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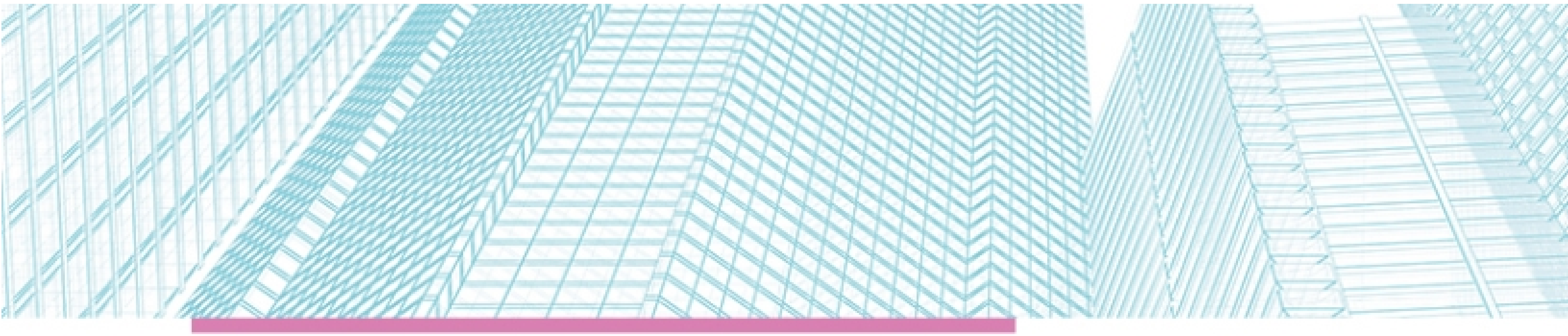
ROBECO
The Investment Engineers



# Proxy Voting Report

Period: July 01, 2018 - September 30, 2018

| Votes Cast | 2344 | Number of meetings | 280 |
|---|---|---|---|
| | | | |
| For | 2041 | With management | 2036 |
| Withhold | 17 | Against management | 308 |
| Abstain | 1 | | |
| Against | 284 | | |
| Other | 1 | | |
| | | | |
| **Total** | **2344** | **Total** | **2344** |

In 144 (51%) out of 280 meetings we have cast one or more votes against management recommendation.

# General Highlights

**Remuneration Escalation: Scrutinizing Executive Pay**

The escalation of executive compensation has been an ongoing contentious topic in the Corporate Governance arena throughout several markets. According to Bloomberg, two main developments contributed to explain this trend: replacing cash awards with equity and the accessibility to data concerning CEO pay packages, allowing executives to compare their remuneration with peers. The ultimate purpose of executive pay packages is to appropriately incentivize management to deliver long-term shareholder value, thus aligning pay and performance. Moreover, with executive pay on the rise, it remains important to ensure an acceptable pay gap between management and the company's wider workforce.

Acknowledging that executive compensation can be one of the most complex proposals up for vote at the shareholder meetings, over the recent years Robeco developed a framework aimed to standardize our voting approach for a wide variety of remuneration plans. The framework sets clear limits on the boundaries of acceptable pay plans, whilst also allowing for a balance between the positive and negative aspects of the pay package within such limits. It focuses on the structure of the remuneration plan, overall level of disclosure, use of non-financial metrics and relative quantum of the plan.

One of the markets heavily exposed to shareholders' judgment on executive pay practices has been the United Kingdom. During the 2018 proxy voting season there have been several shareholder revolts at the shareholder meetings held by FTSE-350 companies due to contentious executive pay packages. Companies such as Persimmon, WPP and Royal Mail have faced severe shareholder opposition at their shareholder meetings. We have closely monitored these cases and, in several instances, engaged with their board members to share our views on their pay practices prior to their shareholder meeting.

Investors are also scrutinizing executive compensation packages more closely in the United States. Morgan Stanley published a study analyzing the link between executive pay and stock performance of their US coverage, concluding that those companies facing repeated shareholder opposition on their say-on-pay underperformed the market three fourth of the times by an average of 20%. The most common driver tends to be absolute levels of CEO compensation, however other factors such as poor stock performance, significant increases in total compensation and higher fixed compensation also play a role. We recognize these critical components in our internal analyses, and as a result this has been reflected in our voting activities.

