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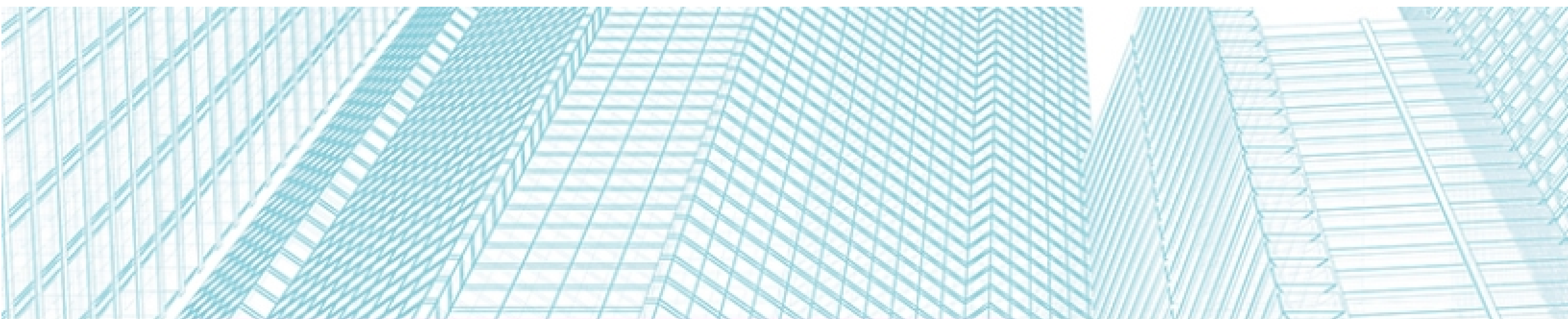
ROBECO
The Investment Engineers



Proxy Voting Report

Period: January 01, 2016 - December 31, 2016

Votes Cast	**28613**	**Number of meetings**	**2666**
For	25491	With management	25331
Withhold	202	Against management	3282
Abstain	49		
Against	2845		
Other	26		
Total	**28613**	**Total**	**28613**

In 1454 (55%) out of 2666 meetings we have cast one or more votes against management recommendation.

General Highlights

Good Stewardship
As part of an ever growing trend, many countries have introduced stewardship codes over the last few years. This has in part been driven by an increasing number of asset owners requiring their asset managers to sign these codes as a prerequisite to doing business.

The first stewardship code, implemented in 2010 by the UK's Financial Reporting Council, grew out of criticism of the role which institutional investors had played in the financial crisis. While corporate governance codes target companies to promote good governance, stewardship codes target institutional investors, encouraging them to be good stewards. This in practice means investors should be transparent about their investment process, engage with investee companies and vote at shareholder meetings. It is hoped that institutional investors adopting these codes will be of great benefit not only to investors and investee companies, but also to the sustainability of the economy as a whole.

However, there is often a lack of clarity regarding what these codes involve. Furthermore, it is important to recognize when designing and implementing new stewardship codes, the legal frameworks and cultural values of the country for which the code is designed.

Robeco signed the UK stewardship code when we established our UK office last year. Robeco also signed the Japanese stewardship code in 2015, when the country became the first in Asia to introduce such a code. The International Corporate Governance Network (ICGN) has recently taken the initiative to create a Global Stewardship Code. Whilst it is not compulsory to sign these new stewardship codes, they are increasingly seen as a license to operate. For example GPIF, Japan's largest pension fund, requires all its asset managers to be a signatory to the Japanese Stewardship code.

At Robeco, we take our stewardship responsibility very seriously. We have our own stewardship policy, which explains how we fulfill our duties as a good steward by engaging, voting and reporting about our sustainability investing strategy in a transparent way. This policy complies with all of the current stewardship codes. We also continue to monitor and provide input on the development of new stewardship codes and view the increasing number of countries adopting such codes as a positive step.

Pay vs. Performance in the Oil and Gas Sector
The 2016 proxy season has so far been characterized by significant shareholder disapproval of executive compensation practices. This has been apparent across all sectors. However, misalignment between pay and performance has been found particularly among oil and gas companies, which in recent years operate in challenging market conditions. Robeco also has voted against pay practices at a substantial proportion of companies within the sector, in those cases where pay and performance are not sufficiently aligned. Levels of opposition to pay were higher across the industry than frequently seen in recent years. At BP, almost 60% of shareholders voted against the executive compensation report, representing one of the largest instances of shareholder opposition to executive pay practices in recent years.

With the significant drop in oil prices since 2014, driven primarily by record high supply, oil companies faced significant challenges, operational slowdowns and waning share prices. Yet, compensation levels within the sector failed to keep pace with this slowdown in performance. One such example occurred at Chevron, where compensation levels for the Company's executive team slightly increased from 2014 levels, despite the company performing worse in certain key areas than it did in 2014. This, in combination with discretionary awards with a total value of $4.5 million made to key executives, ensured a strong misalignment between pay and performance.

At BP, CEO's pay rose almost 20% in 2015, despite the company reporting a record loss for the same period. Overall the company awarded bonus payouts at 100% of maximum opportunity to the executive directors despite reporting a loss for the year of $6.482 billion and a loss per share of $0.35. Although a number of companies, including BP, did use their discretion to reduce bonus payouts in the face of poor performance, these actions generally failed to align pay with performance.

Anadarko Petroleum also failed to appropriately align pay for performance , providing another such example representative of the wider industry. Overall, after thorough analysis, Robeco voted against executive pay at Chevron, Exxon, ConocoPhillips, Anadarko, Tullow Oil, BP and Marathon Oil.

Government Service Golden Parachutes

Equity compensation of retired executives becoming government officials has attracted significant attention in this proxy season. The annual general meetings (AGM) at some of the largest US financial institutions saw shareholder resolutions asking to ban so-called "government service golden parachutes".

A government service golden parachute consists of direct cash pay out of stock-based incentives schemes to senior executives when they voluntarily resign from their position to enter government service. Government officials that oversee the financial system are usually not allowed to own stock in financial institutions.

Usually, equity or stock incentives are subject to performance metrics or to continued employment for a minimum number of years before executives can receive the monetary benefit. In other words, senior executives who enter government service benefit from equity compensation that they would otherwise give up for failing to meet the employment period or performance vesting requirements of their equity compensation. government service parachutes take place when the termination of employment with the company is voluntary.

Even though we understand the need for government officials to remain independent, we believe the Government Service Parachutes rewards voluntary dismissal with shareholder funds. In our view, government service golden parachutes may harm shareholder interests. Accelerated vesting of equity may lead to sizeable awards that are not related to performance. In view of the potential impacts of government service golden parachutes on the interests of investors and other stakeholders, these shareholder proposals deserve our support.

Navigating Climate Change-related shareholder proposals

Climate change-related shareholder proposals have become increasingly prominent in the proxy season of 2016, seeing a 15 per cent increase in the number of resolutions filed in comparison with last year. About a fifth of shareholder resolutions filed so far raise questions about business continuity in a low-carbon economy.

