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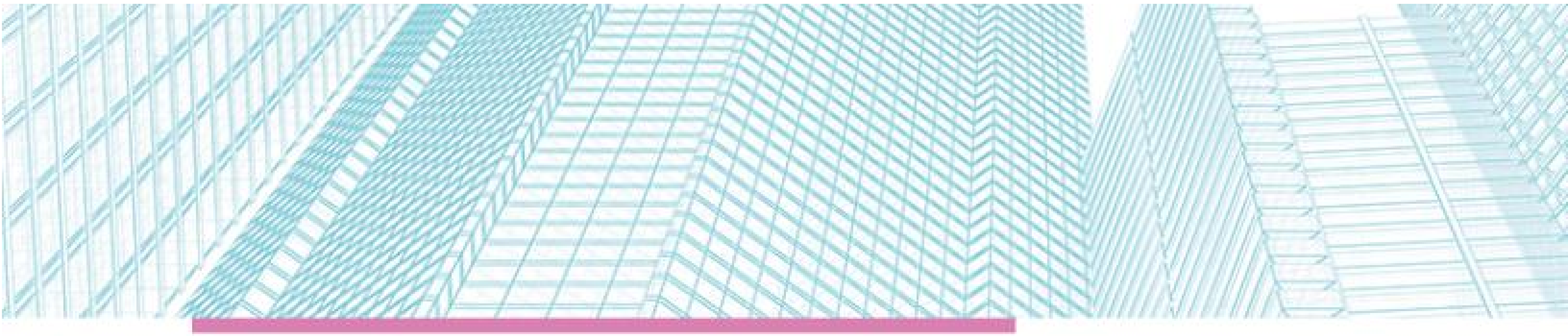

Proxy Voting Report

Period: July 01, 2020 - September 30, 2020

Votes Cast	**3876**	**Number of meetings**	**387**
For	3287	With management	3246
Withhold	15	Against management	630
Abstain	69		
Against	501		
Other	4		
Total	**3876**	**Total**	**3876**

In 227 (59%) out of 387 meetings we have cast one or more votes against management recommendation.

General highlights

The Outcomes of Say-on-Pay Votes

The introduction of Say-on-Pay (SOP) regulation in 2002 was intended to improve the ability of shareholders to voice their discontent with companies' remuneration practices. It was thought to ensure that boards were held accountable for alignment between CEO pay and shareholder expectations related to remuneration. Nearly two decades after the first introduction in the United Kingdom various other countries have adopted their own versions of SOP. For example, the Netherlands (2004), Australia (2005) and the United States (2011) all followed suit. Although country specific regulations vary in the level of strictness related to the vote (advisory or binding) all different versions of SOP can be broadly defined as any shareholder vote regarding the approval of executive compensation or parts of it during a firm's annual general meetings. Since the introduction of SOP many observers and practitioners have endeavored to analyze the outcomes.

Research has identified three remuneration related improvements that occur following shareholder dissent of at least ten percent on SOP. First, SOP can help lower excessive compensation levels. Specifically, firms have been found to lower annual bonusses, severance arrangements and salaries. Secondly, the structure of the compensation is changed to improve Pay Performance Sensitivity ensuring a tighter relation between a company's performance and the CEO's remuneration. This improvement of alignment can be seen by an increase of incentive-based pay relative to salary. Lastly, the introduction of SOP has helped to improve disclosure on company's remuneration practices. This is partially due to the legal requirement in certain markets but is also in part guided by shareholders demanding further disclosure to be able to better monitor pay practices. These findings of SOP leading to the remuneration improvements are robust. Researchers from the US Federal Reserve Board found that when comparing an international sample of firms with and without SOP that CEO pay declines on average by 7%, and the Pay Performance Sensitivity of the compensation schemes increases on average by 5%.

Despite several studies finding that SOP can be an effective tool in monitoring executive pay there is no academic consensus on the effectiveness of SOP in all scenarios. Specifically, SOP is more likely to be effective in corporations with overall good corporate governance structures such as greater ownership dispersion and a higher percentage of independent directors. Additionally, several studies have highlighted that for SOP to lead to change in remuneration practices a certain level of dissent has to be reached. There are several factors, such as shareholder collaborations, proxy advisors, and the media that can help accrue this critical mass of dissent. As these actors continue to home in on the subject, we believe executive remuneration will continue to become better aligned with the creation of long-term shareholder value.