We expect that companies facing severe shareholder opposition address these concerns by implementing amendments to their executive package up for vote at their next shareholder meeting. In fact, we recognize that a large level of shareholder opposition can be a catalyst for positive change and increased shareholder engagement. For those high-profile cases, we proactively communicate to companies our view regarding their pay practices should a vote against this proposal be warranted from our end at their shareholder meeting.

# Market Highlights

**Dutch Stewardship Code**

Eumedion, the Dutch platform for corporate governance and sustainability, recently published the Dutch Stewardship Code. The code was drafted by a group of institutional investors, including pension funds and assets managers. Robeco also helped drafting the Code as member of the Eumedion working group.

The code aims to promote long term, sustainable value creation and is relevant for all institutional investors holding stock in Dutch companies. It focuses on the role of asset owners and managers in monitoring the boards of the companies in which they invest. This stewardship role includes voting at general shareholding meetings and engaging with listed companies. The formulation of an official Dutch Stewardship Code is useful because it encourages institutional investors to align their approach towards companies. As a consequence, investors benefit from a stronger position when discussing issues of concern with these companies as their stance is better aligned.

The Stewardship Code contains eleven principles, including the requirement for asset owners and managers to have a public stewardship policy. Another requirement would be to not only monitor their Dutch listed investee companies, but also to be prepared to enter into dialogue with the company's executives or supervisors in case of material concerns. Additionally, institutional investors should be prepared to escalate their stewardship activities in case these dialogues result to be ineffective.

In comparison with the European Shareholder Rights Directive, which is expected to enter into force next year, the Dutch Stewardship Code is regarded less high-level and on multiple topics more demanding. Examples of these topics are the need for institutional investors to have a public voting policy or the mandatory explanation of their most controversial voting decisions.

Overall, the expectation is that the Stewardship Code will receive broad support of the industry. In comparison with some other codes, the Dutch Stewardship Code does not only focus on the monitoring of Environmental, Social, or Governance issues but also on other important aspects related to long-term value creation. Examples here are the companies' strategy, performance, risks and opportunities, or capital structure.
Robeco already has policies and processes for almost every requirement included in the Code, such as having a high-quality stewardship policy in place. However, signing a new stewardship code still requires to re-evaluate policies, explicitly translating certain practices into policy commitments. This valuable exercise contributes to enhance the degree of explicitly of our approach and improve our processes, which is also an important aspect for clients.

# Voting Highlights

**Royal Mail Plc - 07/19/2018 - United Kingdom**
Proposal: Executive Compensation

Royal Mail plc. is a postal and delivery service company domiciled in the United Kingdom. The company delivers parcels and letters, produces stamps, and provides marketing services under the Royal Mail and Parcelforce brands. The company organizes itself into two segments, based on geography: U.K. operations and non-U.K. operations. Royal Mail derives the majority of revenue from U.K. operations, the company's domestic business.

Almost one in five FTSE-100 companies received more than 20% of votes against their executive pay packages in their 2018 shareholder meetings. Royal Mail was no exception to this rule. Three-quarters of its shareholder base opposed the remuneration package up for vote at the company's shareholder meeting. After discussing this proposal prior to the shareholder meeting with Royal Mail's non-executive directors through a conference call, a vote against this resolution was cast due to reservations regrading several components included in the pay package.

The newly appointed chief executive officer (CEO) will be earning a base salary 17% higher than his predecessor. Although this increase will be compensated by a decrease in the executive's pension entitlement, thereby matching his final fixed salary to the figure earned by the former CEO, this amendment has significant implications to the variable pay. The maximum payout that executives can earn under the variable pay is expressed as a fixed percentage of their base salary. As a result, the proposed increase in the base salary of the newly appointed CEO will have a compounding effect on the amount of the short and long-term incentive plan that he is entitled to. Acknowledging that attractive recruitment packages are needed when bringing new CEOs onboard, we would prefer a progressive increase in the total pay over the executive's term of office directly linked to his performance.

The incoming CEO received a buy-out payment of £6 million for leaving Royal Mail's European subsidiary and subsequently joining the company. Royal Mail claims that this payment does not constitute a sign-on bonus since he was not appointed CEO when the payment was made, thus categorizing it as a related party transaction. We acknowledge the transparency put forward by the company, however we consider both the quantum and momentum of this one-off payment inappropriate taking into account his new role in the company.