The unanimous approval by UN delegates of the Climate Accord reached in Paris in December 2015 has been a game changer for many companies. This agreement will for the first time bind nearly every country to lowering greenhouse gas emissions to limit the rise in global average temperatures to below 2 degrees Celsius. Several countries are already planning to introduce stricter regulation limiting emissions of carbon and other greenhouse gases. These developments raise regulatory and market-based risks to companies, and investor engagement addressing this topic has intensified in the last years. Although climate change is a material risk for nearly all sectors, companies in the mining, utilities, oil and gas sectors have been the most challenged by investors on how they can succeed in a potential 2°C scenario. Material ESG risks for such companies include high greenhouse gas emissions, stranded assets, and business strategies that are unequipped to cope with a low-carbon economy.

The shareholder proposals on climate change filed in this proxy season address these ESG risks. They make a varying range of requests. On the one hand, most proposals request making an analysis of impacts that climate change will have on corporate operations, or conducting a robust assessment of strategic changes that can facilitate a transition to a low-carbon future. Other proposals request setting of quantitative targets on reduction of greenhouse gas emissions.

Robeco believes that the transition to a low-carbon economy is a major global challenge that requires assertive corporate action. The most intensive fossil fuel producers and users have to prepare themselves for a net-zero carbon energy system in the second half of this century and should adapt their business models and strategies accordingly. For shareholders it is key that this transition is well-managed. We expect that companies consider the issues and options, explain them to the investors, execute the updated strategy and set an indicative timeframe for reaching the ultimate objective of becoming a renewable energy company.

Robeco is supportive of shareholder proposals that reasonably align companies to a potential low-carbon economy.

Special Issue – Executive Pay

Executive remuneration practices have received considerable attention in the past year from the media, shareholders and society as a whole. In the United Kingdom, substantial media scrutiny was cast on a number of FTSE 350 companies as investors voiced their concerns about company pay practices in large numbers at their respective shareholder meetings. The average FTSE100 CEO pay package in 2015 was £5.48 million, up from £4.96 million in 2014. This rise generated significant shareholder discontent with four FTSE 350 issuers having pay proposals voted down, and a number of companies receiving less than 90% support from voting shareholders. Overall, average support levels for remuneration packages fell from 92.7% of shareholders casting votes for executive compensation in 2015, to 89.8% in 2016. This was most apparent in the FTSE 100 where over 30% of companies failed to secure the support of more than 90% of shareholders.

Yet whilst pay rose in the UK, the highest levels of executive pay were still seen in the US. A recent study by Equilar found that median reported total compensation for CEOs at large U.S. companies totaled $14.9 million, compared to $5.3 million for non-U.S. companies, showing the generally high executive pay on offer at US companies. In addition, US CEO's also received a higher proportion and value of compensation in equity awards during the year.

Even though pay levels in the US are much higher than in Europe, US listed companies experiences less scrutiny from shareholders than their UK counterparts. According to data compiled by Bloomberg, in 2016 the average support for US company pay practices was 93%, and only 1% of companies failed to get majority

support. In addition, proxy season in the US saw shareholders asked to approve significant discretionary awards for executives totaling more than $4 billion.

Shareholder discontent with executive pay practice is not solely a developed market phenomenon. Good disclosure is key for investors to understand how management is being incentivized and in developing markets this cannot always be said to be the case. For these reasons Robeco has focused heavily on the theme of executive pay during the 2016 proxy season. Below is a summary of the key developments during the year so far and the guidelines Robeco uses for analyzing the quality of remuneration policies when voting shareholder meetings.

Aligning Executive Compensation with Long Term Shareholder Value Creation

An appropriately structured remuneration policy should align executive pay with company strategy, by incentivizing executives to create long term, sustainable shareholder value. How company executives are incentivized financially can have significant and wide ranging consequences on firm performance and the subsequent creation of long term shareholder value. Beginning in 2016, Robeco rolled out a new executive compensation analysis model to guide our voting instructions where executive compensation is concerned. The framework focuses on four areas we believe are key to formulating an acceptable pay package for executives: 1) Pay structure, 2) Transparency and Accountability, 3) Cost and excessiveness and the 4) use of Non-financial Metrics.

Pay structure; aligning pay with performance

When assessing compensation plan structure, we believe it is essential that an appropriate balance is struck between fixed and variable compensation, and short and long term performance. Performance must be measured over a sufficiently long period to capture the creation, or lack of, long term shareholder value, and a portion of this compensation must be truly 'at risk' to appropriately align pay with performance, including reduced payouts when company performance is poor. It is also important that a reasonable mix of relevant targets are used to determine overall compensation, rather than a limited number of absolute metrics which could reward executives solely based upon macro-economic trends rather than company performance. For example, a policy based on one metric such as Earnings Per Share (EPS), coupled with a short performance period, could fail to appropriately capture long term performance and might lead to ambiguous priorities at management.

It is also important to understand the context of the market when assessing the key performance indicators for variable pay. For example, return metrics and cost savings are becoming more common in the oil & gas, utilities and bank sectors. In contrast, the pharmaceutical sector has a strong focus on growth. It is of key importance to utilize the right metrics which reward executives for performance against the companies' long term strategy. Misalignment between reward metrics and company strategy can lead to substantial disconnect between pay and performance.

Transparency and accountability; no informed voting instruction is possible without disclosure

In order to come to an informed assessment of compensation structure, it is therefore important that companies disclose the metrics, thresholds, targets and vesting conditions of equity based compensation in an accurate and transparent manner. The company must also coherently report on the guidance behind the philosophy of the remuneration policy. In addition, we expect remuneration committees to be respondent to shareholders, by taking into account the levels of votes against at previous shareholder meetings, and engaging with shareholders where discontent exists.

Robeco believes that appropriate levels of disclosure are critical in formulating

informed voting instructions on executive pay practices. We therefore support in principle government efforts to mandate companies into releasing greater levels of information, and will factor any newly disclosed information into our overall analysis of compensation plans where the data is available and if it adds value.

<u>Cost and excessiveness; importance of retaining top quality management, but not at unlimited cost</u>
Executive compensation should also appropriately reward executives without imposing too significant a cost to shareholders. For this reason, we also consider the overall height of compensation levels in relation to annual earnings. Furthermore, we take into account the split between short and long term compensation, whereby executives should never be rewarded at greater levels for short term performance than long term.

<u>Non financials elements; as additional risk mitigation</u>
An increasing number of issuers are also beginning to build sustainability performance into their remuneration policies, a step which Robeco wholly supports. We use RobecoSAM materiality frameworks to assess the most relevant sustainability factors for a company, and support the inclusion of these into executive pay metrics. This is in the belief that rewarding executives for superior performance on financially material environmental, social and governance metrics will enhance overall company financial performance, can reduce risk and lead to greater value creation for shareholders in the long term.

<u>Executive compensation in emerging markets – the challenge of enhancing disclosure</u>
Shareholders rely on publicly disclosed information to assess the policies and performance of companies in which they invest. Assessing executive compensation plans is no exception, and good disclosure is key for investors to understand how management is being incentivized. While regulation in many developed markets usually requires clear, concise and understandable disclosure about compensation paid to CEOs, CFOs and certain other high-ranking executive officers of public companies, disclosure levels required in emerging markets are diverse and often less stringent. Lower or inconsistent disclosure requirements make assessment of executive compensation plans challenging.

