



Proxy Voting Report

Period: October 01, 2019 - December 31, 2019

Votes Cast	2275	Number of meetings	322
For	1960	With management	1934
Withhold	17	Against management	341
Abstain	8		
Against	288		
Other	2		
Total	2275	Total	2275

In 160 (50%) out of 322 meetings we have cast one or more votes against management recommendation.

General highlights

Environmental Shareholder Resolutions Encompass Various Shades of Green

The risks associated with the energy transition and physical impacts of climate change have put the energy sector under greater scrutiny in recent years. As a result, oil majors and utilities companies have increasingly been targeted by shareholder activism calling upon them to properly address environmental issues linked to their operations. This activism most commonly takes the form of shareholder proposals submitted for a company's annual general meeting.

Growing concerns around the impact of climate change have also led to a shift in investors' voting approaches. For instance, increased collaboration amongst investors has led to a convergence of requests put forth to their issuers, starting from climate risks disclosure, to emission reduction targets, climate stress testing and climate risk governance. Similarly, the recommendations of the Task Force of Climate-related Financial Disclosures published in 2017 have become a reference point for engagement on climate issues and more broadly on ESG issues.

The increased pressure from investors using voting rights has also contributed to companies anticipating shareholders' concerns and addressing them through different channels outside proxy statements, which has coincided with a rise in the direct engagement between investors and companies. This increasing level of companies' responsiveness has concurrently contributed to a decline in the overall level of shareholders proposals submitted. For example, the most recent proxy season in the US saw the lowest number of shareholder proposal submissions in the last five years, from a high of 549 in 2015 to 420 in 2019.

This trend is in part explained by the varying means for companies to address shareholder concerns. In 2018 US proxy season, 48% of filed environmental proposals were withdrawn, while only 37% of filed proposals went to a vote. Historically, these figures were reversed, as a greater proportion of proposal would go to a vote compared to proposals that were withdrawn. However, given that engagement between institutional shareholders and companies has increased, it is likely that the decline in proposals filings could be related to discussions and engagement outside of the proxy process.

In the end, environmental issues are increasingly scrutinized by shareholders and corresponding shareholder resolutions can expect a growing level of support, as investors encourage more companies to improve disclosures and practices on such issues.

Market highlights

SEC Proposed Rules on Proxy Voting Advice and Shareholder Resolutions

On November 5th 2019 the Securities Exchange Commission (SEC) proposed a set of changes to several rules related to filing shareholder resolutions and the service offered by proxy voting advisors. We believe that the changes proposed can severely hinder shareholders' rights and do not represent the long-term interest of minority shareholders.

Shareholder resolutions serve as a useful tool to inform corporate management and boards of shareholder priorities and concerns. This has been a strong mechanism in the United States, creating accountability with management and facilitating engagement dialogue between investors and companies in the last decade, whilst enabling the achievement of considerable changes in corporate conduct. We recognize that shareholder proposals vary in their quality and merit, however have a strong preference that the judgement on these issues is left with the owners of the company, as opposed to making the filing process more difficult.

One of the amendments proposed by the SEC involves increasing the resubmission thresholds for shareholder resolutions from 3% to 5% in the first year of resubmission, 6%-15% in the second year, and 10%-25% in the third. This would put under strain novel topics that did not yet gain large traction among investors, but tackle emerging issues that might impact the business over the long-run and therefore are relevant for both the company and its shareholders.

Another proposed rule change involves restricting the amount of shares that can be aggregated to meet the applicable minimum ownership threshold to submit a shareholder proposals. Shareholders that file resolutions together with other investors are more likely to have tested the merits and implications of a resolution more carefully.

For many investors the use of proxy advisors is a practical starting point for their analysis when exercising their voting rights. The suggested regulatory change requiring proxy advisors to share draft reports with issuers before these are available to investors is adverse to the interests of shareholders. This can jeopardize the objective advice of proxy voting advisors, given that companies are entitled to comment on the final vote recommendation. We believe that an independent third party or an appeals system is likely to have more merit related to the SEC's goal of enhancing the quality of interpretation.

Moreover shareholder meetings take place during a concentrated period in the year. Shortening the timeframes between the publication of voting advice and the shareholder meeting taking place will therefore reduce the time that shareholders spend analyzing the agenda and consulting with other relevant stakeholders prior to casting their votes. This means they are more likely to simply vote in line with proxy advisors. Therefore we believe that the regulation will have the opposite effect of its intended effect.

