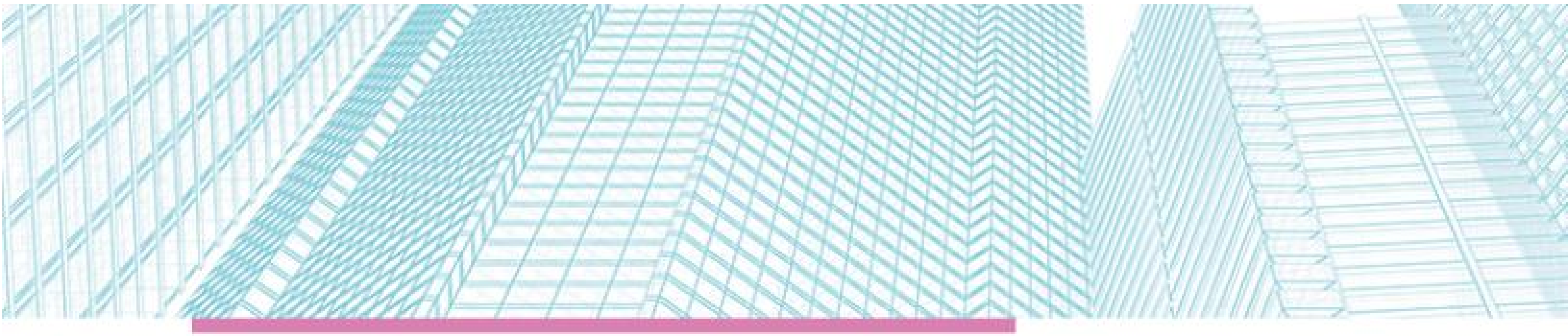
Rabobank Pensioenfonds



Proxy Voting Report

Period: October 01, 2021 - December 31, 2021

Votes Cast	1286	Number of meetings	170
For	1164	With management	1126
Withhold	9	Against management	160
Abstain	8		
Against	103		
Other	2		
Total	**1286**	**Total**	**1286**

In 75 (44%) out of 170 meetings we have cast one or more votes against management recommendation.

General Highlights

ESG & Compensation
Executive compensation has repeatedly been a topic of discussion among investors and companies. Shareholders, through voting and engagement, have an immense influence on executive remuneration matters, and are pushing companies to focus on long-term value creation and sustainable growth.

The trend we have seen over the recent years, is for investors to push companies to incorporate Environmental, Social, and Governance (ESG) metrics into their Short-term (STI) and Long-term (LTI) incentive plans. This trend is based on the idea that companies that promote sustainable business practices, and link executive pay to ESG metrics, are more likely to outperform those that do not. A study conducted by the Sustainable Insight Capital Management (SICM) and the Carbon Disclosure Project (CDP), showed that companies that are industry leaders with respect to climate, are generating superior profitability, cash flow stability and dividend growth for investors. But that hypothesis is not always confirmed, since there have been cases where shareholders experienced a significant hit due to ESG-related issues. The main challenge nowadays is for companies to determine the key sustainable metrics that are highly related to their sustainable business strategy, and how these should be linked to pay incentives.

One side of this challenge is that not all companies today are in a position to instantly change their business strategy and implement initiatives that are solely based on sustainable thinking. Nevertheless, executives and boards in those companies should recognize that sustainability will be one of the main drivers that will lead to a shift in the way their businesses operate over the next years. As such, they should find a way to implement small changes today while they work towards bolder transformations in the future. Compensation committees are too focused on trying to incorporate metrics in their remuneration schemes that are mostly related to mitigating ESG risk. Instead, they should aim to link executive bonuses to strategic opportunities related to sustainability that would create value. Metrics that reward executives' efforts to improve future performance by adopting sustainable practices, are welcomed by investors.

There is no one-size-fits-all solution on how to link executive compensation to sustainability and at the same time drive performance and successfully manage all stakeholders. That is why companies should look for those ESG metrics that are material for their industry. For example, a food company could link executive compensation to metrics that show the percentage revenue growth from the sales of healthy products. This metric would align executives with the societal goal of reducing junk food consumption to reduce dietary-related illnesses such as diabetes and obesity. A car manufacturer, on the other hand, might link compensation to the company's strategic shift to the sales of electric vehicles. Lastly, a financial services firm might reward its executives for successfully shifting the focus in capital allocation from fossil fuels, like coal, to sustainable projects and other sources of renewable energy.

