



# Proxy Voting Report

Period: January 01, 2022 - March 31, 2022

Votes Cast	2915	Number of meetings	222
For	2542	With management	2546
Withhold	1	Against management	369
Abstain	10		
Against	362		
Other	0		
<b>Total</b>	<b>2915</b>	<b>Total</b>	<b>2915</b>

In 140 (63%) out of 222 meetings we have cast one or more votes against management recommendation.

# General Highlights

## **ESG focus in this Proxy Season**

The Annual General Meeting (AGM) is a key moment for investors to exercise their stewardship duties by using voting rights. Even though most agenda items are related to governance topics, environmental and social topics get increasing attention at AGMs. Rubber stamping proposals is a thing of the past, and management can no longer expect high support rates for all their proposals.

Climate expectations have steadily developed beyond setting public long-term carbon reductions targets, to now include concrete plans on how to make progress in the short and medium-term. Additionally, 2022 will be the second year in which several companies will propose a so-called Say on Climate, a management proposal requesting shareholders' approval on the company's climate transition plan. Last year shareholders still had to get used to these proposals, which resulted in high degrees of shareholder support. We expect that this year shareholders will have further developed their voting approaches on Say on Climates and might take a stricter stance on these plans.

The Social (S) in ESG is also increasingly receiving the spotlight during AGMs. Investors become more aware of the relevance of human resource management, providing a fair workplace, and having diversity in oversight. As evidenced by the rise in shareholder proposals focusing on these issues and improvements in investors' stewardship policies e.g. by pushing for broader diversity on boards.

While investors' push for incorporation of ESG under variable pay is partially successful, often the chosen metrics are not that material, and it is unclear how performance is measured. The ESG metrics should be treated the same way as financial metrics in remuneration; they should be measurable, require management effort to achieve, and should be underpinned by a strategy. Like the rest of incentive pay, ESG in remuneration should also be pay for performance.

Simultaneously to the improvement of environmental and social topics making it to the agenda, governance remains a key topic. We are content to see that, after years of lagging other developed peers, Japan is raising its expectations for the percentage of independent directors. Similarly, Robeco is proud of the initial positive steps taken by the Brazilian stock exchange and exchange commission in improving its proxy voting mechanisms for foreign investors.

To incorporate all these changes, Robeco has made some significant updates to its voting policy for 2022. For example, we have formalized our Say on Climate approach and developed industry frameworks to accurately assess companies' plans. Additionally, we have strengthened our climate voting policy to hold climate laggards responsible for taking insufficient action. Besides climate, we took a further step in terms of human rights. Companies with exposure to human rights issues but lack human rights due diligence, can expect that we will be voting against relevant agenda items. Finally, we have further enhanced our expectations for executive remuneration practices.

All in all, this proxy season is prone to be an exciting one with a varied range of ESG issues likely to receive improved attention during this AGM season.

# Voting Highlights

## **Metro Inc - 01/25/2022 - Canada**

Proposal: Shareholder Proposal Regarding Adoption of Target to Achieve Zero Plastic Waste by 2030 and Shareholder Proposal Regarding Supplier Biodiversity Commitments

Metro Inc. operates as a retailer, franchisor, distributor, and manufacturer in the food and pharmaceutical sectors in Canada.

This year's Annual General Meeting (AGM) of the Metro Inc. included multiple progressive and slightly controversial shareholder proposals. The first one requested the company to propose an action plan to achieve zero plastic waste by 2030. While analysis showed the company is doing relatively well in terms of disclosure and goal setting compared to peers, we believe setting ambitious goals is key in addressing the severe issues of plastic waste for society. Especially since single use plastic goals have been challenged by the pandemic over recent years, and other food and retailing companies have committed to more ambitious goals. For example, Carrefour pledged zero plastic already by 2025 and Ikea pledged to move away from plastic consumer packaging by 2028. Hence, our decision to support the shareholder's resolution.