Voting highlights

Procter & Gamble Co. - 10/08/2019 - United States

Proposal: Advisory Vote on Executive Compensation

The Procter & Gamble Company manufactures and markets consumer products globally. The Company provides products in the laundry and cleaning, paper, beauty care, food and beverage, and health care segments.

Executive compensation figures can sometimes appear eye-wateringly high, especially for the heads of large US companies. Often, a strong story to justify these numbers is missing – in those cases, shareholders should be wary of large payouts. Amongst other factors, we look at the structure of a compensation plan and the alignment between pay and performance to judge how convincing this story is, in order to determine if we can support the remuneration proposal or not.

In the case of Procter & Gamble (P&G), the 2019 executive compensation amount was elevated, though not to unjustifiable levels. We voted in favor of the advisory vote on executive compensation at the AGM despite high levels of payouts, due to a relatively solid compensation plan structure and good alignment between pay and performance.

In particular, we noted some strong features of the compensation framework, such as comprehensive clawback provisions, which ensure that shareholders' interests are protected in the event of a material misstatement or misconduct. Stock ownership guidelines for executives and a reasonable policy for treatment of awards upon changes in control also underpin the plan.

Even though some elements of the short term incentive plan (STIP) are subject to board discretion, shareholders are given a reasonable explanation of the factors that flow into this decision-making process, and how final award determinations are made. In the long term incentive plan (LTIP), we also saw an improvement in the form of the inclusion of a relative metric. Relative metrics are important in LTIPs because they ensure that executives are rewarded for performance that results from good management of the company, rather than external market forces. In P&G's case, a relative total shareholder return modifier ensures that bottom quartile performance will dock executives' pay even if other metrics have measured good results.

These factors, in combination with the fact that the relation between shareholder returns and total CEO compensation is evident, demonstrate an executive compensation program that is designed to serve the interests of shareholders.

Qantas Airways Ltd - 10/25/2019 - Australia

Proposal: Shareholder Proposal Regarding Reporting on Compliance with International Human Rights Standards

Qantas Airways Limited provides transportation of passengers through two airlines including Qantas (full service carrier) and Jetstar (low cost carrier), operating international, domestic and regional services.

Qantas Airways held a shareholder meeting in Sydney on 25 October 2019 under renewed pressure for a second year in a row over the forced deportation of asylum seekers. This year close to a quarter of shareholders in Qantas have supported a proposal calling on the listed Australian flag-carrier to review its involvement in forced deportations of refugees and asylum seekers. The vote was up from just 6% for a similar resolution filed last year, yet with major changes on the wording.

Qantas transports people at the request of the home affairs department but critics say many refused refugees have not been properly assessed, in what could be a violation of international law. The Company has noted that it does not receive detail relating to the immigration status of an individual being transported on behalf of the Department of Home Affairs (DHA) and has confirmed that it does not request this information, even though it is entitled to do so under the DHA's guidelines on carriage of persons in custody.

This year's shareholder resolution called on the airline to review its policies and processes relating to the involuntary transportation of people on behalf of the Australian government's DHA. A similar proposal was filed last year, yet it requested Qantas to cease its business relationship with the Australian government until the human rights due diligence was finalized. We believe that this year's resolution includes a reasonable request that tackles a material risk for the company and constitutes a reasonable ask to the Board.

The risks associated with the company's commercial decision to participate in the activities associated with its DHA contract would be mitigated by the implementation of a commensurate human rights' due diligence process. Qantas' participation in involuntary transportation produces material brand risk, potentially undermining its social license to operate. Shareholders would benefit from additional information in order to assess how the company is managing and mitigating such human rights related risks.

China Construction Bank Corp. - 10/30/2019 - China

Proposal: Election of Director

China Construction Bank Corporation provides banking services. The Company offers deposits, loans, fund management, foreign exchange, and other services. China Construction Bank provides its services to individuals, enterprises, and other clients.

The Chinese government is known for playing a significant role in the board room of a large number of listed companies, which makes director independence at Chinese companies a top priority for foreign investors. With the onslaught of party committees (especially for state owned enterprises), the Peoples Republic of China can have direct oversight of the board, enabling publicly-listed Chinese companies to remain deficient in their transparency and disclosures.