Investors have increasingly supported the link of executive remuneration to sustainability. Over the last years many companies worldwide have adopted, based on their industry, ESG-related goals in their compensation packages. However, companies should clearly define those metrics that have a meaningful impact in their business strategy, by conducting a materiality assessment. The outcome of this assessment should be transparently disclosed, and the metrics used in the compensation scheme should have a measurable impact on stakeholders and a financial materiality for shareholders.

Addressing issues like climate change or social injustice might not have been the main priorities of management teams or supervisory boards a few years ago. However, the world we live in is rapidly changing, and as companies are part of our society, they need to find a way to address those issues too. Linking executives' pay to various sustainability metrics can be a useful tool and a good starting point that would help address multiple ESG opportunities and risks. In our voting approach we assess remuneration plans on incentive structure, transparency and total height. ESG components are a important part of the analysis on structure. If companies include relevant and adequate ESG metrics that are relevant to their business, the assessment gets a better result. Robeco also conducts an engagement program on executive remuneration, one key point of our engagement is to move companies to include the most relevant sustainability aspects in the variable pay for executive management.

Market Highlights

Corporate Governance Update: United Kingdom

The United Kingdom (UK) is known for being at the forefront of corporate governance and shareholder rights. Especially the Companies Act provides shareholders, even those with relatively small positions, various instruments to ensure they can voice their opinion and draw the attention of the board of directors. Through the strong facilitation of the right to ask questions, submit proposals or present statements during the general meeting of listed companies, equity investors can share their views and act as a driver for specific courses of corporate action. The legal and regulatory framework in the UK lays out a strong fundamental environment for shareholder stewardship, which has been on the rise globally. Moreover, the country offers particular fertile conditions for shareholder activism to flourish, as it is in the midst of structural change, organizing a post-Brexit economy, tackling a pandemic and mitigating climate change.

In recent years, the UK's Financial Reporting Council (FRC), has also raised the bar when it comes to approving signatories to their updated Stewardship Code. Stewardship codes set market expectations of how investors should behave themselves in relation to their investee companies and sets a high standard of reporting on such activities. This year we have seen over one third of applications, also from some major institutional investors, be rejected after careful consideration.

The FRC recently published its review of corporate governance reporting in which they discuss the quality of disclosures in the light of the UK Corporate Governance Code in 2021 and set out multiple expectations regarding companies' reporting practices for 2022. The review focused on reporting around compliance with the code, the impact and outcomes of engagements, remuneration, and diversity and succession planning. Generally, the FRC recommends companies to enhance disclosure around their review processes, the link between their policies and strategy and around their interactions with stakeholders, using clear and consistent explanations supported by real life examples.

As reporting is key for shareholders to assess a company's performance and impact on all types of material matters, we fully agree with and support the recommendations of the FRC. The need for improvement around the coherence between a company's succession planning, diversity policies and strategy is also brought to light by the Parker Review, another great UK example of corporate governance leadership. This initiative is designed to address and improve racial and ethnic diversity in organizations. The Parker Review not only recommends a target for FTSE100 companies to include at least one director of color as of January 1st 2022, it also takes a more holistic approach to diversity and inclusivity. For example, the Parker Review recommends companies to establish or revisit diversity and human capital policies in light of the corporate strategy and openly endorse the importance of diversity by leadership.

The UK continues to take a leading role terms of spirit and legislative developments regarding corporate governance and shareholder rights. As a responsible investor, we will continue to closely monitor all (legislative) developments in areas of investment stewardship and corporate governance, to make sure we align with best practices and remain at the forefront of the sustainability transition within the financial sector.

Voting Highlights

Nike, Inc. - 10/06/2021 - United States
Proposal: Say on Pay and Shareholder Proposal Regarding Pay Equity Report

NIKE, Inc., together with its subsidiaries, designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide.