Even though the shareholder vote is advisory and the company is not obliged to change its pay arrangements, Royal Mail has proactively reached out to several stakeholders seeking for feedback regarding this matter. Robeco spoke to Royal Mail's non-executive board members and independent consultants during Q3 in order to shed some light on potential improvements that can be implemented in its compensation practices. Discussions have proven to be constructive and the engagement will be extended further as the company is considering to amend its current executive pay package.

**SSE Plc. - 07/19/2018 - United Kingdom**
Proposal: Audit Fees

SSE plc. generates, transmits, distributes, and supplies electricity to industrial, commercial, and domestic customers in the United Kingdom and Ireland. The company transmits and distributes electricity to approximately 3.7 million homes and businesses across the north of the central belt of Scotland and also central southern England. The Company also stores and distributes natural gas, and operates a telecommunications network that offers bandwidth and capacity to companies, public sector organizations, Internet service providers, and others.

During the 2018 AGM of SSE Plc. we voted against the appointment of the auditor and additionally the authority to set auditor's fees. The main reason for our objection to these proposals was the relatively large share of non-audit fees paid to the companies auditor. Robeco believes the external auditor should be compensated to perform the audit function in an independent manner, therefore situations in which the independence can be jeopardized shall be monitored closely by shareholders.

Besides the regular audit costs, it is regarded normal practice for a large public company to have additional costs incurred by the auditor. Most of these expenses are related to audit-related services, but often the auditor also performs non-audit related activities, such as consultancy services. Robeco recognizes the occasional need for companies to undertake these type of services, however we believe that the payment for these services should represent a small proportion of the overall fees paid to auditor in order to avoid jeopardizing the level of independence of the auditor.

In the case of SSE Plc., the total non-audit fees totaled over one million pounds and represented almost 40% of the total fees paid to the auditor . Moreover the company paid these significant non-audit fees for over 3 years in a row, which we believe is not considered as a best practice since it can compromise the independent and objective assessment of the auditor.

As a result, Robeco voted against the proposal, which passed at the shareholder the meeting with 94% of votes in favor. Robeco encourages the company to consciously decide which firms it chooses to hire when it comes to auditing and non-auditing activities in order to avoid any concern in relation to the auditor level of independence.

**Vmware Inc. - 07/19/2018 - United States**
Proposal: Executive Compensation

VMware, Inc. provides compute, cloud, mobility, networking, and security infrastructure software to businesses in the United States and internationally. The Company offers products that addresses a range of IT problems which includes cost and operational inefficiencies, business continuity, software lifecycle management, and desktop management. The company was incorporated in 1998 and is headquartered in Palo Alto, California. VMware, Inc. is a subsidiary of Dell Technologies Inc.

At the 2018 AGM of VMWare, Inc. Robeco voted against a proposal requesting an advisory vote on executive compensation. The main reason for this vote was the excessive one-time awards paid to several executives outside of the conventional pay package.

The company established a one-time performance stock unit plan aimed to incentivize management to continue progressing towards growing the company's cloud and software as a service business. These objectives were recognized by the board as critical components to the long-term success of the business in the mobile cloud era. There is significant overlap in terms of performance metrics in the pay package, since the current annual bonus already includes performance targets related to hybrid cloud and software as service revenue. Therefore we question whether the overlap is justified and the overall relevance of the one-time award.

In instances where one-time payments are provided by the remuneration committee, we would prefer stock awards over cash as this helps to align the interests of management and shareholders. These awards should be linked to performance measures and targets in order to incentivize executives to pursue the strategic goals of the company. Additionally, in order to incentivize management to prioritize long-term goals, the performance period assessed should be at least three years.

Although the company met most of these requirements, we had several reservations regarding this component of the pay package. We believe that excessive pay-outs outside of the conventional executive pay package might jeopardize the purpose of the formal incentives in place. The quantum of these one-time awards is considered excessive, ranging between two to four times the base salaries of the executives benefiting from this plan. We would recommended the company to amend the current remuneration in place to take into account the specific performance metrics included in the one-time payment plan, instead of providing a one-time award outside of the conventional pay package.

Robeco voted against the remuneration proposal up for vote at the company's shareholder meeting held in July 2018. The resolution passed the AGM with almost 99% of votes in favor. However, if the voting instructions from the controlling shareholder are excluded, actually 25% of shareholders voted against the proposal. We will continue to monitor the pay practices of VMWare going forward.