Transparent corporate governance proceedings are critical for minority and foreign investors, since overseeing a company's management is quite challenging from afar. In addition to transparency, shareholders require accurate representation of their interests, which is best-achieved through the election of independent directors to oversee management.

When voting at Chinese companies it is important to consider local best-practices, however insufficient independence on the board is an ongoing corporate governance shortcoming in the market. At the most recent shareholder meeting of China Construction Bank Corporation (CCBC), we voted against the election of an affiliated director to the supervisory board, precisely due to concerns over the company's lack of director independence.

In Chinese companies, the supervisory board is responsible for oversight of the board of directors, and is comprised of both shareholder and employee representatives. The affiliated director was recently proposed as the newest member of the supervisory board, but given his previous employment at the China Federation of Industry and Commerce, a government-related entity, his ability to oversee the board on behalf of shareholders is compromised. Moreover only 14% of directors serving on this board are classified as independent, which we believe is

not in the interest of minority shareholders.

When a director is affiliated with a government authority, potential conflicts of interest can arise between minority and majority shareholders, especially if the latter is the government as it is the case for CCBC. For example, minority shareholders would benefit from understanding the responsibilities of special board committees, but if they are predominantly comprised of government-affiliated directors, then disclosing that information becomes discretionary. Our vote against this affiliated director nominee is representative of a growing trend amongst Chinese companies. Boards are increasingly overseen by government-affiliated directors and are becoming even less transparent.

BHP Group Limited - 11/07/2019 - Australia

Proposal: Shareholder Proposal Regarding Suspension of Industry Association Memberships

BHP Group Ltd operates as an international resources company. The Company offers mineral exploration and production, including coal, iron ore, gold, titanium, ferroalloys, nickel, and copper concentrate, as well as petroleum exploration, production, and refining.

Shareholder proposals on climate-related topics can vary greatly in their approach. Most have the same underlying goal – improving disclosure, accountability, and alignment of action with climate goals. Especially in some sectors, shareholders see climate change and company responses to it as a material financial risk and opportunity. BHP Group, the mining giant, operates in one of these high-impact sectors and is subject to much scrutiny due to its size and influence.

At the 2019 AGM, shareholders filed a resolution asking the company to review their memberships in industry associations and suspend those whose goals and actions are not aligned with the Paris Agreement on climate change. We supported the proposal as alignment with the Paris Agreement is an important measure of climate readiness, and the resolution seeks to strengthen responsible lobbying practices. In particular, the resolution would help ensure consistency between company action and the political and industry influence it can exert.

Without a doubt, many shareholders, including ourselves, perceived BHP to already be a leader in responsible lobbying in its sector. In 2017, the company published its first industry association review in response to a shareholder proposal similar to the one seen this year. As a consequence of that report, BHP terminated its membership of the World Coal Association, and lobbied two further high-profile associations to develop new climate positions. That proposal demonstrated how shareholders' requests can often provide the impetus for companies to become leaders in their own right.

Further, BHP, of its own volition, re-conducted its industry association membership analysis, with a report published in December 2019. The report did not lead to further suspensions of memberships, but did identify material misalignments, which BHP committed to resolving through engagement. Nonetheless, at the time of the vote, this report was not published yet, and we sought to underline the importance of conducting such an analysis thoroughly by voting in favor of the resolution.

Maxim Integrated Products, Inc. - 11/07/2019 - United States

Proposal: Advisory Vote on Executive Compensation

Maxim Integrated Products, Inc. designs, develops, manufactures, and markets linear and mixed-signal integrated circuits. The Company offers switching regulators, battery management, amplifiers, data converters, filters, opticals, and

memory products. Maxim Integrated Products serves customers globally.

When shareholders make decisions on whether to support or oppose executive compensation-related agenda items at AGMs, they should consider a variety of factors and not seek to apply a one-size-fits-all approach. Nonetheless, shareholders can holistically evaluate whether the proposal meets best practice in terms of structure, treatment of non-financial metrics, height, accountability, and transparency.

In the case of Maxim Integrated Products, the compensation plan put forward for an advisory vote at the 2019 AGM fell significantly short of best practice in accountability and transparency. We cast our vote against this proposal. We were concerned by the fact that there is little understanding into how performance affects compensation of executives. Considering first the annual cash performance bonus, we see no performance formula for individual payouts, but only for bonus pool funding. This is often a red flag for further accountability issues.

The company reports underperformance versus the target on Operating Income (the only metric determining bonus pool funding), yet the pool was funded above target levels in absolute terms. This goes fully contrary to the idea of pay for performance.

