Algemeen Pensioenfonds KLM

Period: July 01, 2015 - September 30, 2015

Table 1. Statistics

Votes Cast	2075	Number of meetings	196
For	1865	With management	1861
Withhold	6	Against management	214
Abstain	1		
Against	203		
Other	0		
Total	**2075**	**Total**	**2075**

In 92 (47%) out of 196 meetings we have cast one or more votes against management recommendation.

General highlights

Special Shareholder Meetings

A listed company is obliged to hold an annual general shareholder meeting every year. These meetings are an important moment of the year for the company because it is when a member of the board, typically the CEO, presents the company's annual accounts. Shareholders with voting rights also have the opportunity to elect board members approving the company auditor and executive remuneration plans. Qualifying investors also have the opportunity to submit shareholder approval of their own proposals on Environmental, Social and Governance issues. However, there are also other types of shareholder meetings. Companies may also convoke shareholders to special shareholder meetings anytime during the year.

The reason to raise a special meeting varies from a change in the name of the company or a merger/acquisition to adding or removing directors from the board or the liquidation of the company prior to the end of its statutory term. The date on which an annual shareholders meeting takes place is announced on time, often after the corporation's fiscal year, to shareholders. Unlike annual meetings, special meetings do not take place on a pre-announced date and time and can take place any time throughout the year. Special shareholder meetings occur often between August and the end of October. An example is the special shareholders meeting of the telecommunications company Altice S.A which took place on the 6th of August 2015. During this meeting shareholder approval for a cross-border merger with New Athena B.V. was asked. Robeco voted against the merger because of serious concerns about the terms of corporate structure of the post-merger entity.

To be able to call a special meeting, specific requirements exist. A special meeting is usually called by directors of the board, a corporation officer or one or more shareholders jointly who own a significant number of the outstanding shares of the company. When shareholders call a special meeting, they should take into account local legislation regarding the minimum percentages of share ownership to be able to call a special meeting.

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The M&A boom of 2015

During a Special Shareholder Meeting shareholder approval is often required on wide variety of topics. This year the most prominent topic in this type of shareholder meetings has been mergers and acquisitions. Valuations of global M&A transactions have been the highest since 2007.

This increase in activity has been attributed to some extent to low-cost financing and the pursuit of growth plans. Some of the transactions witnessed involved big players, resulting in some cases in the transformation of the industries in which companies have combined. Particularly in the pharmaceutical industry big companies reinvented themselves with transactions that targeted certain products to build scale in specific therapeutic areas. Given the high costs involved in developing breakthrough medicines, M&A is a cheap way for pharma companies to acquire leading-edge drugs and treatments. Besides driving agendas of corporate growth, merger transactions have also facilitated some companies migrating to more favourable regulatory environments. For example, the Luxembourg-based telecom company Altice SA caught the attention of investors when it relocated to the Netherlands after it was acquired by a Dutch subsidiary. The move was motivated by an attempt of Altice's founder to maintain control even as he pursues acquisitions across the world that could potentially dilute his controlling ownership. The Netherlands is one of the few European countries that allow companies to adopt dual-class share structures that assign different voting rights to different classes of shares. In the case of Altice, the structure grants the founder 92% of voting power with only 58.5% of ownership in the company.

When voting on proposals of merges and acquisitions, Robeco aims to take a holistic approach that takes into account both investment and corporate governance considerations. This means that the analysis studies the transactions not only in terms of investment opportunity but also the repercussions that they have on corporate governance. In particular, mergers and acquisitions should result in post-merger entities that observe best practices in corporate governance.

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Voting highlights

Altice S.A. - 08/06/2015 - Luxembourg

Altice SA operates as a cable and telecommunications company through its subsidiaries.

Altice SA convened shareholders to its extraordinary general meeting with the purpose of seeking approval to the acquisition of Luxembourg-based telecom by a Dutch subsidiary. This transaction effectively allows the company to move its country of incorporation to the Netherlands. Dutch company law requires comply or explain with the Dutch corporate governance code. Therefore companies have a large degree of discretion regarding the implementation of its corporate governance. As a new Dutch corporate entity, Altice makes use of this opportunity. One example being the implementation of a dual-class share structures. Dual-class structures consist of a share division where companies may issue two classes of shares that grant different rights. Under the new capital structure of the merger agreement, Altice's founder and Chairman would be able to increase its voting power in a manner that is disproportionate to its ownership and secure its control over the company.