As mentioned above, Robeco believes that pay structure, transparency, height and use of non-financial metrics are key to assess the alignment between executive pay and performance. While this information is usually available in developed markets, this is not the case in emerging markets. Whereas some countries – like Brazil and South Africa – require companies to disclose information that allows investors gain an understanding of individual or average pay levels and the metrics used in setting variable remuneration, a significant number of developing countries fail to do so.

<u>Using local market standards</u>
As part of Robeco's voting policy, we strive to integrate local standards and practices in our analysis. This also means that we identify local best practices and expect companies to align their policies to them as much as possible. Yet, emerging markets are a mixed bag in terms of disclosure requirements on executive pay and, in some cases, identifying country-specific best practices can also be difficult.

Because of the significant difference in disclosure, our assessment of executive compensation in emerging markets is somewhat different to that used in developed markets. The assessment framework includes the same four criteria used in developed markets, namely 1) Pay structure, 2) Transparency and Accountability, 3) Height Cost and excessiveness and the 4) use of Non-financial Metrics. However, the analysis made on these criteria is different in two ways.

Assessment of remuneration policies based on local requirements and best practice

The four criteria used in the assessment framework are analyzed taking in consideration local requirements and, when possible, local best practice. By focusing on the minimum standards that companies should abide to, this approach allows us to identify reasonable remuneration policies in low-disclosure contexts. At the same time, our assessment framework triggers an against vote recommendation on remuneration policies that consistently fall below a minimum set of standards.

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In some emerging markets, it is common that companies disclose only an aggregate amount of fees paid to all executive and non-executive directors. These limitations in information make it difficult to assess alignment between pay and performance and general the structure of a plan. Despite that this often is in line with local market practices, we will only allow plans with limited disclosures, in case we feel the possible payout is reasonable. In these cases, our assessment consists of determining the reasonability of the amounts being paid.

Our analysis takes in consideration the amount of fees paid as percentage of the net income available to common shareholders, alignment of fee fluctuations relative to previous years with financial performance, and the reasonableness of pay with the company's size. Robeco believes this approach to assessing executive remuneration in emerging markets helps balancing local practices with shareholders' need to make informed voting decisions while encouraging companies to increase disclosure on this topic.

Policy Developments – new pay ratio legislation ahead

Public discontent over executive pay, has placed pressure on politicians to make companies more accountable to shareholders, especially around the transparency and of executive pay packages. In the US for example, a recent study by Stanford University addressed found an overall negative sentiment amongst society regarding CEO pay, with 74% of Americans believing differentials between employees and top executives are too high. The same survey also found that, on the whole, the general public also vastly underestimated the levels of CEO pay at large American companies. According to the AFL-CIO, the CEOs of 350 Standard & Poor's 500 companies made 373 times more than their employees in 2014, up from a ratio of 46-to-1 in 1983.

In the U.S., the Securities and Exchange Commission approved in 2015 a rule requiring companies to reveal the pay difference between their CEO and the average remuneration of employees. Under current SEC rules, companies are required to provide extensive information about the compensation of its CEO and other named executive officers. Currently companies are not required to disclose the same compensation information for other employees. The new rule, mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, obligates companies to disclose the median compensation of all its employees, with the exception of the CEO, and further disclose a ratio showing that figure in comparison to the CEO's total pay.

The new rule will provide shareholders with information they can use to evaluate a CEO's compensation, and will require disclosure of the pay ratio in registration statements, proxy and information statements, and annual reports that call for executive compensation disclosure. The aim of the new legislation is to aide shareholders in deciding how to vote on executive pay packages. However, in the face of significant opposition from a number of US companies, the U.S. Chamber of Commerce as well as the US Republican Party, the ratio is only required to be published every three years, as well as allowing for companies to exclude up to 5%

of their foreign workers from the calculation. Companies will be required to provide this disclosure of their pay ratios for their first fiscal year beginning on or after January 1, 2017. In addition, the new EU shareholder Rights Directive gives shareholders the right to approve a company's directors remuneration policy and implementation and requires that companies only pay remuneration in accordance with the approved policy.

In the United Kingdom, the election of Theresa May as the new British Prime Minister in July 2016 could potentially lead to new legislation on executive pay and board accountability. Since her election, Mrs. May has floated proposals for shareholder votes on remuneration to become binding, in light of the significant level of shareholder opposition to executive pay during 2016, as well as for boards to release more data on pay gaps within their companies, similar to the recent developments in the US. This is partly in reaction to increases in average pay of up to a third at large UK companies since 2010, with a pay ratio of approximately 140 times employees' average wages to CEO pay in 2015. This could potentially lead to similar disclosure requirements being set in the UK to those that are currently being implemented in the US.

Special Issue - Board Composition

Good corporate governance is essential to facilitating good corporate performance. It provides a framework for accountability between a company and its shareholders. Corporate boards are an important instrument in ensuring sound corporate governance. Failure at board level to sufficiently understand and mitigate risks was one contributing factor to the financial crisis of 2008, highlighting the strong materiality of poor corporate board oversight. The necessity of having the right skills in place at board level to compete becomes of even greater importance in light of the plethora of disruptive technologies, new business models, regulatory complexity and political uncertainty likely to be seen by companies in the coming years.

Taking a holistic approach

With this in mind, as we approach the first half of 2017 when the vast majority of shareholder meetings take place, we highlight below the key points we asses when making our voting instructions for new and existing members of corporate boards. Robeco takes a holistic approach to assessing board composition, aiming to combine this with an understanding of the sector within which the company operates, local market corporate governance codes, examples of best practice and company history on issues of corporate governance. Therefore, whilst it is difficult to create a one size fits all best practice example of board composition, it is possible to outline some general points which we take into account when assessing board composition on a company basis.

Public disclosure: Making informed choices

Maintaining a diverse balance of knowledge, experience, skills, age, background and gender, ensures that boards of directors reflect the reality of their operating environments and allow for proper strategic management of a business. However, transparency on this is the crucial starting point for testing board quality. In order to draw informed conclusions as to board quality, investors and other stakeholders must have access to accurate and complete information on the nominated candidates, the nomination process and the performance of the board. Information on board members is not always readily available and much of what investors really want to know, for example how a board operates, takes place behind closed doors. Shareholders therefore have to rely on information provided by the company itself or, in some cases, on board self-assessments. Companies should therefore provide sufficient information for investors to understand the requirements in terms of skills and composition of a corporate board and the extent to which nominated board members meet these requirements. This allows investors to form informed opinions on board composition, resulting in better

decisions when participating in shareholder meetings.