A final shortcoming is the lack of disclosure on the performance of criteria for the long term incentive plan in the form of targets, thresholds, and limits. Altogether, we find this proposal unsupportable.

The Compensation committee has been on the board for over 30 years, potentially compromising his objectivity. Next year we will look very closely at board refreshment

Oracle Corp. - 11/19/2019 - United States

Proposal: Election of Director

Oracle Corporation supplies software for enterprise information management. The Company offers databases and relational servers, application development and decision support tools, and enterprise business applications.

At Oracle's shareholder meeting we withheld our votes for directors serving on the remuneration committee given the company's unresponsiveness to almost half of shareholders voting against the company's executive compensation plan at last year's annual general meeting for second year in a row. Given that Oracle's founder holds 35 percent of outstanding shares, the approval rate from unaffiliated shareholders was even below 50 percent. We believe the compensation committee should proactively consider how to address shareholder disapproval and implement amendments to the executive compensation plan accordingly.

We acknowledge that no annual bonus has been paid out this year given that the performance target for pre-tax profit growth has not been achieved. Nevertheless, we refrained to support the compensation plan this year due to the lack of performance-based long-term awards for half of the executives named in the proxy statement and the mechanics of the adjustments for the bonus plan's profit-sharing mechanism. These features allow for significant payouts under the variable pay not fully reliant on executive performance. We strongly support compensation plans that establish concrete performance metrics aiming to unlock long-term shareholder value creation.

Another area of concern refers to the quantum of the total realized pay for the Chief Executive reaching 261 USD million, representing 7% of the company's net income reported in 2018 and being 6 times larger than the average salary paid for its industry peers. We believe that the amount surpasses competitive pay, and large compensation plans should also be weighed against the costs borne by

shareholders. On top of these issues, the remuneration committee awarded a one-off payment to a named executive up to 23 USD million which we view negatively given the discretionary nature of this award. It would be preferable to have a concrete performance-based formula in the variable compensation plan that accounts for the exceptional performance of the executive team.

Directors serving on the remuneration committee should maintain appropriate communication with shareholders, especially if there is a significantly large rate of votes against the executive compensation plan. Given that no material amendments have been implemented in the compensation plan and that we have severe concerns regarding several features of the ongoing plan, we believe that these concerns are severe enough not to support the re-election of the members of the compensation committee who served during the past year.

Occidental Petroleum Corp. - 12/31/2019 - United States

Proposal: Revoke Request to Fix Record Date for Planned Consent Solicitation

Occidental Petroleum Corporation explores for, develops, produces, and markets crude oil and natural gas. The Company also manufactures and markets a variety of basic chemicals, vinyls and performance chemicals.

In 2019, Occidental Petroleum was the subject of an outreach by the investor Carl Icahn. Under the banner of outrage for failing to ask shareholder approval on transformative acquisition and other governance failings, Icahn sought to mobilize at least 20% of Occidental shareholders into action.

The dissident intended to make use of Occidental's current governance provision allowing shareholders to act by written consent. Yet, this proved to be complex as 20% of shareholders had to request the board of directors to set a record date, on which the shareholder register may be determined for the actual written consent process. In response, the company issued opposing proxy cards, asking for the mandate to revoke this request to fix a record date. We voted against this authority to revoke the request at such an early stage.

Icahn's position is borne out of dissatisfaction with company strategy and governance. The highly levered acquisition of Anadarko Petroleum has left the combined company with a market cap below the total acquisition cost, including debt. Occidental shareholders were denied a vote on the transaction, despite the significant implications for the company. There are concerns around board and management accountability for the deal. Governance practices also lag behind best practice in other areas, such as board responsiveness to shareholder votes. The dissident's final objective is to replace four board members with his own nominees, and to make company bylaws more shareholder friendly.

At this point this vote does not concern the board nominees and their suitability yet. Instead, it is a matter of principle to allow shareholder concerns to be brought forward in an orderly manner. We may still refrain from supporting the proposals if they are unwarranted.

Shareholder rights embedded in companies' bylaws or charters are not merely formalities. They exist to be exercised when they are the best way of effecting change that benefits shareholders. Whether or not we end up supporting Icahn's proposals, dissident shareholders can play an important role in bringing valid concerns to the fore, and all shareholders should have the opportunity to make use of their rights as owners.

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