



Proxy Voting Report

Period: October 01, 2022 - December 31, 2022

| Votes Cast | 224 | Number of meetings | 18 |
|--------------|------------|--------------------|------------|
| For | 207 | With management | 206 |
| Withhold | 0 | Against management | 18 |
| Abstain | 0 | | |
| Against | 17 | | |
| Other | 0 | | |
| Total | 224 | Total | 224 |

In 53% of meetings we have cast one or more votes against management recommendation.

General Highlights

Anti-ESG shareholder proposals

Investors and issuers were faced with a transformed US AGM landscape in 2022. The growing national debate around sustainable investing prompted a dramatic increase in the number of shareholder proposals filed by conservative activists seeking to halt companies' ESG efforts and to combat "woke capitalism". These proposals, now widely referred to as "anti-ESG", entail new challenges for investors seeking to push US companies to step up their ESG efforts.

On the one hand, there are concerns that anti-ESG proponents may seek to take advantage of certain features of the US proxy machinery to block pro-ESG shareholder proposals from reaching ballots. The tactics that may be employed to achieve this are diverse, yet have a common denominator – they concern shareholder proposal excludability under US rules. A shareholder proposal becomes eligible for a vote if it reaches a company's proxy statement, but companies can exclude the proposal if it fails to meet certain procedural and substantive requirements.

Particularly relevant in this sense is that the US Securities and Exchange Commission (SEC) allows companies to leave out substantially duplicative shareholder proposals from its proxy statement, as well as to exclude a shareholder proposal which addresses the same subject matter as a proposal that received low levels of support in any previous meeting. The 2022 proxy season has shown that anti-ESG shareholder proposals often take advantage of these provisions by duplicating the wording of pro-ESG shareholder proposals, which can lead to a number of consequences. First, if the anti-ESG shareholder proposal is submitted first, it will be the one that makes it to the ballot. Second, if an anti-ESG shareholder proposal receives less than 5% support at a meeting, as often is the case, pro-ESG proposals covering the same topic can be excluded from the proxy materials for the next three years.

In addition, anti-ESG shareholder proposals are often verbatim copies of pro-ESG shareholder proposals; they tackle the same topics ranging from lobbying to racial equity, and often appear to be fueled by a desire to advance rather than hinder a company's ESG goals. Discerning the true objective of the proposal in many cases requires an in-depth analysis that spans well beyond the proxy materials made available by companies. This analysis covers aspects such as the proponent, the views expressed by the proponent, and any public statements made by the proponent regarding the shareholder proposal in question, thereby placing a burden on proxy analyses. Robeco assesses each shareholder proposal on a case-by-case basis and supports resolutions which aim to increase transparency on material ESG issues, enhance long-term shareholder value creation, address material ESG risks and enforce appropriate conduct.

Market Highlights

Corporate Governance in Australia

In recent years, climate activism has become increasingly prominent in Australia, with shareholder associations such as the Australasian Centre for Corporate Responsibility (ACCR) and Market Forces strongly advocating for sustainability goals through engagement and the submission of shareholder proposals. This is in line with the wider global trend of growing scrutiny of companies over sustainability concerns by investors and regulators alike. For the Australian market however, Rio Tinto's detonation of the Juukan Gorge cave in 2020 pushed sustainability concerns further into the forefront of the corporate agenda, and throughout the 2022 proxy season we continued to observe its effects on shareholder activism.

ACCR is a shareholder advocacy organization which focuses on the management of ESG-related issues. Throughout 2022, the organization filed a total of 13 shareholder proposals, of which eight were related to climate concerns. Climate proposals included requests for a climate sensitivity analysis at BHP Billiton's and Origin Energy's annual general meetings, and requests to stop advocating for the development of new and expanded coal mines at Rio Tinto, Woodside Energy and Santos.

In addition, Market Forces has actively targeted Australian banks connected with fossil fuel financing. The shareholder activist group submitted proposals to the upcoming AGMs of National Australia Bank, ANZ Bank and Westpac, requesting that the banks report on how they plan to stop financing fossil fuel projects. Earlier in Q4, Market Forces also submitted a similar proposal at Commonwealth Bank's October AGM, which received less than 10% support.

Despite their continued efforts in pushing for corporate climate action, shareholder activists such as ACCR and Market Forces have struggled to gather significant support and pass climate proposals at AGMs. The Australian regulatory environment presents a significant obstacle for passing shareholder resolutions related to climate, as shareholders are not allowed to propose an advisory resolution unless it is permitted under the company's constitution. Consequently, it is often the case that ACCR's and Market Force's climate proposals are not put up for vote at AGMs.

