



# Proxy Voting Report

Period: April 01, 2018 - June 30, 2018

Votes Cast	19280	Number of meetings	1635
For	17322	With management	17157
Withhold	116	Against management	2123
Abstain	45		
Against	1755		
Other	42		
<b>Total</b>	<b>19280</b>	<b>Total</b>	<b>1635</b>

In 931 (57%) out of 1635 meetings we have cast one or more votes against management recommendation.

# General Highlights

## **Addressing one share, one vote. Local standards or global indices?**

An important part of Robeco's Active Ownership team's work is focused to improve shareholder rights and sound corporate governance practices. As institutional investors we therefore support the "proportionality principle": the voting right associated with an equity interest in a listed company must be proportional to the capital contribution. However, it is possible for listed companies to deviate from this principle by using different classes of share, for example loyalty or preference shares.

Recently, such attempts to limit the voting rights of investors have been given a sharper focus in the global corporate governance discourse, particularly following the IPO of SNAP, whereby investors participating in the IPO received no voting rights in return for their investment. This triggered numerous consultations, involving many of the different participants in the global financial markets, amongst which was a consultation by MSCI on the inclusion criteria for stocks with no voting rights.

We appreciate MSCI consultation and the attempt to set minimum standards for voting rights as an index inclusion criterion. One quality of equity securities is that co-ownership should lead to a right to vote. Therefore we support a minimum requirement on voting rights for the MSCI index. There is support for a claim that shares without voting rights are not equity.

However, in theory this should not be the responsibility of index providers, but of local authorities, listing agencies or exchanges. We would therefore also like to see that listing agencies and exchanges set stricter standards for corporate governance and voting rights. Given their global coverage and their impact in the market, it is a practical solution to have index providers to require voting rights as part of the definition of equity.

Introducing share classes with no or differential voting rights is only one option that listed companies might use to deny any influence to minority shareholders, yet there are many other mechanisms that can be used by companies to achieve the same result. For example; companies have holdings structures or intragroup equity investments that, correspond perfectly with the one share one vote structure, and still effectively deny any influence to minority shareholders, even if they hold the majority of free float.

## **Blurring Lines in Corporate Political Activity**

On January 21st, 2010, the United States Supreme Court ruled in favour of the conservative non-profit organization Citizens United in a lawsuit against the Federal Election Commission (FEC). The Court decided US laws which prohibited (non)profit corporations, labour unions, and other associations, from making independent political expenditures (i.e. not coordinated with a candidate) were unconstitutional in that they placed an unacceptable limit on freedom of speech. As a result, corporations in the US were able to significantly increase their corporate political activity (CPA).

## **The rise of the Super PAC**

Since that time, the extent to which corporations are able to act to influence governance policy has dramatically increased. Besides pure lobbying, there also are several other possibilities of engaging in political activity, with one familiar way being through Political Action Committees (PACs). PACs are founded to raise funds

for a specific political purpose. PAC contributions only come from individuals and are spent on the goal of the PAC, e.g. contributions to politicians or parties. The beforementioned Citizens United court ruling gave rise to Super PACs; organizations allowed to raise unlimited (corporate) money in order to advocate for or against politicians, for instance via commercials, and only obliged to report their donors to the FEC.

### **'Dark Money' emerges from the shadows**

However, innovative ways to increase political spending without mandatory disclosure are on the rise, in the form of so called 'Dark Money'. A significant part of corporate funds are donated to 501(c) organizations, which are named after the section of the Internal Revenue Code in which their primary activities are described. These organizations are set up to pursue a specific societal purpose, of which the trade- (501(c)6) and social welfare (501(c)4) organizations are the most prominent. As these organizations are not obliged to disclose any of their donors or expenses, corporate lobbying activities can become considerably more opaque.

### **More transparency required**

As investors, transparency is key in understanding the potential legal, reputational and subsequent investment risks which can arise from such opaque lobbying practices. Firstly, it is corporate money spent via, and on, means that are not always proven to be effective, raising the question as to whether corporate money is spent wisely. Second, a reputational risk exists in relation to proving that the company 'puts its money where its mouth is'. This is often not the case, and when this comes out, the reputational damage can be severe, with many notable examples of companies lobbying activities backfiring into severe reputational damage.