Board nominations: How deep is the bench?
To achieve the right balance of tenures, experience, skills, expertise and other diversity criteria, it is important that the company has a strong and transparent nomination policy in place to guide the search for new board members. When a board proposes a new person to a board seat, it is crucial to understand the rationale behind the process that led up to the nomination being made, and what skills the board feels the new nominee will bring to the board. Robeco looks for nomination processes that address the following; 1) An independent nominating committee determines the required skills, attributes and board composition based on the business strategy. 2) Based on these identified attributes and skills, periodically a gap analysis should be performed. 3) Based on this gap analysis, a profile should be drafted for new board members. 4) When nominating new board members, it should be clear to shareholders what specific attributes a board member adds to the board. If the company does not disclose basic information on the nominees, we cannot vote in favor of nominees.

Board independence: Maintaining effective oversight
To achieve effective management supervision, it is imperative that the board can exercise independent judgment and is free of conflicts of interest. Corporate boards should be sufficiently independent to make sure that independent judgment has been applied in the boards' supervisory tasks and that they represent shareholder views. It is also important to strike a balance when considering independence. Indeed, there is a counterweight between having a board that is totally independent and having board members who understand the underlying operations of the business.

What is of overall importance is that the board is in a position to act as sparing partners for the management team, and that the CEO is accountable to a board composed of members who have sufficient understanding the business and the topics at hand, whilst possessing sufficient independence to oppose senior management when things go wrong. With this in mind, it is also essential that the board possess the tools to take action when things go wrong, including the power to terminate the CEO. This becomes problematic when the CEO of a company also chairs the board. Therefor it is Robeco policy to vote in favor of shareholder proposals that ask for separation of these roles.

In order to measure board independence it is also important for investors to understand the independence criteria which companies use when making new nominations to the board, as well as changing board composition in light of board tenures or related party transactions. Companies should therefore ensure they publish a robust policy on director independence with an extensive list of the factors they use to asses new and existing board members. On the whole, most companies disclosure some sort of policy, but they vary considerably in their quality and extensiveness.

Robeco will therefore vote against nominated directors in such cases as when the nominated director is an insider or affiliate to the company, the board is not sufficiently independent according to local standards or when a more suitable director nominated by shareholders is available for election.

Board diversity: Understanding the business
When assessing board diversity prior to voting at the shareholder meeting of a company, we wish to see boards which are not only diverse across a range of metrics, but also reflect the diversity of the business, the challenges and the economic context within which it operates. These factors can differ per company, but it should be clear why the company focuses on selected factors. Nominations should be in line with the companies' diversity statement.

Robeco believes that a diverse workforce at all levels of the organization with equality of opportunity for all should support business performance, and therefore financial performance, over time. Concurrently, an ever greater number of companies are convinced that a well-diversified board adds value to the company. A common argument is that boards with people from different backgrounds are more likely to approach issues from various perspectives, leading to more comprehensive decision-making and more effective supervision.

One such example of this is gender diversity. Recent studies by both Robeco and Morgan Stanley have connected gender diversity to financial performance. In fact, the former study found that that companies with a more diverse boards are indeed better positioned to outperform, whilst the latter found that the stocks of those American companies with the highest scores on diversity beat those scored the lowest by 2.3 percent on a monthly annualized basis over the last 5 years (2011-2016).

In addition, if the argument for increased diversity is that it adds value to the board, then boards must strive to also be diverse in the broadest sense, for example on nationality (to help in understanding the culture/geography of the organization), age and tenure (to balance new perspective vs understanding of business) and sector experience (to achieve a skill set which matches the underlying operations of the business). One such example comes from a 2012 study by the Association of Chartered Certified Accountants who found that, in analyzing board behavior, financial risk-taking was lower where board processes were characterized by a healthy degree of cognitive conflict, that is, differences of opinion over key company issues and board tasks. This is only possible where diversity of experience and opinion is present on the board. Over the course of the last year, Robeco has supported a several shareholder proposals asking companies to commit to greater levels of disclosure on diversity and pay equality.

Self-assessment: Identifying necessary improvements

In combination with a strong nomination policy to ensure that board members possess the right skills to perform their roles effectively, it is important the board regularly assesses their own functioning to ascertain where potential improvements can be made. Whilst shareholders are usually only given the chance to cast their votes on board composition at most once every year, it is important that they have an understanding of the how the board has functioned over the previous year.

This allows for a better assessment of new nominees, especially if skill or knowledge gaps have been identified over the year in review. We believe all boards should undertake regular self-assessments, and that these should be carried out on a yearly basis. An external party should be involved in the process of these assessments at least every three years to provide independent judgment. The results and follow up actions from these board assessments should be available to shareholders. Best practice in self-assessment can therefore be broken down into two steps: 1) performing an appropriate level of self-evaluation and 2) reporting to shareholders on these activities.

In this sense, regular monitoring and assessment is key in ensuring good corporate governance and effective risk management oversight. From a board perspective, this should entail regular assessments of the boards composition, organization, effective functioning and the identification of possible areas for improvement. Disclosing such information to shareholders allows for better informed proxy voting decision making. We therefore encourage all companies to disclose the results of their self-assessment process.

Board composition: The role of investors

The topics outlined above are just a few of the factors which result in our final voting instruction at a shareholder meeting. But a pertinent question to ask is what

effect these votes have on the company in question. A recent (2016) study by PricewaterhouseCoopers highlighted the importance of investor engagement and proxy voting, and the subsequent impact which this has on board composition. As a result of investor engagement, 61% of surveyed directors say their board added a director with a specific skill set, 46% say they added a candidate who brought additional diversity of the board, and 24% say they added a younger board member.

The importance of informed proxy voting is therefore two-fold. Firstly, by exercising their shareholder rights, investors can help to ensure that the board in place post-shareholder meeting is the one that is best prepared and equipped to meet the challenges of the coming year. Secondly, by remaining open to engagement, investors can act as a sounding board for companies, sharing examples of best practice, in turn leading to increased shareholder value creation.

Market Highlights

Recent Developments: Increase in voting by poll in Australian companies

In 2015, Robeco reported that it co-signed the 'vote by show of hands' initiative in Australia, which was put forward by one of our peer investors under the initiative. This year, we are happy to share the remarkable results of this campaign. In February this year, TIAA-CREF and the Australian Council of Superannuation Investors announced that two-thirds of 38 large Australian issuers targeted by the initiative have adopted AGM poll voting, instead of a show-of-hands.

Robeco welcomes the impressive results of the show of hands initiative which demonstrates the power of global investor collaboration. It is also remarkable how investor engagement is met with openness and willingness from companies. Robeco continues to encourage those companies still using votes by show of hands to adopt voting by poll.

The initiative targeted a selection of companies listed in ASX100 who were requested to remove a provision in their articles of association that allowed them to vote by show of hands and instead require voting by poll on all resolutions. Australian corporate law allows companies to choose for voting by show of hands in shareholder meetings, and this voting method is still widely practiced in that country. Approximately 25% of ASX200 firms still make use of voting by show of hands. Voting by show of hands disenfranchises shareholders' right to equal voting power. This voting method violates the "one-share one-vote" principle by counting each shareholder as one vote regardless of how much stock they hold.

Proxy Access

Proxy access consists of the right of qualifying long-term shareholders to nominate a limited number of directors and to include them in the ballot of shareholder meetings. Although this right has certain limitations, such as ownership requirements and a maximum number of directors that shareholders can nominate, it is an important right because it allows shareholders to dismiss under-performing directors.