Anti-social Shareholder Proposals

Every year, shareholders vote on a handful of "antisocial" shareholder proposals. The most frequent proponents of these proposals are Burn More Coal, a special-interest group supportive of the coal industry, and the Free Enterprise Project, the conservative shareholder activist arm of the National Center for Public Policy Research (NCPPR). Generally, proponents of these proposals are critical of companies' progressive efforts with respect to environmental, social, and governance issues. As such, these proposals are generally aimed at curbing those efforts. At first glance, these proposals appear to be aimed at increasing disclosure and transparency – two aspects that typically garner widespread shareholder support. However, further investigation reveals that the proponent's intentions are usually much more subversive.

The Securities and Exchange Commission (SEC) in the US allows corporations to exclude any resolution from its proxy materials that is substantially similar to one it has already received. This regulation prevents shareholders from having to vote more than once on the same proposal and saves corporate resources from being spent on redundant shareholder concerns. However, proponents like the NCPPR utilize this rule to undermine shareholder proposals that would have been filed by ESG-minded shareholders. On several occasions during the 2020 US proxy voting season, sustainability-related shareholder proposals were rejected by the SEC for being too similar to their anti-social counterparts. And while resolution texts may be very similar, proposals' supporting statements offer management important background on how to implement requests, and these vary drastically between anti-social and ESG-supporting proposals. Supporting anti-social proposals would send a dangerous signal to management to avoid addressing material ESG risks proactively.

However, perhaps due to low shareholder support last year, these entities submitted significantly fewer proposals than they did in 2019—Burn More Coal and NCPRR together submitted 13 proposals to date, compared to 26 in 2019. Due to the broad range of issues addressed by shareholder proposals, they need to be assessed on a case-by-case basis. Nonetheless, shareholders proposals should not be used to undermine the material concerns raised by other shareholders.

Voting highlights

Electronic Arts, Inc. - 08/06/2020 - United States
Proposal: Advisory Vote on Executive Compensation

Electronic Arts Inc. develops, publishes, and distributes branded interactive entertainment software worldwide for video game consoles, personal computers, handheld game players, and cellular handsets. The Company also provides online game-related services.

We voted against the advisory vote on executive compensation at Electronic Arts' shareholder meeting held on August 8th. We found that total executive compensation was excessive and that there were substantial retention awards. Excessive pay can represent a significant cost to shareholders, whether through cash awards or dilutive share grants, and is often out of touch with actual company performance. The retention awards granted to Mr. Jorgensen, Ms. Miele, and Mr. Moss caused concern as the grants were awarded despite a below-target performance in the long-term incentives cycle.

In general, we are extra attentive to one-time payments that are not part of the incentive plans, since they can undermine the link between pay and performance. We carefully examined the company's decision to grant substantial PSU retention awards that were linked to achieving certain performance targets over the next four years. EA justified the grants by claiming they provide "significant retention and incentive motivation". In this case, we consider this justification insufficient to provide approximately USD 20 million over four years to three NEOs additional to their existing long term pay packages.

Another main concern, which we also encountered in previous years, is the retesting opportunity Electronic Arts Inc. provides. Retesting opportunities can compromise the integrity of the incentive payment structure. This mechanism provides NEOs the opportunity to earn the same awards, without holding them accountable for negative results that took place in the past, thus it fails to mirror the performance of the entire period. Furthermore, we believe that the performance period of less than three years, and the use of a single performance metric in the long-term incentives is not sufficient to align executives' incentives to the long-term shareholder value creation.

Lastly, we were worried by the company's lack of disclosure regarding the threshold, and maximum performance targets under the short-term incentives plan, which would allow us to better understand how the performance is translated into payouts.

Naspers Ltd - 08/21/2020 - South Africa
Proposal: Approve Remuneration Policy and Implementation Report

Naspers Limited operates in the technology industry. The Company invests in global internet companies across the world.

Despite the amendments Naspers has made to its remuneration plan over the years, the company continues to face shareholder opposition to its pay practices. In the past, this opposition was due to the lack of overall disclosure and the use of discretionary payments granted under the long-term incentive plan, but the company has since engaged with shareholders to alleviate these concerns.

One of the changes was a requirement for the CEO to hold company 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. These ownership guidelines are increasingly common and have become a best practice in terms of international corporate governance. Nonetheless, there are still issues with the overall structure of the remuneration plan. For instance, the long-term incentive plan pays out according to single metrics such as share price for the share option awards and 'business value' for the Stock Appreciation Rights. We find that this arrangement allows for an exceptionally high payout for hitting a single target. Alternatively, a remuneration plan based on a variety of relevant performance metrics would better gauge the company's performance.