Following last year's extremely low shareholder support (54%) on its annual Say on Pay proposal, Nike implemented several changes to its remuneration. In 2021, Nike improved its overall disclosure and introduced a people & planet modifier for its Long-Term incentive program (LTIP). Despite these positive changes, several remuneration related concerns remained.

First, the one-time USD 10 million transition awards granted to both CEO and executive Chair. The awards vested in full without any adjustment, despite clear discontent from shareholders in 2020. Last year the company also awarded one-time awards to several other executives. We do not support the company's strong reliance on one-time awards and would have preferred if Nike had adjusted the regular pay plan of these individuals to account for additional responsibility in their new roles.

Secondly, the company chose to have both half year periods and target ranges for its Short-Term incentive (STI) scheme in FY2021. Although, we see this as an improvement from last year's post performance adjustments, we are concerned that the combination of both half year periods and target ranges might not have set sufficiently challenging targets for executives.

Despite the introduction of performance shares for FY 2022, the company continues to rely heavily on options and restricted stock units (RSUs) (54% of total pay), both of which vest annually over a 3- and 4-year period respectively. We are concerned by both the overall weight, the annual vesting, and the lack of performance criteria. We hope that once Nike introduces its PSUs next year, it will reconsider this distribution and switch to link pay further to performance.

Given our above outlined concerns we voted against Nike's Say on Pay for the second year in a row. The proposal received 72% support from shareholders, which is an improvement from last year but still far below average market support rates of over 90%.

Furthermore, we supported a shareholder proposal (SHP) which requested Nike to report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. We believe these kinds of disclosures could give insight into Nike's success in ensuring equal opportunity for growth, as a strong difference between median pay between different groups might reveal a lack of equal upwards opportunity. Nike claims to focus "on increasing representation of women globally and racial and ethnic minorities in the U.S. at all levels of the Company, including at the most senior levels, and ensuring that all employees are compensated fairly and equitably" so this should align with Nike's own goals. The proposal received 17% support from shareholders.

Tesla Inc - 10/07/2021 - United States
Proposal: Elimination supermajority requirement & director election frequency

Tesla, Inc. designs, develops, manufactures, leases, and sells electric vehicles, and energy generation and storage systems in the United States, China, and internationally.

At Tesla's 2021 AGM several proposals were up for vote to improve corporate governance at the company. Specifically, management put forth a proposal to reduce director terms from three to two years. It also put forth a proposal to eliminate applicable supermajority voting requirements. Simultaneously, shareholders had also put several proposals on this year's agenda, one of which was a counter proposal to reduce director terms to one year.

We were pleased to see a strong focus on improving corporate governance from both management as well as shareholders. We supported management's proposal to eliminate supermajority voting requirements, because supermajority vote requirements can impede shareholders' ability to approve ballot items that are in their interests. Currently, the affirmative vote of the holders of at least two-thirds of the Company's outstanding common stock is required to amend the certificate and bylaws. The impediment posed by the supermajority requirement was made clear through the voting results of the proposal. Although the proposal received 60% approval rate of all votes cast at the meeting, it did not meet the requirement of affirmative votes of at least 66,6% of the total outstanding shares. As such the proposal was not approved by the meeting.

We did not support the management proposal for director term reduction since the shareholder proposal (SHP) up for vote proposed annual election which we deem preferred. The management proposal did not pass due to the supermajority voting requirement explained in previous paragraph. The SHP requesting annual director election was approved at the meeting as it received 53% FOR votes. Although SHPs are only advisory, we are hopeful the board will consider this strong shareholder signal and propose annual election at its next shareholder meeting.

Procter & Gamble Co. - 10/12/2021 - United States
Proposal : Shareholder Proposal Regarding Non-Management Employee Representation on the Board

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.

This year's Annual General Meeting of Procter & Gamble included a shareholders proposal (SHP) requesting the company to adopt a policy regarding the inclusion of non-management employees on the board. While this might sound somewhat prescriptive at first sight, we judged both the spirit and the requested company action of the shareholder proposal to be reasonable and supportive.

We agree with both management and Glass Lewis that there are multiple ways for directors to understand employees' perspectives on various issues and that the overall independence of the board could be slightly eroded by adding an employee representative. However, we believe that employee representation on the board, which is common practice in several European markets, helps grow the long-term value of the company and contributes to the further embedment of corporate sustainability. Besides that, the proposal only requested the company to include past or current non-management employees in the initial list of candidates from which new director nominees are chosen. Hence our decision to vote in favor of the shareholder proposal.