After almost seventy years of debate, in 2010 the Securities and Exchange Commission (SEC) adopted a new rule mandating universal proxy access. A 2011 court ruling effectively invalidated the new rule before it ever went into effect. Proxy access became a relevant topic in the US as shareholders saw their ability to submit shareholder proposals requesting companies to adopt proxy access as an alternative way to ensuring this right. It is estimated that over 100 proxy access proposals were submitted to public companies during the 2015 proxy season. Currently, over a fifth of S&P 500 companies have adopted proxy access, up from almost zero last year. In 2015, nearly 130 embraced proxy access. This trend has gained momentum as companies have begun to receive proxy access proposals for the 2016 proxy season.

Proxy access proposals usually ask for the same requirements: 3% ownership to qualify as a nominating shareholder, a maximum requirement of 3 years of continuous holding period for each nominating shareholder, a maximum of 20 shareholders aggregation limit, and a maximum of 20% of the board could be nominated by shareholders.

Robeco analyzed proxy access proposals on a case by case basis and voted in favor of 90% of them. This is in contrast with other fund managers. Data from the SEC on proxy access votes cast by mutual funds indicates that the industry is deeply divided in its approach to proxy voting as a shareholder right. Whereas 7 out of the

top ten mutual funds companies in the US supported proxy access proposals the majority of the time, other funds showed low or no support for proxy access. According to this data, had these funds voted in favour of proxy access, the proposals would have likely passed at 17 additional companies in 2015, including Exxon Mobil.

Overall, Robeco supported these shareholder proposals except in the following cases: (i) when the company proposed its own proxy access proposal with similar provisions to those of the shareholder proposals; and (ii) when the shareholder proposal contained a problematic provision, which were restrictions that severely undermine the proxy access right. Examples of such provisions include the imposition of post-meeting shareholding requirements for nominating shareholders and prohibitions to resubmit failed nominees in subsequent years.

Voting Highlights

Visa Inc - 02/03/2016 - United States
Visa Inc., a payments technology company, operates an open-loop payments network worldwide.

At the annual shareholder meeting of this year, the company submitted a proposal for shareholder ratification of its executive compensation policy and practices. Following a careful analysis, Robeco decided to vote against the executive compensation proposal. This outcome reflects an assessment on the adequacy of the compensation package structure, quality of disclosure and reasonableness of payouts. We found concerns particularly on the structure of the remuneration plan and on the reasonableness of payments.

Regarding the structure of the compensation plan, we believe that a balance is missing between the fixed and variable payments to the CEO as the variable pay (including annual bonus and equity incentives) was 1000% of the fixed compensation. The equity incentives alone amount to approximately 740% of the CEO’s base salary. Although we believe that equity awards can effectively incentivize management to create long-term value, such awards should be reasonable and well-balanced with the rest of the components of the compensation policy. Moreover, the equity awards are based on annual EPS targets over a three-year period. Although the awards vest at the of the three-year period, the focus on short performance periods for the EPS metric may fail to fully capture the long-term performance of the company. Finally, regarding the reasonableness of the payouts, we have concerns about the sign-on payment to the recently-recruited CFO of USD$17.5 million, which in our opinion is excessive.

This proposal was approved on an advisory basis by 97.2% of shareholders.

SGS S.A. - 03/14/2016 - Switzerland
SGS SA provides inspection, verification, testing, and certification services in the Asia Pacific, the Americas, Europe, Africa, and the Middle East. The company's line of business includes provide clinical laboratory testing services.

During the annual shareholder meeting of SGS Societe Generale de Surveillance SA, Robeco voted against a number of the candidates up for election on the ballot. In accordance with Swiss law, the chairman and all other directors are up for election to serve a one-year term. We are specifically concerned by the lack of independent directors in the proposed board composition for the coming year with eight of the ten current and proposed directors either affiliated with the Company or insiders. Specifically, we believe Groupe Bruxelles Lambert SA and the von Finck family, which beneficially own 15.00% and 15.03% of the Company's total share capital respectively, have a disproportionate amount of seats on the board relative to their holdings. This leads us to believe that minority shareholders in the company are therefore under represented. We also believe nominees Desmarais, Gallienne, Lamarche and Marchionne serve on too many other boards, precluding them from spending sufficient time to discharge their duties as board members, with nominee Paul Desmarais in particular holding an additional seven public company directorships.

As a result of the overall lack of independent members on the board, the composition of the audit, nominating and remuneration committees do not meet our standards of independence. We believe it is important that both the audit and remuneration committees contain a majority of independent directors. We also view the current composition of the board as a failure of the nomination

committee to nominate a sufficient amount of independent directors to the company's board. However, as the chair of the nomination committee is one of the few independent members of the board, we have chosen not to vote against his nomination at this time. As a result of these concerns, we voted against the nomination of nominees Marchionne, Desmarais, Gallienne, Lamarche and August François von Finck with the aim of increasing board independence.

All of the proposed nominees were re-elected to the board at the annual shareholder meeting.

Nordea Bank AB - 03/17/2016 - Sweden
Nordea Bank AB is a financial services group that provides banking services, financial solutions, and related advisory services in the Scandinavian countries and the Baltic Sea region. The Group offers credit, investment banking, securities trading, and insurance products to private individuals, companies, institutions, and the public sector.

At the annual shareholder meeting of Nordea Bank AB, Robeco voted against the compensation guidelines presented by the company. The Swedish Companies Act gives shareholders the right to decide upon the principles for executive remuneration, making this a binding vote. When analysing compensation and remuneration frameworks, we look closely at both their structure and the level of disclosure by the company to ensure that incentives offered to executives in terms of the award structures and metrics used are closely aligned with the interests of shareholders. Our analysis of these elements found a number of deficiencies.

The company fails to disclose the peer group used when benchmarking executive compensation. When remuneration is not sufficiently benchmarked against an appropriate group of the companies peers we believe this increases the likelihood that compensation levels do not accurately reflect what is appropriate to the Company's size and scope. We also believe that a lack of disclosure on share ownership guidelines for executive directors could lead to the interests of executives and shareholders not being sufficiently aligned. Our concerns about this alignment are further enhanced by a lack of a clear description of targets and vesting conditions under which the company's variable incentive plan matures. Furthermore, under the Company's variable incentive plan all of the performance-based awards granted have a performance period of one year which we do not feel sufficiently incentives a long term strategy at the company. These concerns led us to vote against the proposed compensation guidelines at the company's annual shareholder meeting.

The compensation guidelines were subsequently approved by shareholders at the AGM.

Novo Nordisk - 03/18/2016 - Denmark
Novo Nordisk A/S develops, produces, and markets pharmaceutical products with a focus on diabetes care offering insulin delivery systems and other diabetes products. Novo Nordisk also works in areas such as haemostatis management, growth disorders, and hormone replacement therapy.