### **A balanced assessment of risks**

Investors are therefore increasingly demanding more transparent disclosure of companies political and lobbying activities, as a means to factor these risks into the investment decision making process. Shareholders have become increasingly aware of these risks. Between 2010 and 2016 a total of 795 shareholder resolutions were filed in the US alone, specifically addressing companies political spending and lobbying activities, with 84% of the proposals targeted specifically at increased disclosure of lobbying or election spending. On average, these lobbying disclosure proposals can count on 25% support while political spending proposals gain 33% votes in favour.

### **Indirect lobbying, with direct consequences**

It is also however important to note that risks can arise not only from direct lobbying activity, but from indirect activity as well, such as through the activities of trade associations. Company membership of industry organizations is therefore also an increasingly a popular topic addressed by shareholder proposals across many markets. Industry association membership is a particular form of corporate political activity and raises particular concerns for investors. In general, a trade organization attempts to best serve the interests of its industry. However, doing so could potentially conflict with the views of the individual companies represented by the association. The potential negative impact of this becoming public severely increases companies' reputational risk.

### **Australian proposals on the rise**

Interestingly, this trend is not solely limited to the United States, with many countries outside of the US experiencing an uptick in shareholder activism regarding the lobbying activities of their trade associations. One such example is the Australian mining industry. The mining industry in Australia was recently subject to an investigation by the Independent Commission Against Corruption (ICAC), for its connection with the New South Wales Labour government. Lack of knowledge about these relationships in combination with negative public attention contributed to shareholder proposals requesting increased disclosure.

### **BHP Billiton is a best practice**

BHP Billiton, an Anglo-Australian mining company, can be considered a best practice example regarding enhancing transparency around corporate lobbying expenses. A shareholder resolution was filed at last year's company AGM requesting a report on its public policy positions regarding energy and climate change. Both shareholders from the UK and Australian listed entities were able to cast their votes on this matter. Even though the resolution did not receive enough support, BHP Billiton conducted a thorough review into material differences and issued a report comprising the main findings. The company recently announced that it will pull out of a major industry group due to this review.

### **Rio Tinto still lags**

In April 2018 a similar shareholder resolution was filed at the shareholder meeting of Rio Tinto, also a dual-listed mining company. In contrast to BHP Billiton's constructive response, Rio Tinto prevented shareholders from the UK-listed entity from voting on the climate-related shareholder resolutions filed at the Australian arm of Rio Tinto, as it did not consider the proposal in the best interest of Rio Tinto. We believe shareholders of each entity, should be in the same position of voting, as if the shares are held in a single economic enterprise controlling the assets of both entities.

### **Voting for transparency**

In recent years, the drive for transparency around corporate political spending has taken on a global nature. Companies must therefore balance both the advantages and disadvantages of either engaging in direct lobbying and political spending, and also their memberships of trade association, who in turn expose them to risks around indirect lobbying. Where a company wishes to do undertake lobbying activities, we believe that this should be undertaken in a responsible and transparent manner. This allows shareholders to make an informed decision on the company's activities. We typically therefor support proposals aimed at increasing disclosure around political spending, in the belief that from such disclosures we can gain a better understanding of the legal and reputational risks a company may expose themselves to in their lobbying activities.

# Voting Highlights

## Citigroup Inc - 04/24/2018 - United States

Proposal: Shareholder Proposal Regarding Government Service Vesting

Citigroup is a global financial-services company doing business in more than 100 countries and jurisdictions. Citicorp, the company's core business, consists of the global consumer banking segment, which provides basic branch banking around the world, and the institutional clients group, which provides large customers with investment banking, cash management, and various other products and services.

Compensation plans providing windfalls to executives which are unrelated to their performance can pose an excessive cost for shareholders. Citibank provides its senior executives with accelerated vesting of equity-based awards in case they voluntarily resign from their current employment and decide to pursue a career in the government service. A shareholder resolution was therefore filed at Citibank's shareholder meeting requesting the Board of Directors to remove this provision of a so-called government service parachute. Robeco voted in favor of this resolution for the fourth consecutive year.

Equity plans should be designed in order to attract and retain high quality executive talent. Yet it appears that this provision may encourage executives to resign from their current employment if an opportunity to pursue a career in the public sector arises. Citigroup claims that this alternative career provision is needed to remain competitive for talent in financial services industry as many peers include it in their employment benefits. However, as of the end of 2017, only eight participants out of eight thousand eligible employees benefited from this provision. We remain reluctant to acknowledge the relevance of this provision to effectively attract and retain executives.