In the end, the proposal was not supported by the majority of the votes cast by shareholders. The company addressed the proposal by ensuring the continuous variety of channels and surveys to communicate with leadership.

BHP Group Plc - 10/14/2021 - United Kingdom
Proposal : Approval of the Climate Transition Action Plan and a Shareholder Proposal Regarding Disclosure Concerning Coal, Oil, Gas and Assets.

BHP Group engages in the natural resources business in Australia, Europe, China, Japan, India, South Korea, rest of Asia, North America, South America, and internationally. It operates through Petroleum, Copper, Iron Ore, and Coal segments.

This year's Annual General Meeting (AGM) of the BHP Group included some controversial proposals including a Say on Climate and several shareholder proposals. Especially interesting was the split in vote recommendations between the influential proxy advisors ISS and Glass Lewis, who disagreed on the credibility of BHP's climate plan. Despite the fact that BHP's Climate Transition Action Plan provides thorough discussion of its climate-related considerations and Capex spending, we have concerns regarding the level of ambition of the emissions reduction targets and their alignment with the goals of the Paris Agreement. In particular, the plan has limitations on how it will achieve, in full scope, its emissions reduction targets on scope 3 emissions. Besides that, the plan references the use of offsets to meet all of its targets while it remains uncertain of the quality and amount offsets that will be used. Therefore, we have decided not to support the company's Say on Climate at this point in time.

The shareholder proposal regarding disclosure concerning coal, oil, and gas assets, requested the company to disclose how its Capex will be managed consistently with a net zero by 2050 scenario. Generally, we support proposals that increase disclosure and transparency around sustainability and material ESG issues. While we are supportive of the spirit of this resolution, we judge it to be too demanding. The resolution was requesting information that cannot be determined with any level of accuracy and therefore adding little value to existing disclosures. We believe that voting against management's transition plan is a more effective way to encourage the company to enhance its decarbonization strategy and the investments needed to implement it. For these reasons we also decided to not support the shareholder proposal in its current form.

The combined results for BHP's Australian and United Kingdom AGMs led to the adoption of the Climate Transition Action Plan by around 85% of the votes cast being in favor. The shareholder proposal regarding disclosure concerning coal, oil, and gas assets received only 14.2% support. Despite the adoption of the Climate Transition Action Plan in its current form, we hope the relatively low approval rate (compared to other Say on Climates) signals the company to further develop their decarbonization strategy, something we will surely continue to closely monitor.

Paychex Inc. - 10/14/2021 - United States
Proposal : Say on Pay & Board Elections

Paychex, Inc. is a U.S. based IT company, that provides integrated human capital management solutions for human resources (HR), payroll, benefits, and insurance services for small to medium-sized businesses in the United States and Europe.

In the annual shareholders' meeting that took place on 14th of October, the regular agenda items of re-election in the board of directors, and the advisory vote on executive compensation were the ones that drew our attention. The company is consistently failing to address our concerns on the lack of diversity in the board, and the discretion used in the remuneration report.

In the 2021 remuneration report there were mainly two features that we viewed as negative and contributed to our decision to vote Against the proposal. The remuneration report continues not to have a performance-linked long-term incentives award. The company granted 60% of the LTIP as restricted shares and the remainder as stock options, and announced that their decision to remove performance-based long-term incentives from the fiscal 2021 equity awards is due to the uncertainty surrounding the economic environment as a result of the COVID-19 pandemic. Additionally, the Compensation Committee used upward discretion on the long-term incentives. They decided to measure performance against approved budgets for fiscal 2020 and fiscal 2021 rather than two-year performance targets, this led to a pay outcome of 114% of target awards. We are concerned of any upward discretionary adjustments, that could lead to over-rewarding executives in times of uncertainty and low performance results.