At the annual shareholder meeting, the company asked for shareholder approval on a number of proposed amendments to its remuneration policy through an advisory vote. When voting on remuneration plans, Robeco pays close attention to their structure. It is essential that executives are being incentivized with the adequate award structures and metrics that are most appropriate for the company, based on their sector and strategy. Whilst we have in the past voted for amendments to the company's remuneration policy on the basis that they were beneficial to shareholders, we believe the amendments proposed at this year's

AGM represent a negative step for the company. Specifically, the proposal to stop peer benchmarking for base salary and overall pay against the upper quartile level for Denmark, combined with a lack disclosure on what new benchmark would be used, lead us to vote against this proposal.

In addition, we believe that a number of other parts of the remuneration guidelines could be improved. We believe the company should increase disclosure on the performance metrics used to evaluate performance, as well introducing a compulsorily deferral on a portion of the annual cash bonus into shares. To further align the interests of shareholders and the company's executives, share ownership guidelines for executive directors should be introduced. For the long term component of the remuneration policy, we believe a move towards using less absolute metrics when calculating long-term incentives would ensure that executive pay is more in line with company performance rather than being reflective of trends in the wider economy. For these reasons we voted against the amendments to the company´s remuneration guidelines at the AGM.

The amendments to the company's remuneration guidelines were approved by shareholders at the AGM.

Sk Holdings Co. Ltd - 03/18/2016 - South Korea

SK Holdings, through its subsidiaries, engages in energy, chemicals, information technology (IT), semiconductors, marketing, and services businesses in South Korea and internationally.

During this meeting SK Holdings requested shareholder approval for the re-election of former chairman Tae Won Chey to the position of chairman of the board despite being criminally convicted twice for various accounts of misconduct. Whilst serving as the executive chairman and CEO of the company in 2003, Mr Chey was found guilty of illegal trading and accounting fraud involving SK Group's inflation of its 2001 earnings by $1.2 billion. Having been sentenced to three years in jail (later reduced to five years of probation), Mr Chey returned to the position of chairman and CEO in 2008.

In 2013, Mr Chey was convicted for a second time after being found guilty of embezzling KRW 49.7 billion from SK Group affiliates, using the money for personal investments in stock futures and options. He was convicted and sentenced to four years in prison. Also jailed were his brother Jae Won Chey and Jin Won Jang, SK Holdings' financial executive. Having fulfilled the parole requirements of his sentence, Mr Chey received a special pardon granted by President Park at the end of 2015.

Subsequently his name appeared on the ballot for election to the position of chairman at the 2016 annual shareholder meeting. Robeco believes the past misdeeds of Tae Won Chey as well as other executives at the group during their previous tenures highlight worrying issues in corporate governance at the group. It is therefore essential that the company strives to strengthen its corporate governance regime to better protect the interests of shareholders. Given his past embezzlements, we have concerns about Mr Chey's appropriateness for a position as chairman of the board. We therefore voted against his election to the board.

Mr Chey's election to the board was approved by shareholders at the AGM.

Koninklijke Ahold NV - 04/19/2016 - Netherlands

Koninklijke Ahold NV operated retail food stores. The company operated through three segments: Ahold USA, The Netherlands, and Czech Republic.

On 14 March, Koninklijke Ahold NV held an extraordinary general meeting (EGM)

where changes to the executive remuneration policy were proposed. Among the changes was the awarding of a special one-time incentive in relation to the merger with Delhaize Group. Shareholders, including Robeco, voiced their concerns on the proposed remuneration policy. Robeco believes that executive compensation should incentivize long-term performance. We view the execution of transactions, such as mergers and acquisitions, as intrinsic to an executive's duties. As such, we believe they should not be subject to payment of exceptional bonuses.

In response to shareholder feedback, Ahold withdrew the proposal from the agenda of the EGM and the vote on this proposal was postponed to take place at the annual general meeting (AGM) of 19 of April. At the AGM the proposal on amendments to the executive compensation policy removed the one-time incentive award. We believe this is an example of how investors can add value to companies' corporate governance practices by engaging in dialogue with them.

The proposal voted at the AGM of 19 April was adopted with 97,84% of shareholder support.

Citigroup Inc - 04/26/2016 - United States

Citigroup Inc. is a diversified financial services holding company that provides a broad range of financial services to retail and corporate customers. The company services include investment banking, retail brokerage, corporate banking, and cash management products and services. Citigroup serves customers globally.

A shareholder proposal was presented at the annual general meeting (AGM) of Citigroup this year, requesting that the company prepares a report by September 2016, demonstrating that the company does not have a gender pay gap. Robeco supports gender equality in both hiring and pay practices, believing that this is in the best interest of both investors and the society at large.

A recent report by McKinsey (2015) predicted that close gender equality in the workplace could add as much as 26% to GDP by 2025 whilst a 2013 study by Harvard Business school found that gender diversity in the workplace can increase both returns on equity and net profit margins.

A 2016 study by Morgan Stanley also highlighted the positive effect which gender diversity policies can have on companies and the investment opportunities they represent. The study noted that European and American companies with the most progressive policies on diversity offered both higher returns and less volatility to investors. In fact, the stocks of those American companies with the highest scores on diversity beat those scored the lowest by 2.3 percent on a monthly annualized basis over the last 5 years. Furthermore, a 2015 study by RobecoSAM also found that companies with a more diverse and equal workforce are indeed better positioned to outperform.

Yet, diversity remains a goal many companies are struggling to achieve, with pay equality a key component of the equation. At present, the median income for a woman working full-time in the U.S. is reported to be 78% of that of their male counterparts, with the financial services sector routinely found to have one of the widest gaps in pay levels by gender relative to other parts of the economy. Further, women represent only one third of the workforce in the sector, further emphasizing the importance of the issue.

This has led to a number of large banking institutions including Morgan Stanley, Wells Fargo, Bank of America and Citigroup settling recent gender discrimination lawsuits ranging from $32 - $46 million. We therefore believe that reporting on any potential gap in gender pay is a first step to reducing and subsequently closing it. This will not only allow the company to reduce its risk of gender bias problems and subsequently costly lawsuits, but also to benefit from the potential

outperformance as outlined above.

The shareholder proposal was rejected by a majority of shareholders at the AGM.

In addition to supporting the shareholder proposal on gender pay equality report, Robeco voted against the executive remuneration report, as the company did not align pay with performance. The advisory report on remuneration was passed with the approval of 63.6% of votes.

Johnson & Johnson - 04/28/2016 - United States

Johnson & Johnson manufactures health care products and provides related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. The company sells products such as skin and hair care, acetaminophen, pharmaceuticals, diagnostic equipment, and surgical equipment globally.

Robeco expects companies to be transparent on their lobbying activities, on both the national and international level, and on their positions on matters of public policy, such as relevant environmental legislation. This includes ensuring consistency with the company's views on themes such as climate change and those which are advocated for on their behalf by their representative trade associations. With this in mind, Robeco supported a shareholder proposal filed at the annual general meeting (AGM) of Johnson & Johnson, asking the company to report on its lobbying activities.