**Link Real Estate Investment Trust - 07/25/2018 - Hong Kong**
Proposal: Election of Directors

Link Real Estate Investment Trust is managed by Link Asset Management Limited and is the first real estate investment trust in Hong Kong. The company acquires and manages retail facilities, car parks, and offices across China with a focus in Hong Kong.

Listed companies in Hong Kong are subject to the 'Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited'. These rules require that at least one-third of a company's board consist of independent directors. They also stipulate that one-third of board members must stand for reelection every year and all directors are subject to retirement by rotation at least once every three years. Because Link Real Estate Investment Trust exceeds these minimum requirements we voted in favor of electing all directors at the 2018 annual meeting.

The board at Link Real Estate Investment Trust consist of thirteen directors, of which more than three-quarters are independent. The age of directors ranges from 39 to 68, and the average number of years served on the board is 5 years. This diversity in age and tenure makes for a sustainable board composition in that younger directors may learn from directors with more experience who may be subject to retirement.

The company's current board displays a balanced spread age and board experience. Furthermore, nearly a third of the board consists of female directors. This is particularly important since there are no board composition requirements on gender diversity. Members with diverse backgrounds enable the board to address a variety of challenges by bringing a broad range of experience and solutions. Gender diversity is one facet of board composition included in the range of backgrounds. Link Real Estate elected four female board members, promoting gender diversity at the board level in a region where it is seemingly neglected.

An independent board allows for the objective oversight of management and reinforces shareholder interests within a company. Therefore we believe an independent board enhances a company's management by striking a balance between short-term decision-making and long term value creation. In Hong Kong, this independence is particularly important given that one-tier board structures are commonplace. For the past two years, all board nominations were supported by at least 97% of votes cast.

**Posco - 07/27/2018 - South Korea**
Proposal: Election of Directors

Posco is the largest steel producer in South Korea and one of the top steel producers globally. It mainly produces flat steel and stainless steel from its two integrated steel facilities. It is exposed to the auto, shipbuilding, home appliance, engineering, and machinery industries. Posco controls around 40% of South Korean domestic market share and exports around 45%-50% of its steel products overseas, mainly to Asian countries. Through diversification, around 15%-20% of its revenue comes from non-steel and trading-related businesses.

A single agenda item requesting the appointment of the new Executive Chair and CEO was up for vote at the company's Extraordinary General Meeting (EGM) held in July. This nomination was put forward due to the candidate's experience in finance and capital allocation. Posco experienced severe turmoil in relation to management performance after an investigation covering corruption and politics-business collusion began in 2015. Due to our reservations regarding the lack of appropriate refreshment at the management level required after this scandal, a vote against this nominee was cast.

We have been engaging with Posco for three years in relation to its corporate governance practices. Given the systematical disregard of shareholders' concern regarding the company's corporate governance issues and capital allocation strategy, we believe the company could improve its approach towards stakeholder management. Moreover, disproportionate political influence is still present both at the management and board level. For that reason we refrained from supporting the nomination of the new Executive Chair and CEO as he belongs to the company's current management team.

Posco's compliance systems and anti-corruption policy has improved over the last years. Nonetheless, the company still faces a set of social and corporate governance issues that are not being addressed in a transparent manner neither by management nor the supervisory board. We remain concerned regarding the overall low level of independent oversight present at the supervisory board, as only half of the board is comprised by independent directors.

To rebuild shareholder trust, we encourage the company to refresh the executive team by appointing members who are not related to the former management team. At the EGM held in July the proposal received a majority of votes in favor from shareholders, therefore officially appointing the candidate as new Executive and CEO of the company. It remains to be seen if the incoming CEO will implement a more shareholder-friendly agenda, including an amendment of the dividend policy once the company publishes changes to its strategy and investments later in November 2018.

**Michael Kors Holdings Ltd - 08/01/2018 - United States**
Proposal: Shareholder Proposal Regarding Renewable Energy Sourcing

Michael Kors is a luxury fashion group that designs and distributes branded women's apparel and accessories, sportswear, footwear, and men's apparel. The company operates in retail, wholesale, and licenses trademarked like fragrances and jewelry. The company was founded in 2002, and is based in London.

There is no doubt that businesses have a crucial role to play in the transition to a renewable-energy economy. This transition is necessary for meeting carbon emission targets and moving towards a cleaner energy supply. However, an individual business' contribution to this transition varies greatly across sectors. For instance, electricity and heat production accounted for 30% of all CO2 emissions in 2017, while industrial processes were responsible for just 6%. Michael Kors may not directly contribute to CO2 emission through energy generation, but they still have a role to play in the renewable energy transition. Therefore, we voted in favor of a shareholder proposal requesting the company to issue a renewable energy report.