This issue gained significant attention in the past, as part of the 2015 court case of Australasian Centre for Corporate Responsibility versus Commonwealth Bank of Australia. The case came to light due to the omission by the Commonwealth Bank of two ordinary proposals filed by ACCR. In the end, Commonwealth Bank won the case, which harmed the prospect of activism through advisory shareholder resolutions. However, shareholders will often submit a resolution to amend the constitution along with the advisory resolution they would like to pass. Robeco is supportive of proposals that facilitate the submission of shareholder resolutions, as we deem these to be an important means of engagement between companies and shareholders.

Voting Highlights

BHP Group Limited - 11/10/2022 - Australia

Proposal: Shareholder Proposal regarding Lobbying Activity Alignment with the Paris Agreement and Shareholder Proposal regarding Audited Climate Sensitivity Analysis

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

Besides the routine agenda items, the 2022 Annual General Meeting (AGM) of BHP Group included two noteworthy environmental shareholder proposals filed by the Australian Centre for Corporate Responsibility (ACCR). The proponent of both proposals clearly intended for BHP Group to become a climate leader in terms of climate policy advocacy and climate accounting. However, both proposals triggered quite a debate about the level of commitment, and responsibility companies have toward society and investors when it comes to enabling an environmentally sustainable future.

With the shareholder proposal regarding lobbying activity alignment with the Paris Agreement, the ACCR requested the company and its shareholders to proactively advocate for Australian policy settings that are consistent with the Paris Agreement's objective of limiting global warming to 1.5 degrees. After careful consideration, Robeco decided not to support this proposal. While it sounded supportable in spirit, we ultimately believed the resolution to be too broad and ambiguous. Although we believe companies should provide shareholders with adequate disclosure to allow them to understand the nature of their advocacy and lobbying activities, the Supervisory Board and Management should retain the flexibility to assess each policy idea of the Australian government on its merits.

The other resolution filed by the ACCR requested the company and shareholders to include a climate sensitivity analysis in the company's audited financial statements starting from the 2023 financial year. After analyzing BHP Group's efforts and those of other major resource companies, we decided to support this shareholder proposal. Firstly, while BHP's disclosures are generally good, we believe the quantitative substantiation of scenario analysis can be further improved by third-party verification. Moreover, while we acknowledge auditors have limited ability in auditing the materiality of future-oriented sensitivity analysis, some companies already go beyond the disclosures in financial statements as BHP has them. We, therefore, believe BHP could further improve by reporting the assumed commodity prices and assessing the impact of assets under different climate scenarios. Finally, several accounting bodies like the IASB, FASB, and IAASB have stated that material climate change issues should be considered in the preparation and audit of financial statements.

In the end, neither of the proposals were adopted, where the shareholder resolutions on positive advocacy and climate accounting received 12.73% and 18.67% support respectively.

Ferguson Plc. - 11/30/2022 - Jersey

Proposals: Adoption of New Articles of Association and Director Elections.

Ferguson plc distributes plumbing and heating products in the United States and Canada. It offers plumbing and heating solutions to customers in the residential, commercial, civil/infrastructure, and industrial end markets.

Ferguson's 2022 AGM occurred against the backdrop of a major development - the company's May 2022 primary listing transition from the London Stock Exchange to the New York Stock Exchange. In relation to the listing transfer, Ferguson proposed a set of amendments to its articles of association "to reflect corporate governance market practices for U.S. listed companies and to remove provisions relevant only to companies with a Premium Listing on the LSE, as well as to reflect other market developments and clarifying changes." Notably, the company bundled several distinct amendments into a single proposal, which we view as a poor corporate governance practice. Amongst the amendments, the company proposed the adoption of a forum selection clause providing that the courts of Jersey shall be the sole and exclusive forum for certain legal actions, and that the federal district courts of the United States shall be the exclusive forum for the resolution of any claim arising under the Securities Act of 1933. We consider that the forum selection clause is not in the best interest of shareholders and therefore voted Against the bundled proposal, which nonetheless garnered high support at the meeting (ca. 97%).

In addition, we voted against the election of a director serving on the joint nominations and governance committee and the compensation committee. In light of the significantly related party transactions between Ferguson and a company where this director serves as chair, president, and CEO, we consider the director non-independent. We, therefore, voted against his re-election, as local market standards dictate that all standing committees comprise solely independent directors. Approximately 93% of the votes were cast in favor of said director's election.

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