We believe companies should be transparent in the way in which they use their power to influence legislation and regulation. Between 2013 and 2014, the company disclosed that it spent $11.6 million in direct federal lobbying activities. This is in addition to the lobbying undertaken at US state level. However, whilst the company is fairly transparent in this regard, what is not clear is how the company's trade association membership align with their own publicly stated views. An example of this is the company's membership of the US Chamber of Commerce who has in the recent past aggressively lobbied against the Environmental Protection Agency and its new Clean Power Plan to address climate change.

Ensuring that companies are transparent on how they are represented by trade associations is important due to the huge influence trade associations have. The previously mentioned Chamber of Commerce for example spent over $124 million lobbying in 2014 and has spent over $1 billion on lobbying since 1998. Yet, the companies do not reveal payments made to the trade association of which they are members, removing an important level of accountability which we believe should be present.

This shareholder proposal received 8% of shareholder support.

AT&T, Inc. - 04/29/2016 - United States

AT&T Inc. is a communications holding company. The Company, through its subsidiaries and affiliates, provides local and long-distance phone service, wireless and data communications, internet access and messaging, IP-based and satellite television, security services, telecommunications equipment, and directory advertising and publishing.

At the 2015 and 2016 annual general meetings (AGM) of AT&T Inc., Robeco voted against the advisory vote on executive compensation. In 2015, the company received approximately 24% disapproval for their executive compensation practices prompting the company to make a number of positive changes. These include implementing a short-term incentive program with pre-defined performance targets to calculate pay awards from 2016 onwards.

However, as with all advisory votes on executive compensation they reflect the pay practices of the previous year. Robeco decided to vote against the say on pay proposal due to the continued disconnect between pay and performance and the way both the short and long term components of the plan were calculated. We will continue to monitor the changes made in the structure of the plan over 2016, and hope to see a stronger link between pay and performance at next year's AGM.

We also supported a shareholder proposal at this year's AGM requesting the company ensure the Chair of the Board of Directors, whenever possible, be an independent member of the Board. The chairman plays a critical role in shaping the activities of the board, and in setting their priorities and procedures. We believe boards chaired by an independent member are better placed to be able to supervise management without a conflict of interest when the CEO takes a self-oversight role.

At the AGM, the advisory vote on executive compensation received 90% support, whilst the shareholder proposal requesting that the board appoint an independent chairman received 23.75% support.

Occidental Petroleum Corp. - 04/29/2016 - United States

Occidental Petroleum engages in the acquisition, exploration, and development of oil and gas properties in the United States and internationally.

Climate change related proposals had a prominent place at the annual general meeting (AGM) of Occidental Petroleum. Shareholders requested the company to stress-test its operations in a potential 2°C scenario, and to report quantitative performance and targets on methane emissions and flaring.

Robeco supported both the shareholder proposals. First, we believe, that the company could provide more information concerning its plans to ensure continuity of operations, should emissions regulations become more stringent or market forces lower demand for the company's products. At present, the company does not provide details regarding how climate change-related regulations will impact the company's portfolio, nor does it discusses how these regulations account for, in its capital investment decisions. We believe, that the shareholders would benefit from more comprehensive information about the impact that climate change regulation designed to limit global warming to no more than 2 degrees celsius might have on the company, given its continued significant investment of capital in carbon-intensive projects.

Secondly, although methane emissions have not received as much attention as other climate change related proposals, we believe they are an equally important topic for the oil and gas industry. Contrary to oil spills, methane is not easily detected by the human senses of sight and smell. Instead, identifying methane emissions requires more advanced technologies such as infrared imaging and malodorous additives. For this reason, Robeco supports adequate reporting and reduction targets of methane emissions and flaring. The shareholder proposal on methane emissions is particularly relevant for Occidental Petroleum because reporting quantitative performance on methane emissions and flaring is common practice among major peers, including Exxon Mobil. Moreover, reporting on such emissions is considered as best practice according to industry organizations such as the International Petroleum Industry Environmental Conservational Association (IPIECA) and the American Petroleum Institute (API). Occidental is a member of both IPIECA and API.

At the shareholder meetings approximately 49% of shareholders supported the proposal

Entergy Corp. - 05/06/2016 - United States
Entergy Corporation, together with its subsidiaries, engages in the electric power production and retail electric distribution in the United States. It operates in two segments, Utility and Entergy Wholesale Commodities.

Robeco supported a shareholder proposal at the annual general meeting (AGM) of Entergy Corp. The proposal requested that the company publishes a report by October 2016 (at reasonable cost and omitting proprietary information) describing how it could adapt its business model to significantly increase deployment of distributed-scale non-carbon-emitting electricity resources to reduce its greenhouse gas emissions and protect shareholder value.

It is known that utilities companies' business model face unprecedented disruptions driven by demand of non-carbon-emitting sources of electric power, whilst also moving from a centralized generation structure to a decentralized one. In this context, companies need to design new strategies and seize investment opportunities by focusing on cleaner power generation, customer retention, networks, and services. The right balance between security of supply, environmental impact, and costs must be established for electric utilities to be sustainable. Due to long lifecycles of power generation assets, utilities should take measures to future-proof their strategies.

A recent survey by PricewaterhouseCoopers found that 94% of international electric power industry representatives believe that the power utility business model will be transformed by 2030. Many other companies also acknowledge that factors that could affect market prices for electricity and fuel include the availability of competitively priced alternative energy sources and the requirements of a renewable portfolio standard. With this in mind we assessed the merits of the shareholder proposal and found it to be reasonable without having to incur huge costs on the company's part. Therefore, we supported the proposal.

The shareholder proposal received 30% of votes cast at the AGM.

Chubb Limited - 05/19/2016 - United States
Chubb Limited (formerly ACE Limited) provides property and casualty insurance and reinsurance products worldwide.

In several markets, including the US, it is customary for shareholders to have an advisory vote on the executive compensation practices at the company. This year, Robeco voted against this proposal in order to show our disapproval of the company's executive pay structure.

According to our assessment, there are several issues with the company's executive compensation program. When considering the structure of the plan, it becomes apparent that the company does not utilize an objective, formula-based approach to setting short-term executive compensation levels. Instead, this is determined on a purely discretionary basis, which is out of line with best practice norms. In the past year, the CEO was granted an annual bonus amounting to approximately 470% of his annual base salary. It also appears there is no upper cap in place to limit the size of annual bonus grants to the CEO. This can also be considered as an important reason for the misalignment between pay and performance at the company, whereby pay awards at the company significantly outpaced those of the relevant peer group. Additionally, due to the short performance period of the long term component of the plan, we have serious concerns as to the alignment between executive pay and long term, sustainable shareholder value creation.

This is the third consecutive year where Robeco has voted against pay practices at the company. For this reason, we also took the decision this year to vote against

the reelection of three members of the companies compensation committee, which has consistently failed in its duty to sufficiently align executive pay with the best interests of shareholders.

The advisory vote on executive compensation was approved by 59.42% of shareholders.

McDonald`s Corp - 05/26/2016 - United States
McDonald's Corporation franchises and operates fast-food restaurants in the global restaurant industry. The company's restaurants serve a variety of value-priced menu products in globally.

At the annual general meeting (AGM) of McDonalds Corp. we supported a sharehodler proposal requesting that the company adopt a policy to prohibit use of antibiotics in the meat supply chain other than for therapeutic purposes.