Prior to the meeting, Robeco engaged the company and raised several concerns regarding the proposed merger agreement. In addition, Robeco attended the Extraordinary meeting in Luxembourg to voice our concerns with the board members. As a manner of summary, Robeco's main concerns are the following:

Robeco believes that dual share structures granting unequal voting rights can lead to a heightened risk of the controlling shareholder taking advantage of his position to extract private benefits from the company at the cost of minority investors. Altice has been growing rapidly since its initial public offering in 2014 thanks to the acquisition of many cable companies and mobile operators worldwide. However, these acquisitions also dilute voting power. Thanks to the new structure the Chairman, who is also a controlling shareholder with 58.5% ownership, can secure 92% of the company's voting power while the company enjoys greater flexibility for financing and continue pursuing acquisitions.

Apart from the introduction of the dual share class structure, the post-merger entity will not apply best practices to its corporate governance structure. For example, instead of appointing a majority of board members as provided by the code, Altice's board of eight members will only have two independent directors. Also of great concern is the agreement between the Chairman and founder of the company and the board of directors to vote in favor of all the Chairman's proposals for a period of 30 years.

Although the controlling stake of the Chairman secured the approval of the merger agreement, Robeco voted against the it due to the serious concerns about the terms of corporate structure of the post-merger entity.

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Link Real Estate Investment Trust - 07/22/2015 - Hong Kong

The Link Real Estate Investment Trust is a real estate investment trust and focuses on the acquisition of retail properties primarily in Hong Kong.

According to Robeco's corporate governance policy, an audit committee should consist exclusively of independent non-executive directors. This ensures objectivity and independence of the committee's decisions. In our analysis, we found that the company's CEO, CFO, head of Internal Audit and the Head of Risk Management have attended all audit committee meetings. We are of the opinion that this could lead to a diminishment of the objectivity of the audit committee's decision making process. We are in favor of audit committee meetings without the presence of executive directors.

One of the candidates who is up for election as member of the audit committee is an executive. Because we believe that the members of audit committees should consist exclusively of independent and non-executive directors, we have decided to vote against this candidate board member.

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Nike, Inc. - 09/17/2015 - United States

Nike designs, develops, markets, and sells athletic footwear, apparel and, equipment, worldwide.

At Nike's annual general meeting, a shareholder proposal requesting that the company reports in detail direct and indirect political contributions was voted. The proposal is a renewed push for the company to become more transparent regarding its political spending practices. Nike had similar proposals in the agendas of annual meetings in previous years, the latest of which reached 20% shareholder approval in 2013.

Transparency of corporate political spending is increasingly becoming a point of attention for investors. It is a concern that political spending of companies may at times not be aligned with their sustainability strategy. A report produced in 2005 by Accountability, a UK research advisory institute, and the UN Global Compact identified a gap between the public corporate responsibility statements and sustainability commitments of many companies and their lobbying activities. In some cases, the sustainability agendas of companies were contradicted and undermined by the lobbying associations supported through political contributions. Moreover, since 2010 corporate political spending has become an increasingly prominent concern in the US after a Supreme Court ruling removed limits on the amounts that can be contributed to political campaigns.

Robeco supports proper oversight policies and disclosure regarding corporate political spending. When deciding how to vote on these proposals we analyse each company by looking into three broad aspects: (i) the policies on political spending already in place, (ii) the level of disclosure of recipients of political contributions, and (iii) disclosure of the company's decision-making criteria, i.e. public policy priorities. In addition, we pay attention to the disclosure policy on contibutions to trade associations advocacy groups pursuing "grassroots lobbying" or "indirect lobbying". Disclosure of these contributions is either lenient or not required, allowing companies to enjoy anonymity. It is often impossible to track corporate expenditures made to political causes through trade associations or indirect lobbying. This poses the risks that investors are not properly informed about the political causes that companies are supporting, and companies themselves could lose oversight of how their donations are being used.