In 2017, the fashion industry generated 1.2 billion tons of greenhouse gas emissions – just over 2% of global GHG emissions. These emissions are in part due to the transport of materials, but also due to the agricultural production underpinning the industry. Roughly 75% of clothing contains some amount of cotton, which is one of the most resource inefficient crops. It takes 2,500 liters of water to produce 250 grams of cotton. Furthermore, cotton covers 2.5% of the world's cultivated land but uses 16% of the world's insecticides. A significant portion of this footprint also comes from the disposal of clothing due to the short life-cycle of many fashion products. Even though the fashion industry is not the largest emitter of greenhouse gasses (GHGs), efforts to reduce emissions can have a significant impact on global emission levels.

The proposal requested that the company generate a report on the feasibility of adopting time-bound, quantitative goals to increase renewable energy use and efficiency. While we fully support the disclosure of a business' environmental impact, the implementation of fixed targets requires careful consideration. Setting quantifiable renewable energy targets can expose the company to risks that are not shared by industry competitors. In this case, the targets were non-binding so there was little exposure to such a risk.

In response to the proposal, the company was quick to highlight its investments in renewable energy generation and initiatives to improve energy efficiency. We believe this disclosure is an important first step in the company's contribution to a renewable energy economy, which is why we voted in favor of the proposal.

**Xilinx, Inc. - 08/01/2018 - United States**
Proposal: Executive Compensation

Xilinx Inc. is an American technology company that designs and manufactures programmable devices used for various technologies around the world. Founded in 1984, the company became known for their programmable silicon, which laid the foundation for products such as the field-programmable gate array (FPGA) and adaptive compute acceleration platform (ACAP).

Executive compensation packages are a useful tool to attract and retain new talent, while ensuring that management is properly incentivized to deliver long-term shareholder value. An important component is the termination policy in place and subsequent severance payments that it might trigger. The remuneration committee shall be responsible of clearly stating the applicable caps used for determining the quantum of the severance pays. We believe that Xilinx exceeded the international best practice in terms of severance payment provided to the outgoing CEO, therefore we voted against the advisory vote on executive compensation at the company's shareholder meeting.

On January 4th 2018, it was announced that the current CEO, Moshe Gavrielov, would be succeeded by Victor Peng on January 29th. Although Mr. Peng's succession was expected, the earliness of the transition required an amendment to Mr. Gavrielov's employment agreement. The initial plan was to award Mr.

Gavrielov $10 million in equity that would vest over 6 years. Additionally, he would be employed as a consultant for 1 year after the succession to ensure a smooth transition in management. Upon the acceleration of this succession, the employment agreement was amended and the vesting of Mr. Gavrielov's awards were also accelerated.

His total compensation for 2018 increased to $22.7 mln - which includes equity awards, a severance payment, and a consulting fee, all on top of his base salary. Mr. Gavrielov ultimately received a payout 2.8 times greater than initially planned, making his salary for 2018 7.2 times greater than his base salary. In addition to being excessive, the granted awards were not based on any performance metrics. This unalignment between pay and performance does not adequately incentivize executives to act in the best interest of the company. salary. We question whether this expanded severance benefits ultimately serve shareholders' interests and represent an appropriate use of the company's capital.

Linking performance metrics to the vesting of equity awards is one way of improving alignment between executive pay and performance. Furthermore, notice should be given to shareholders in the event of accelerated vesting periods of an outgoing CEO. Going forward, we will continue to monitor the executive compensation plans at Xilinx.

**Naspers Ltd - 08/24/2018 - South Africa**
Proposal: Executive Compensation

Naspers Ltd. is a global Internet and entertainment group and technology investors in the world. Operating in more than 120 countries and markets with long-term growth potential, Naspers builds companies that empower people and enrich communities. It runs some of the world's leading platforms in internet, video entertainment, and media. Naspers companies connect people to each other and wider world, help people improve their daily lives, and entertain audiences with the best of local and global content.

Last year Naspers faced significant shareholder opposition at their shareholder meeting after 20% of its shareholders voted against the executive remuneration plan. Their main concerns were a lack of overall disclosure and discretionary payments granted under the long term incentive plan. Shareholders' concerns were immediately tackled by the board through implementing a set of positive changes in its executive pay package up for vote at this year's shareholder meeting. As a result, we supported Naspers' remuneration policy its 2018 shareholder meeting.