It is considered best practice to allow for accelerated vesting of equity awards under the exceptional circumstance in which a company is facing a takeover transaction and the executives are involuntarily terminated from their current employment. In contrast, major Wall Street investment banks include government service parachutes which are triggered if the executive voluntarily resigns from his employment. We believe this provision raises troubling public policy and ethical questions and we question why shareholders shall bear the cost of the second career choices of executives. Therefore, we consider that executives voluntarily resigning from their job positions shall be entitled to a pro-rata vesting of their stock awards accounting for the actual performance delivered.

Proxy disclosure requirements put forward by The Securities and Exchange Commission (SEC) only require companies to report on the golden parachute information provided to the named executive officers. As a result, shareholders do not have sufficient information regarding the payouts provided to other senior executives. Thus we consider that allowing the company to provide windfall payments to executives which are not performance-related and not properly disclosed is not in the best interest of shareholders.

We have been systematically supporting this shareholder proposal filed at several investment banks throughout the years. For Citigroup in particular, we voted in favor of this agenda item already for four consecutive years. The shareholder support for this resolution increased from 26% in 2015 to almost 40% in 2018. We will continue standing behind these types of resolutions and monitoring this trend going forward.

## **Persimmon plc - 04/25/2018 - United Kingdom**

Proposal: Remuneration Report (Advisory)

Persimmon plc designs, develops, and builds residential housing units. The Company constructs residential homes ranging from studio apartments to executive family homes throughout the United Kingdom.

At the Annual General Meeting of Persimmon plc, shareholders were requested to approve the company's remuneration report for the year 2017. The company achieved a threefold increase in its net income while experiencing a sharp boost of its share price, certainly benefitting a wide range of stakeholders. Yet three executives alone earned a combined £104m last year. Although everything comes with a cost, shareholders have the intrinsic responsibility to consider their voting positions when assessing if such cost is justifiable and acceptable in the long run. After engaging with the company prior to the AGM, Robeco voted against Persimmon's executive compensation package at its shareholder meeting held in York on April 2018.

A bonus scheme was approved by shareholders in 2012 awarding market value options, however the design of this package did not consider any ceiling were the share price were to rise above expectations. Since the performance targets were exceeded at large as the share price soared, the CEO will be entitled to a total award in excess of £104 million once the payment vests in full in 2018. We believe that such significant quantum is not justifiable when bearing in mind the long-term interests of the company, its shareholders and the wider society. Although we take into account the excellent financial results achieved by the company, we consider that it poses an excessive cost on shareholders in part due to the reputational damage associated with the excessive pay.

Prior to casting our votes at the shareholder meeting, we had the opportunity to speak to Persimmon's interim Chairman of the Board and the newly appointed Chairman of the Compensation Committee. They actively encouraged the executives to decrease the size of the awards prior to putting the agenda item up for vote. However, Persimmon's compensation package failed a wide range of the tests incorporated in our executive compensation framework, which in summary stemmed from the poor design of the package itself, leading to excessive awards.

Although we acknowledge the positive steps taken by the company and its executives, including halving the share entitlement and implementing a share price cap, we believe a vote against this proposal is warranted. Despite the heavy criticism around Persimmon's executive pay practices, the proposal was approved at the company's shareholder meeting with a 51.5%-48.5% majority, with around 30% of shareholders abstaining. We will be following up on the dialogue initiated with Persimmon in the upcoming months, and will provide our input into the design of the new long term incentive package.

## **Bezeq The Israeli Telecommunication Corp. Ltd. - 04/26/2018 - Israel**

Proposal: Election of Directors

Bezeq Israeli Telecommunication Corporation Ltd. offers local, long-distance, and international telecommunications services in Israel. The Company also offers Internet access lines, calling cards, and high volume data transfer networks.

Structural issues within Bezeq have significantly affected the recent stock price trend, which has declined by 25% in the last year after several legal and regulatory proceedings were initiated by the Israeli Securities Authorities. Issues involving management turnover and uncertainty, inadequate corporate governance

practices and regulatory risks have directly affected the company and raised significant shareholder concerns. At this year's AGM shareholders had to cast their votes amidst severe turmoil, especially in relation to the board nominations put forward by shareholders and the company.