Robeco supported this shareholder proposal because the current company practices are not aligned with best practice, and they are lagging behing superior levels of transparency of peers. There was concern on some elements of Nike's disclosure policies. Firstly, the policy sets a threshold for reporting where only contributions of over US$100,000 are disclosed. Secondly, contributions to third-party groups such as trade associations are currently not disclosed. Corporate lobbying is often conducted through business and trade associations, thus Nike's reporting practices are very likely excluding relevant part of its political spending. These limitations in the contributions reported prevent shareholders from obtaining a good undertanding of the risks presented by the company's political spending practices. And thirdly, it appears that the board does not maintain full oversight on the contributions made by the company. Contributions to candidates, political parties, ballot initiatives or contributions to an industry association that aggregate to less than $100,000 fall out of the scope of review by the board.

For these reasons Robeco has supported the shareholder proposal in order to encourage the company to enhance its disclosure of political spending.

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Sabmiller plc - 07/23/2015 - United Kingdom

SABMiller Plc is a multinational brewing and beverage company and operates in the beer and soft drinks business.

At this year's annual general meeting of SABMiller Plc. we came across two agenda items which are not in line with best practice in corporate governance which we apply in our voting policy.

The first agenda item of concern is the remuneration report (Advisory vote) of the company. At last year's annual general meeting approximately 6.6% of shareholders voted against the Company's remuneration policy and a further 12.8% abstained.

The remuneration policy has many shortcomings. First, the share option plan uses an absolute single performance metric, rather than a relative one, as the only metric of the long-term incentive plan. Using absolute metrics only may largely reflect economic factors beyond the control of executives rather than the own individual performance of the board members. This does not lead to optimal incentives. Therefore we are more in favor of long term incentive plans which include relative measures. Furthermore, it is best practice to measure performance with multiple metrics because this leads to a more adequate evaluation of the company's performance.

The company has failed to fully disclose the specific targets used under the bonus scheme. Also, SABMiller has not provided an assurance that it will limit equity-based awards to 10% of the Company's issued share capital over a 10-year rolling period according to best practice in the UK. For these reasons, we have not supported the proposal on remuneration report.

The second agenda item we voted against is the re-election of a candidate board member. The candidate is a nominee of Altria Group, which beneficially owns approximately 27% of the company's shareholder capital. This could lead to conflicts of interests. We consider him not independent enough to serve on the board of SABMiller Plc. Moreover this nominee is also a member of the audit committee, which according to our corporate governance best practices should consist exclusively of independent directors to serve in the best interests of shareholders.

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Tate & Lyle plc - 07/29/2015 - United Kingdom

Tate & Lyle Plc. provides ingredients and solutions to the food, beverage, and other industries worldwide. It specializes in manufacturing sugar-based food ingredients, as well as other ingredients, industrial chemicals and animal foods.

At the annual general meeting of 2015, Tate & Lyle Plc. failed to secure shareholder approval on their remuneration report. In general, the company paid more remuneration to its CEO than the median CEO remuneration for a group of similarly sized UK companies. This amount is higher than the median of remuneration paid by a group of UK based companies in the Consumer Staples sector and higher than the median of a group of European Food, Beverage and Tobacco companies. Furthermore the company performed worse than the peers.

The majority of FTSE 350 issuers include extended holding periods in their long term incentive plan award. This is positive, as it strengthens directors' interests with those of shareholders Tate & Lyle Plc has not chosen to implement this in their remuneration plan. Another point of attention is the performance share plan. The performance targets that are part of the company's long term incentive plan are exclusively based on absolute measures. We are of the opinion that this does not reflect the individual performances of executives, because of significant correlations between absolute measures and economic factors. Furthermore Tate & Lyle does not provide a clear description of short term incentive targets under the company's bonus scheme. Given this poor disclosure it is not possible to fairly evaluate the incentive plan.

We also noted that the recruitment awards for the new CFO are not subject to performance but instead have the function to compensate him for the forfeited awards from his prior employer. The company did not disclose the specific performance conditions attached to the £1.2 million buy-out award for the new CFO, and the committee's methodology in setting award levels.

Taking all the items described above into consideration, we have voted against the company's remuneration report.

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