The remuneration policy up for vote introduced a two-year clawback provision on both short- and long-term incentives for all executives. This implies that Naspers' remuneration committee will be able to claw back the incentive paid in a particular financial year in the event of material financial misstatement or gross misconduct undertaken by individual executives. We welcome this amendment as it provides shareholders with a robust provision that protects their interests by holding management accountable in case they breach their fiduciary duties and responsibilities.

It is defined in the new remuneration policy that, starting from financial year 2019, Naspers' chief executive officer will be required to hold company's stock equivalent to ten times his annual salary. Stock ownership guidelines are an effective way to align management and shareholder interests as it requires senior executives to hold significant amount of stock as part of their wealth. This positive development is in line with international corporate governance best practices.

Disclosure of the executive remuneration structure has improved since last year, showing a clearer connection between business strategy, operational results, pay design and outcomes. A concise performance metric has been included under the long-term incentive plan (LTIP), further aligning executive pay and performance. Executive directors are eligible to receive share appreciation rights under the LTIP if they achieve specific performance targets related to the business value. This development mitigates one of the main concerns raised last year by shareholders.

Another major change that has been implemented at the board level is the refreshment of the remuneration committee. Two independent board members currently serving on the board have been appointed to serve on the remuneration committee. The profile and background of these directors contribute to strengthen the committee's global orientation and exposure to future business developments.

We have a positive view on the recent amendments implemented in the company's executive compensation policy and board composition. As a result, we supported these resolutions up for vote at the shareholder meeting held at the end of August. Despite the changes implemented by the company, almost 14% of shareholders voted against the remuneration policy at this year's shareholder meeting. It remains to be seen how the company will tackle the shareholder discomfort going forward.

**Berkeley Group Holdings - 09/05/2018 - United Kingdom**
Proposal: Executive Compensation

Berkeley Group Holdings plc. is a British residential construction company that operates five subsidiary construction companies around London and southern England. The company mainly focuses on higher-end neighborhood and urban development projects ranging from single-family homes to luxury apartment building and flats in London.

At last year's shareholder meeting, Berkeley implemented several changes in its executive pay package in order to address shareholders' concerns, one of these being the inclusion of total remuneration caps. We remain concerned regarding the overall structure of the incentive plan despite the changes put forward. As a result, we voted against Berkeley's remuneration report included in its annual shareholder meeting for the fourth consecutive year. Prior to casting our votes at this shareholder meeting we had the opportunity to discuss our concerns with Berkeley's Investor Relations department, covering several critical components of the company's executive pay package.

The company has a rather unusual long-term incentive plan (LTIP) in place in comparison to the market standard. It awards stock options that vest and become exercisable in annual tranches based on cumulative return targets. We are concerned that the current LTIP performance approach provides incentives to prioritize cash returns rather than other potential long-term investments better aligned with ensuring a sustainable business growth. Performance hurdles for the LTIP might actually encourage management to adopt a short-term focus. We encourage companies to include cash-generating metrics under the annual bonus, and focus their long-term variable pay on performance metrics related to their business strategy.

Awards provided under the LTIP are granted solely in stock options. Although we encourage companies to provide equity awards to further align the interest of management and shareholders, certain stock awards such as stock options are less desirable. Options provide unlimited upside advantages to executives but not a proportional downside risk. We suggest companies to limit the use of stock options up to half of the long term incentive plan, combining these with diverse award types such as performance stock units.

Executive pay packages shall incentivize management to outperform. Therefore it's crucial to define a set of ambitious performance targets that motivates management to go the extra mile to ensure long-term shareholder value creation. Under the company's annual bonus it can be seen that actual performance achieved under ROE (39.3%) and Net Asset Value (22.6%) significantly outperforms the targets defined by the remuneration committee, being 30% and 5% respectively. Although the company experienced a very high ROE reflecting the path from their development business segment, they expect a more adverse operating environment in the upcoming years which will adjust the company's income statement to a more reasonable level of profit. We encouraged the company to adjust the performance targets to better reflect the business context.

At the company's shareholder meeting only 7.5% of the shareholders voted against this resolution. We will continue our engagement discussions with Berkeley providing them with constructive feedback regarding their pay practices, to ensure it aligns better executive pay and performance over the long term.