In June 2017 the Israel Securities Authority (ISA) started an investigation in relation to a related party transaction involving an overpayment in the purchase of DBS Satellite Services (YES), which primarily benefited Bezeq's indirect controlling shareholder Eurocom Holdings. A couple of months later this investigation was expanded to a interested party transaction regarding the provision of services at an unusually high price between YES and Spacecom Communications, a sister company controlled by Eurocom.

Bezeq has experienced management turnover following two series of arrests beginning in July 2017. Most recently, this has included former CEO and former chairman. Following this detention, the CEO resigned from her role in March 2018 and the company announced the appointment of a new CEO, Mr. Paz.

At the April AGM, the board included, at the request of minority shareholders, multiple qualified candidates competing for limited seats, instead of proposing separate slate of candidates. Elliot Advisors, who revealed a 4.8% stake at the company in January 2018, called for the resignation of board members implicated in the investigation. A vote against three board members was cast by Robeco due to their involvement with the Eurocom group. Although these nominees were not implicated in the proceedings, the controversy surrounding the controlling shareholder raises concerns about governance standards and the protection of minority shareholder rights by the board.

A shareholder resolution was also filed by a group of Israeli institutional investors requesting shareholders to cast a vote of no confidence for two external directors since their appointment was not up for vote his year. These directors were involved in the approval of the related party transactions and other actions that are being currently investigated by the ISA. We supported this resolution as we believe there is sufficient evidence to question whether these directors represented the interest of the company and its minority shareholder during their tenure.

### **Johnson & Johnson - 04/26/2018 - United States**

Proposal: Shareholder Proposal Regarding Excluding Compliance Costs for the Purposes of Executive Compensation

Johnson & Johnson, together with its subsidiaries, researches and develops, manufactures, and sells various products in the health care field worldwide.

As one of the key instruments with which executive behavior is guided, evaluated and rewarded, it is essential that a company's executive compensation policy is appropriate, well designed and strongly aligns pay for performance. Over many decades it has been argued that the way an executive remuneration structure is designed impacts the focus, risk appetite and decision horizon for top management. For Robeco, incentive structures and executive remuneration are an important aspect in evaluating the corporate governance structure of its investee companies. In this regards, the metrics against which executive performance is measured and rewarded are of critical importance.

Misalignment between reward metrics and company strategy can lead to substantial disconnect between pay and performance. With this in mind, we analyze on a sector by sector basis the performance metrics which Robeco's corporate governance and voting team, in collaboration with our investment teams, deem as the key metrics to consider when constructing a remuneration

plan to sufficiently align management compensation with the interests of shareholders.

In the case of Johnson & Johnson, the company uses both adjusted earnings per share and adjusted operational earnings per share to measure performance for the purpose of incentive compensation. These are non-GAAP financial measures whose calculations may exclude litigation. Specifically, when calculating its operational EPS, a key metric in calculation of its long term incentive payouts, the company state that net litigation expenses have been excluded figures from the performance outcome.

Given the significant volumes of litigation the company has faced over the course of the last decade, we believe that this approach may result in executive pay outcomes which insulated executives from such legal risks by removing associated costs from the metrics that determine their incentive compensation. On the one hand, insulating executives from the costs of litigation is not an appropriate use of the company's capital. On the other hand, we believe this could also has the effect of over incentivizing risky behavior from executives, whom unlike shareholders, would potentially suffer no downsides from costly litigation against the company.

We therefore supported a shareholder proposal, filed at the company's 2018 Annual General Meeting, requesting that the Company adopt a policy whereby no financial performance metric will be adjusted to exclude legal and compliance costs when evaluating performance for purposes of determining executive compensation. At the shareholder meeting, the proposal received the support of 17% of shareholders.

#### **AT&T, Inc. - 04/27/2018 - United States**

Proposal: Advisory Vote on Executive Compensation

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.

The gap between pay for U.S. chief executive officers and workers within their companies has widened six fold in the last three decades, according to Bloomberg. Executives in the S&P 500 made 347 times more than their employees in 2016, up from 41 to 1 in 1983. Compensation packages need to be competitive enough to attract and retain talented executives, whilst being tied to corporate performance and ensuring long term shareholder value. However, both the costs posed on shareholders of executive compensation packages, and their overall structure, need to be heavily scrutinized when casting votes at the shareholder meeting. For that reason we voted against the advisory vote on executive compensation at AT&T, Inc annual shareholder meeting for a fourth consecutive year.