The second shareholder proposal requests the company to specify, in collaboration with its suppliers, in a Code of Conduct the requirements regarding the commitments it wishes to see from suppliers to preserve biodiversity. While over the last couple of years we have witnessed quite the increase in environmental related shareholder proposals, biodiversity has not often been targeted so specifically before. Although, the company maintains multiple environmental related policies and provides information on their responsible sourcing efforts, we decided to support the proposal as we deemed it a reasonable ask to further prepare and plan for mitigating environmental risks. Besides that, we expect this topic to become increasingly more important in the near future.

## **Posco - 01/28/2022 - South Korea**

Proposal: Spin-off

POSCO, together with its subsidiaries, manufactures and sells steel rolled products and plates in South Korea and internationally. It operates through four segments: Steel, Construction, Trading, and Others.

At its special meeting at the end of January, Posco sought approval from shareholders for its spin-off arrangement of its steel segment. Upon approval, Posco would be able to spin off its existing steel business division into a separate unlisted entity and transition to a holding company structure. The new Posco Holdings company would then focus on future business portfolio development and group business management whereas the spun-off steel business would assume the Posco name.

The company did not provide a thorough insight into the process the board underwent to establish that this strategic decision was the best for the company and its shareholders. Despite a lack of details, the overall rationale provided by the board was sound. The board explained the move would help the company to transition away from a low-growth steel focus. This would allow the company to pursue a broader range of initiatives such as battery-based alternatives, renewable energy, and green steel. We believe this transition would help position the company for more sustainable growth in the future.

Furthermore, the split took place entirely within Posco as the group would retain 100% interest in the newly created steel business. To quell shareholders' concerns, the board unanimously stated that the spun-off steel business would not be separately listed. Moreover, the new entity's articles of incorporation provide that any future listing would require the approval of the holding company's shareholders by a supermajority.

Given the proposed benefits and the safeguards provided it came as no surprise that the overwhelming majority (89%) of shareholders supported the spin-off proposal.

### **Apple Inc - 03/04/2022 - United States**

Proposal: Advisory Vote on Executive Compensation and Shareholder Proposals Regarding Report on Effectiveness of Supply Chain Policies on Forced Labor, Median Gender and Racial Pay Equity Report, Civil Rights Audit, Concealment Clauses.

Apple Inc. is a U.S. multinational technology company, that designs, manufactures, and markets consumer electronics, computer software, and online services

At Apple's annual shareholder meeting, we voted against the executive compensation report, both because of the significant height and the issues with the structure of the remuneration package.. We are concerned that the Long term incentive (LTI) plan is overly reliant on only one relative metric (TSR). This would allow for Performance Stock Units (PSUs) to be capped at target, even when TSR is negative.

We were concerned by the high quantum of total compensation for all named executive officers (NEOs) and the CEO. The compensation committee justified the high compensation levels based on the size, performance and profitability of the company. Nevertheless, we were disturbed that the compensation levels of the CEO reached the \$84 million -more than double the amount afforded by the Company's self-disclosed peer group. Additionally, we are disturbed that the compensation levels of all NEOs are comparable to the pay packages given to CEOs in the company's peers. Our concerns regarding the remuneration practices were shared by approximately 36% of the shareholders, who decided to vote against the Say on Pay, signaling a strong message to the company's consistent failure to address the remuneration design issues.

Together with the remuneration report, social shareholder resolutions shared the main stage in this year's Apple AGM. We consider this to be in line with the broader trend we expected this season, with investors shifting their focus on social matters.

Specifically, we supported the shareholder proposal asking the company to report on forced labor in its supply chain. We believe that the proposal's call for transparency regarding the effectiveness of the company's commitment to human rights would benefit shareholders. The resolution was supported by 34% of the shareholders. Additionally, we supported the shareholder resolution asking Apple 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. This proposal received approximately 36% of votes For, showing that shareholders are calling the company to increase the disclosure and transparency on their pay practices and to promote pay equity.

An interesting proposal submitted by shareholders was the one requesting the company to perform a Civil Rights Audit. The audit will analyze the adverse impact of Apple's policies and practices on the civil rights of company stakeholders. We voted For the resolution since we believe that the Audit would help shareholders better assess the effectiveness of Apple's efforts to address the issue of any inequality in its workforce and mitigate any related risks. The resolution received support by 54% of the shareholders.