A 2014 a report by the World Health Organization highlighted that overuse of antibiotics when rearing livestock was contributing to the growth of dangerous antibiotic-resistant bacteria and other pathogens, creating a situation whereby high levels of resistance to antibiotics can now be seen. This is in addition to recent warnings by the U.S. Centers for Disease Control and Prevention, and the President's Council on Science and Technology, stating that antibiotic resistance is an immediate and global public health crisis which, if unchecked, threatens to overturn many of the medical advances made over the last century. The crossover between antibiotics used in rearing livestock and those used to treat human illness has further complicated the issue, with over 70% of antibiotics in classes important for human medicine also being sold for use in food producing animals.

This makes the issue particularly significant for those companies involved in the livestock supply chain, in which companies such as McDonalds are important parties. The shareholder proposal therefore asks McDonalds to "prohibit the use of antibiotics important to human medicine globally in the meat supply chain, for purposes other than disease treatment or non-routine control of veterinarian-diagnosed illness, and; identify timelines for global implementation of vision including for meats currently not supplied by dedicated suppliers."

As well as voting for this shareholder proposal, Robeco will be engaging with companies within the meat supply chain over the coming three years, with a view to changing practices within the sector.

The proposal gained support of 26.3% of shareholders.

WPP Plc - 06/08/2016 - Jersey
WPP plc operates a communications services group. The Company's operations encompass advertising, media investment management, information and consultancy, public relations and public affairs, healthcare and specialist communications, and branding and identity services.

Robeco voted against the advisory report on remuneration at the annual general meeting of WPP Plc, due to the highly excessive remuneration package granted to the chief executive officer during the past year. British companies are required to seek non-binding shareholder approval of their remuneration practices annually, in addition to a binding vote on the remuneration policy every 3 years.

The remuneration report presented at this year’s AGM showed the chief executive’s annual compensation greatly outpaces the compensation awarded to chief executives at similar firms, without proper justification. We are also concerned at the high limit placed upon the long term incentive (LTI) component

of the plan, which allows for awards of up to 975% of base salary for the CEO and 400% for other executives.

We are alarmed that these remuneration practices have been ongoing for a significant period of time. Robeco has consistently opposed remuneration practices at the company, voting against the advisory vote since 2012, as well as opposing the remuneration policy when it was presented to shareholders in 2014. Last year alone approximately 20% of shareholders voted against the advisory remuneration report. We therefore believe that the members of the compensation committee have failed to sufficiently take into account shareholder disapproval when formulating remuneration practices at the company. For this reason we also voted against the reelection of the two members of the remuneration committee up for reelection.

The advisory vote on executive compensation was approved by 66.5% of shareholders.

Estee Lauder Cos., Inc. - 11/11/2016 - United States

The Estee Lauder Companies Inc. manufactures and markets a wide range of skin care, makeup, fragrance, and hair care products. The Company's products are sold globally.

Robeco voted against the advisory vote on executive compensation at the 2016 annual general meeting of Estee Lauder, due to the significant one off awards with unchallenging performance conditions granted to the chief executive officer during the year. When voting on remuneration plans, Robeco pays close attention to their structure. It is essential that executives are being incentivized with the adequate award structures and metrics that are most appropriate for the company, based on their sector and strategy. However, when assessing the awards submitted for approval at the company's shareholder meeting, we see a number of significant issues, specifically around the granting of one off awards to the CEO.

Shareholders were asked to approve a payment of USD 30 million, in addition to the amount of USD 18 million due to the CEO under the agreed remuneration policy. In this case, we are extremely concerned that the USD 30 million award made to the CEO comes with extremely low performance conditions attached. Specifically, the awards vest based upon simple hurdles, with significant pay outs occurring simply for maintaining a positive net profit.

It is therefore possible that the majority of the one off award made to the CEO would continue to vest, even in light of significantly decreased company financial performance, so long as overall net profit stayed above zero. We therefore question whether such a sizeable award should be made without significantly more stringent performance conditions attached.

When considering the existing remuneration policy in place at the company, we also have some significant concerns. One such concern is the sole use of absolute metrics in the LTI plan which rather than rewarding executives for outperformance, can simply reflect economic factors or industry-wide trends beyond the control of executives, rather than the performance of management. In addition, the significant overlapping of performance conditions could lead to a high level of pay-out (or lack thereof) for performance against similar targets. We encourage the company to implement a compensation policy based upon a broader range of metrics, including some relative metrics, to more adequately align pay levels to company and individual performance. For these reasons, we voted against the advisory vote of compensation at the 2016 shareholder meeting.

At the shareholder meeting, the advisory vote on executive compensation received the approval of 92% of shareholder

Oracle Corp. - 11/16/2016 - United States
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. Oracle's software runs on network computers, personal digital assistants, set-top devices, PCs, workstations, minicomputers, mainframes, and massively parallel computers.

At this year's annual general meeting, shareholders were asked to approve the advisory vote on executive compensation at the company. At the 2015 shareholder meeting, the plan had received the support of approximately 48.1% of shareholders. As 27.21% of all shares are owned by co-founder and current Chief Technology Officer Larry Ellison, the investor support for this proposal is considerably low. This triggered the company to implement a number of changes surrounding executive compensation practices, including adding a new director to its compensation committee and changing the chair and vice chair of the committee, changing the principal partner at its compensation consultant, and performing an overall revaluating compensation practices at the company. However, following an extensive review of this year's compensation practices, Robeco continues to oppose compensation practices at the company as we do not believe that the company's response to the sustained opposition of shareholders to its compensation practices has been extensive enough.

The company's lack of disclosure around the targets and maximum goals of the long term plan make it difficult for investors to sufficiently quantify whether the current levels of executive pay are appropriate when considering performance. When considering the overall amounts paid under the plan to senior executives, CEO compensation remains the highest in the sector, despite the company falling into the 65th percentile by market cap, and 37th percentile by revenue. We therefore question the ambitiousness of the targets set under the long term incentive plan. This is illustrated by the provision of the long term incentive plan that makes executives eligible to receive awards if Oracle underperforms the company's self-designed peer group. Almost half of the time vesting awards made under the long term incentive plan have also been granted in the form of stock options, which limit the downside for executives should performance suffer as the awards vest.

Robeco has consistently opposed compensation practices at the company, and we believe that the compensation committee have been deficient in their duty to shareholders in responding the significant opposition by shareholders to compensation practices in recent years. For this reason, we also voted against the re-election three directors to the board, due to their stewardship of the compensation committee in the period concerned. In addition, we also voted against the re-election of two additional directors due to our concerns about the overall independence of the board. Both board members received significant compensation of the course of the year. Combined with their relatively long tenures on the board, we classify them as affiliated to the company, leading to an overall board independence level of 46%, below the majority requirement and significantly below established best practice. We also note the relatively long average tenure of board members at Oracle (14 years) as well as the relatively high average age (67 years) and will monitor these at the company going forward.

At the shareholder meeting, 49,23% of shareholders voted against the advisory vote on compensation. The nominees which we voted against were also all re-elected to board.

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