A large majority of the company's pay package is comprised by the equity awards granted under the long-term incentive package (LTIP), representing almost 60% of the CEO's total compensation. Although performance shares are provided to executives after assessing the company's performance against ROIC and relative TSR, not sufficient disclosure is provided to assess the actual performance delivered by executives. We deem of utmost importance to provide sufficient disclosure to shareholders regarding how performance is assessed and measured, especially when it represents such a large component of the total executive pay.

Relative performance metrics allow direct comparison of the company's performance against peers, in contrast to absolute metrics that may reflect



economic factors beyond the control of executives. Yet, when relative metrics are used, these should be ambitious enough to responsibly incentivize management for its actual performance. AT&T has included relative TSR in its LTIP, however it allows for payouts even though the company underperforms peers since its threshold performance is the 4th quartile. We believe that awards shall be provided if the company at least registers a TSR performance target aligned with the median of peers.

Improvements could be implemented to better align the pay practices of the company to the executive compensation put forward by peers. A review on the disclosure and target-setting of the long term incentive plan would be highly recommended. We will continue monitoring the company's pay practice in the following months.

### **Glaxosmithkline plc - 05/03/2018 - United Kingdom**

Proposal: Election of Directors

Company Description: GlaxoSmithKline PLC operates as a research-based pharmaceutical company. The Company develops, manufactures, and markets vaccines, prescription, and over-the-counter medicines, as well as health-related consumer products. GlaxoSmithKline provides products for infections, depression, skin conditions, asthma, heart and circulatory disease, and cancer.

Bridging the UK gender gap at work has the potential to increase GDP by 5-8 percent on top of business-as-usual forecasts by 2025, implying 840.000 additional female employees, according to FTSE Women Leaders. We believe diversity at the board level and throughout the wider workforce is a key driver of business performance. Since GSK's board constitutes a best practice example in terms of diversity, we supported all board nominations put forward by the Company at the 2018 annual shareholder meeting.

According to research conducted by Robeco SAM, it has been proven that a gender-balanced workforce supports corporate performance in relation to the company's profitability, risk reduction or share price. Gender diverse workforce at all levels of the organization, with equal opportunities for all employees, supports business and financial performance while improving human capital management. Therefore, we encourage companies to enhance diversity throughout their entire organization as we believe it can contribute to increase their competitive advantage.

GSK's nomination committee emphasized the relevance of diversity at the board level and developed measurable objectives to support the implementation of the Board's diversity policy. All non-executive directors serving on the specialized committees have a relevant set of skills according to the responsibilities attached to their roles. More precisely, all directors serving on the audit committee have a strong background in finance, auditing or international markets. We believe this aspect is crucial when taking into account the fiduciary duty of the directors serving on this specialized committee to objectively oversee the financial statements of the company.

Robeco considers that disclosure of remuneration practices helps to attract and retain human capital, and to prevent reputational risk that might arise from identifying significant gender pay gaps. GSK's average gender pay gap for all permanent UK-based GSK employees is 2.81%, outperforming the national average of 17.4% and industry peers average of 14.3%. In terms of gender diversity within different job categories, GSK has a balanced representation of both genders throughout most job categories, including the board of directors. The company stated that closing the gap between the board and executive team gender

representation is a main area of focus.

GSK's standards in terms of diversity reporting and equal remuneration opportunities throughout its workforce outpaces most of its FTSE 100 peers practices. We commend the company's efforts on improving diversity at the board level, thus it constitutes a best practice example referred to when engaging with companies on this topic.

#### **Verizon Communications Inc - 05/03/2018 - United States**

Proposal: Shareholder Proposal Regarding Linking Executive Pay to Cybersecurity

Verizon Communications Inc., through its subsidiaries, offers communications, information, and entertainment products and services to consumers, businesses, and governmental agencies worldwide.

An increasing number of companies are also beginning to build sustainability performance into their remuneration policies, a trend that Robeco encourages and 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. In order to be value adding, and to further enhance the link between pay and long-term performance, companies should include material ESG factors in the long-term component of executive pay.

When sustainability or other non-financial metrics are used in a remuneration program, such metrics should add value for stakeholders and should not create extra bonus pay-outs for normal managerial responsibilities. For example, executives should not receive additional awards for simply maintaining their license to operate in terms of preventing significant environmental damage as a result of their operations. Non-financial targets should therefore be designed to enhance performance, rather than additionally rewarding management for normal expected business practices.