Lastly, we supported the shareholder proposal regarding the concealment clauses. The resolution was asking the company to prepare a public report assessing the potential risks associated with its use of concealment clauses in employment agreements, in the context of harassment, discrimination and other unlawful acts. The resolution received 50% support from the shareholders. We consider that this report could help shareholders ensure that these issues are being thoroughly addressed and considered by the board and management. Moreover, we trust that the requested report will bring an additional benefit of providing reassurance to current and potential employees who may have concerns regarding how the company's policies may affect their employment-related claims.

#### **Walt Disney Co (The) - 03/09/2022 - United States**

Proposal: Advisory Vote on Executive Compensation and Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report.

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. It operates through two segments, Disney Media and Entertainment Distribution; and Disney Parks, Experiences and Products.

At the 2022 AGM of Walt Disney Co, Robeco voted against the advisory vote on executive compensation due to our concerns over the height and the structure of executive pay. Following our engagement call in October 2021, we saw that the company incorporated shareholders' feedback to bring further improvements in the compensation practices, mainly by increasing the performance based Long Term Incentive (LTI) award, decreasing the stock options, and by eliminating the overlap of performance conditions under the Short Term Incentive (STI) and LTI plan. Nevertheless, our concerns remained on some structural components of the compensation design that can lead to an excessive payout.

The Against vote was triggered mainly by the excessive quantum of the payout, the insufficient disclosure of the LTI plan performance goals, and the short performance period under the LTI plan. Regarding the performance period, half of the performance based awards granted to executives are based on three one-year performance periods, which may fail to sufficiently incentivize long-term thinking. Additionally, the company has not clearly disclosed the threshold, target and maximum goals under the LTI plan, which does not allow us to evaluate the pay for performance component.

Given our concerns outlined above, we voted against the advisory vote on executive compensation, which was rejected by 15% of shareholders. In the coming months, we encourage the company to continue the constructive dialogue with its shareholders to further address the above-mentioned concerns.

As it was expected, this year's proxy season knows an increased number of shareholder resolutions focusing on social topics. We saw this trend in the company's AGM, with 3 social shareholder proposals up to vote on the agenda. Whilst 2 of these resolutions were considered anti-social, since they were submitted by extreme right think tank proponents that usually aim to undermine progressive ESG resolutions, the 3rd resolution aimed to address the pay inequity issue.

The resolution requested the company to report on both median and adjusted pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. We supported the resolution since it aimed to increase disclosure and transparency on the company's compensation practices. Additionally, the resolution received almost a 60% support by the shareholders, showcasing that investors have truly shifted their focus on the social matters this proxy season.

**Starbucks Corp. - 03/16/2022 - United States**

Proposal: Shareholder Proposal Regarding Report on Effectiveness of Workplace Sexual Harassment and Discrimination Policies

Next to the regular votes on electing directors, approving executive compensation and ratifying the auditor, this year's annual general meeting (AGM) of Starbucks included a shareholder proposal dedicated to workplace sexual harassment and discrimination. The resolution requests the Board of Directors to oversee the preparation of an annual public report describing and quantifying the effectiveness and outcomes of the company's efforts to prevent harassment and discrimination against protected classes of employees. This report should not include any names of accusers or details of settlements without their consent and should be prepared at a reasonable cost, omitting any information that is proprietary, privileged or violative of contractual obligations.

We highly recognize the significance of ensuring a safe and inclusive workplace for all companies as issues related to the treatment of employees are material to any company. We believe the reasonable ask of providing an assessment of the effectiveness of the company's initiatives related to its treatment of harassment and discrimination allows shareholders to better understand how related issues are managed and whether the company's investments in these areas result in the desired effects. Therefore, we have voted in favor of the resolution. Ultimately, the proposal received more than 31% support by shareholders, which is quite the strong signal but unfortunately not enough to be adopted.

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