We generally view the lack of performance-based awards as a failure of the Compensation Committee to sufficiently tie executive interests to the performance of the company, and subsequently to the interests of shareholders. This was the third consecutive year we were voting Against the Executive Compensation proposal for persistent failures to improve remuneration practices. Therefore, we voted Against the Chair of the Compensation Committee, since he is responsible for these persisting issues. This nominee happens to also be the Chair of the Nomination Committee, and the company does not meet our diversity threshold of 30% female directors on the Board. Thus, our decision to vote Against him showed our overall corporate governance concerns.

Microsoft Corporation - 11/30/2021 - United States
Proposal : Shareholder proposals focusing on Social topics

Microsoft Corporation is a U.S. based multinational corporation that develops, licenses, and supports software, services, devices, and solutions worldwide.

In this year's proxy season, we saw in many big tech companies' shareholders submitting resolutions focusing on human rights, social justice, employment rights, and gender/racial equality. As expected, this trend continued at Microsoft's AGM, with a total of five shareholder proposals (SHP) covering all kinds of social aspects.

One shareholder proposal asked the company to report on median pay gaps across race and gender. This proposal raised the importance of ensuring equal work for equal pay, no matter the gender or the racial background. Despite some progress being made in closing the gender pay gap, recent research shows that men and women in tech companies are still not getting paid equally. Similarly, the research also found that there is a high racial pay inequity in the tech industry. Though we recognize that the company is fairly disclosing the steps its taking to promote pay equality, we also consider it highly important for companies to take further action to resolve the issue, thus we supported this proposal. The proposal reached a 40.04% support from shareholders, stressing the importance of the topic.

Another social oriented SHP with a focus on employment rights, asked the company to release a transparency report assessing the effectiveness of the company's workplace sexual harassment policies. Over the last years, and with the rise of the #MeToo movement, there has been an increased focus on incidents of discrimination and sexual harassment, especially in tech companies. We acknowledge the importance of the issue to employees and that it entails reputational risks that can harm shareholder value. Thus, we decided to support the resolution, contributing to the majority of shareholders that voted FOR (approximately 78%).

Royal Dutch Shell Plc - 12/10/2021 - United Kingdom
Proposal: Adoption of new articles

Royal Dutch Shell plc operates as an energy and petrochemical company worldwide. The company operates through Integrated Gas, Upstream, Oil Products, Chemicals segments.

On November 15th Shell announced that it would change its share structure to establish a single line of shares, move its headquarters to London, and change their tax residence from the Netherlands to the United Kingdom. Shell explained that the unification of structure would make the company more agile in terms of M&A, disposals and their strategy in relation to the climate transition.

Shell's move triggered some debate around the Dutch dividend withholding tax and any impact on the appealed district court case vs Milieu defensie. Both are discussions of which the outcomes are not yet certain. We had several discussions with Shell on the various options for unification. We attended the EGM via a video call and re-emphasized our expectations towards the company to further accelerate their climate strategy. On balance we believed that unification would enable Shell to better execute its strategy, and will benefit its shareholders. Therefore, we supported the proposal, which received over 99 percent support during the special meeting.

Autozone Inc. - 12/15/2021 - United States
Proposal : Advisory Vote on Executive Compensation

AutoZone, Inc. retails and distributes automotive replacement parts and accessories.

After a careful review, we did not support the Advisory Vote on Executive Compensation at Autozone's Annual General Meeting this year. Despite the company's remuneration policy includes some strong elements, like executive stock ownership guidelines, clawback, and anti-hedging policies, we have concerns around the structure of the variable compensation being offered.

We believe the Short-Term Incentive Plan (STIP) lacks sufficient disclosure around the EBIT and Individual performance metrics, making it harder for shareholder to understand and evaluate the company's procedures for quantifying performance and translating it into executive payouts. Additionally, the Long-Term Incentive Plan (LTIP) might also not sufficiently align executive interest with those of shareholders, since it only awards time based awards in the form of options without performance criteria. We believe that having pre-defined performance based metrics linked to long term awards is a more effective way to link pay with performance, instead of incentive alignment solely based on the underlying value of the options. Moreover, we miss the incorporation of any relevant and material ESG metrics under both STIP and LTIP, something we would recommend all companies to include.

In the end, the proposal was adopted by a majority of the shareholders. However, we hope the 13.7% Against votes signal the company to improve its disclosure and structure around variable compensation. We will continue to monitor the company's compensation practices moving forward.

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