For companies operating within the telecommunications sector, cyber security is of the utmost importance when considering financial materiality. Companies are facing an ever-greater number of cyber-attacks, with the number of data breaches increasing by nearly 70% from 2015 to 2017 in the US alone, according to the US-based think tank, the Identity Theft Resource Center. In addition, the costs to shareholders of such breaches are rising, as we have seen in a plethora of recent cases where cyber breaches have had a direct and immediate impact on share price. Recent analysis by insurance broker Lloyds suggests that a major global cyberattack has the potential to trigger USD 53 billion of economic losses, roughly equivalent to the cost of a major natural disaster such as 2012's Superstorm Sandy.

Given the strong materiality of the topic, we believe it to be appropriate that companies operating in certain sectors, such as telecommunication, use performance on cyber security in executive compensation plans. At the 2018 Annual General Meeting of Verizon, we therefor supported a shareholder proposal requesting that the company publish a report assessing the feasibility of integrating cyber security and data privacy metrics into the performance measures of senior executives under the company's compensation incentive plans. At the 2018 shareholder meeting, the proposal received the support of 11% of shareholders.

#### **American Express Co. - 05/07/2018 - United States**

Proposal: Shareholder Proposal Regarding Independent Board Chair

American Express Company, together with its subsidiaries, provides charge and credit payment card products and travel-related services to consumers and businesses worldwide.

To achieve effective management supervision, it is imperative that the board can exercise independent judgment and is free of conflicts of interest. A continual focus of Robeco's voting activities is therefore the promotion of board independence, whether by promoting an increased percentage of independent representation on the board, or in the separation of the CEO and Chairman positions. However, there are major differences in the extent to which board members can be an effective counterweight to the CEO. One important criteria when assessing board independence is the 'key person risk' which can develop, particularly if the CEO is also chairman of the board. In the US market in particular, it is common to combine the roles of Chief Executive Officer and Chairman of the Board into a dual mandate.

Admittedly, it is important to strike a balance when considering independence. Indeed, there is a counterweight between having a board that is totally independence and having board members who understand the underlying operations of the business. What is therefore of upmost importance is that the board is in a position to act as sparring partner for the management team, and that the CEO is accountable to a board composed of members who have an in-depth understanding the business and the topics at hand, whilst possessing sufficient independence to oppose senior management when needed. 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. For this reason, combining the roles of CEO and chairman of the board cannot be considered best practice.

Given the extensiveness of this practice in the US market, companies who use a dual mandate are often the target of shareholder proposal requesting the appointment of an independent board chair. In the company's case, we believe that, whilst the company has a high level of independence on the board and has appointed a lead independent director (a common position for US companies using a dual mandate to create), the move towards a best practice governance structure, including the appointment of a fully independent chair, would be in the best interests of all shareholders. For this reason, we supported this proposal at the company's 2018 shareholder meeting, where it received the support of 35% of shareholders

#### **Waste Management, Inc. - 05/14/2018 - United States**

Proposal: Election of Directors

Waste Management, Inc. provides waste management services including collection, transfer, recycling, resource recovery, and disposal services, and operates waste-to-energy facilities. The company serves municipal, commercial, industrial, and residential customers throughout North-America. The company was founded in 1971 and headquartered in Houston, Texas.

At the 2018 AGM of Waste Management, Robeco voted against the election of independent board nominee Thomas H. Weidemeyer, whom also served as chair of the nominating and corporate governance committee, as he was responsible for the adaptation of a legal action which negatively influenced shareholder rights.

In the past fiscal year, the board adopted a forum selection clause, designating courts in the state of Delaware as the exclusive forum for legal actions against the company. In other words, if shareholders want to prosecute the company for actions such as claims of breach of fiduciary duty by directors, officers or employees of the company or claims arising pursuant to any provision of state law, the claim

must be filed at a court in Delaware.

Robeco opposes these forms of limitation on legal jurisdictions. Legal action for shareholders are the ultimate way of holding directors accountable when they fail to fulfill their fiduciary duties. These proposals often increase difficulty and costs for shareholders to pursue legal action, ultimately having a negative impact on shareholder rights. Therefore, it is our believe that changes to a companies' articles of association, especially regarding forum selection clauses, should be put up for shareholder vote. However, the board of Waste Management neglected request for shareholder approval when amending this provision. Moreover, the company did not provide a reasonable explanation why the limitation on legal jurisdictions would be in shareholders' best interest.

As board members are elected to protect and manage shareholders' interests, and Mr. Weidemeyer, serving as chair of the corporate governance committee, was accountable for the adaptation of this clause, we hold him responsible and voted against his reelection. During the Annual General Meeting, Mr. Weidemeyer was reelected to the board with 89.78% of the shareholder vote in favor.

### **Intel Corp. - 05/17/2018 - United States**

Proposal: Advisory Vote on Executive Compensation

Intel Corporation designs, manufactures, and sells computer, networking, data storage, and communication platforms worldwide. Its platforms are used in notebooks, desktops, and wireless and wired connectivity products; enterprise, cloud, and communication infrastructure market segments; and retail, automotive, industrial, and various other embedded applications.

At the 2018 AGM of Intel Corporation, Robeco voted against the advisory proposal requesting approval of the executive compensation plan. Our main concerns related to significant one-off payments multiple executive officers received outside of their approved incentive plans for fiscal year 2017. These payments manifested in the form of severance pay, sign on and promotion bonuses, paid out in cash and restricted stock units.

How company' executives are financially incentivized can have significant and wide-ranging consequences on firm performance and the subsequent creation of long term shareholder value. Robeco believes board members should be rewarded through a well-structured and transparent incentive plan, preferably comprised by a fixed salary and both short- and long-term incentive awards.

In the case additional one-off award would have to be made, we look for specific elements that increase the alignment of these awards with shareholders' interests. In first place, we would like to see specific and relevant performance metrics attached to these awards. Secondly, we would prefer the awards to be at least partially payed-out in equity instead of all cash. Lastly, payments should vest over multiple years to secure the long term value of the payments.

In addition to the one-off payments, the compensation plan included a significant increase in fixed salary for the CEO and the plan lacked disclosure of annual bonus performance targets. Additionally, some awards under the LTIP vested below median, of which Robeco is of the opinion that executives should not be rewarded with results below the median peer group performance.

Accordingly, we voted against the advisory proposal requesting approval of the executive compensation plan at the 2018 AGM. The proposal was approved by shareholders at the company's shareholder meeting with 93.90% of votes in favor. We encourage Intel to improve the structure of its executive compensation

package.

## **NTT DoCoMo Inc - 06/19/2018 - Japan**

Proposal: Election of Directors

NTT DOCOMO, INC. provides various types of telecommunication services including cellular phones, satellite mobile communication, and wireless LAN Network. The Company also sells cellular phones, and other related equipment.

The Japanese Corporate Governance Code requires companies to have at least two independent board members able to fulfill their roles and responsibilities while contributing to increasing the corporate value creation over the long-term. In 2017, about 90% of companies listed in the Tokyo Stock Exchange (TSE) complied with this requirement, whereas in 2014 this figure was only 21.5% according to the Japan Exchange Group. Even though having two independent board members became the new norm for Japanese corporate boards, questions regarding the independence classification itself and the suitability of the candidates remain present. At the NTT DoCoMo Inc. Annual General Meeting (AGM) held in June 2018 we voted against the appointment of two affiliated directors due to lack of sufficient independence at both board levels comprising the two-tiered board structure.

The independence standards and qualification for independent directors are determined by TSE, yet companies also need to disclose their standards aimed at securing the effective independence of directors. At the supervisory board level, the company discloses that the nominee Ms. Endo is fully independent with no risk of conflicts of interests. However, the director received remuneration for services rendered for NTT and a subsidiary of the company in the past and is expected to receive compensation from NTT in the future. We believe her objectivity as a board member might be compromised and we refrain from classifying her as an independent board member.

In Japan, it remains challenging to appoint qualified directors with a relevant background according to the nature of the business, mainly due to a relatively small pool of national non-executive directors. For that reason, it is not unusual to encounter non-executive directors with a strong academic background such as Ms. Endo serving on Japanese boards. All in all, the supervisory board failed to comply with the independence criteria at the board level according to our independence standards. For that reason, we cast a vote against Ms. Endo at the company's AGM and urge the company to appoint an additional independent director.

In order to protect the interests of shareholders and given the crucial role of statutory auditors, we believe that the statutory board shall be comprised by at least half of independent directors. NTT statutory board is comprised by solely 40% of independent director. As a consequence, we refrained from supporting the nomination of the affiliated director up to vote as we believe the company could improve the rate of independence at the statutory board level. At the company's AGM all board nominations were supported by shareholders with more than 93% of votes in favor on average.

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