Another outstanding concern with the remuneration plan is the persistent lack of disclosure around individual incentive limits. Without these limits, it is unclear what the maximum payout potential is for executives, which exacerbates existing concerns around the quantum of CEO pay. Additionally, the company has not provided a rationale for the short performance and vesting periods under the long-term incentive plan, which altogether demonstrates that there is still room to improve the disclosure on remuneration.

While we recognize that the company has made significant progress to its remuneration plan over the years, we remain concerned around the level of disclosure and insufficient performance hurdles which led to our votes against the company's remuneration practices at their recent shareholder meeting.

Take-Two Interactive Software, Inc. - 09/16/2020 - United States
Proposal: Advisory Vote on Executive Compensation

Take-Two Interactive Software, Inc. develops, markets, distributes, and publishes interactive entertainment software games and accessories. The Company's products are for console systems, handheld gaming systems and personal computers and are delivered through physical retail, digital download, online, and cloud streaming services.

Take-Two Interactive's compensation arrangements for executives are somewhat unique, in that the company does not pay its CEO and President directly, besides a symbolic USD 1 salary. Instead, the company has entered into a management agreement with ZelnickMedia, a group of private equity investors focusing on the media and communications sectors. ZelnickMedia, in turn, pays Strauss Zenick and Karl Slatoff, Take-Two's CEO and President, respectively. While not immediately cause for concern, such a structure may raise some eyebrows, especially if the underlying payout plan is poorly structured and transparency is lacking.

We found this to be the case here, as we voted against the say-on-pay proposal at Take-Two's September AGM. The compensation plan structure is relatively standard, with a base salary, cash annual bonus, and equity long-term incentive plan (LTIP). However, the performance and vesting periods for LTIPs should be at minimum three years to be considered truly long-term oriented. Take-Two's LTIP only foresees a two-year performance and vesting period under the agreement with ZelnickMedia. The other executives are subject to a three-year period. This discrepancy is particularly concerning, as it may lead to conflicts between managements' planning horizons.

We also took issue with the structure of performance metrics under the LTIP. A relative TSR metric makes up three-quarters of the LTIP goals, and already pays out at a performance level below median of the peer group. We see this as a consistent issue in the US, as it rewards executives for relative underperformance. An even more problematic element of the compensation plan was the treatment of a metric measuring recurrent consumer spending. The measurement was conducted on both an absolute and relative basis, but only the greater of the two metrics counts for the ultimate payout. Such cherry picking is not acceptable in a performance-based compensation plan.

In combination with the fact that ZelnickMedia does not disclose the actual compensation paid to each executive each year, these issues mean the company's compensation practices are well below best practice.

Nike, Inc. - 09/17/2020 - United States
Proposal: Advisory Vote on Executive Compensation

Nike, Inc. designs, develops, and markets athletic footwear, apparel, equipment, and accessory products for men, women, and children. The Company sells its products worldwide to retail stores, through its own stores, subsidiaries, and distributors.

Nike's remuneration report showed some staggering levels of compensation this year. Its newly appointed CEO John Donahue received over fifty million dollars, more than triple the compensation his predecessor Mark Parker received the year prior. Although a change in executive leadership is likely paired with a change in remuneration structure and quantum this level of change is uncommon. Several concerning factors contributed to our vote against the say-on-pay proposal at Nike's 2020 AGM.

The extraordinary height of Donahoe's newly negotiated executive compensation package cannot be traced back to one specific element. On the one hand, some good practices are followed with the annualized base salary as well as target and maximum payout of the STI being lowered compared to previous years. On the other hand, the compensation became excessive through the granting of a sign-on bonus of options and RSUs worth 35million and an additional 10 million in cash payments for outstanding tranches of LTIPs. Both of these compensation practices are common to increase stock holding to align incentives with shareholders as well as compensate an executive for missed compensation at a previous employer. However, in this case the total quantum of this package is particularly concerning.

Additional to these more common compensation elements both the current and former CEO were each awarded a transition award of 10million cash with a performance period of 1.5 years. Although the company justifies this bonus to assure a smooth transition between the executives, the necessity and structure of this award is unclear. Since both executives remain in the employment of the company, have experience working together and are incentivized by other compensation to pursue long term company value the need for an additional grant is questionable. Furthermore, the chosen grant structure of a cash award with a 1.5-year performance period does not help to guarantee long term value creation.

Besides the CEO pay package, Nike made an additional controversial executive compensation decision by granting discretionary bonus payments to all its executives. The discretionary cash payments are a response to neither STI nor LTI targets being met in light of the Covid-19 pandemic. The company argues that the executives were meeting the targets for the first three quarters and thus should be compensated accordingly. We strongly discourage this practice as it defies the fail-safes that a well-structured executive compensation puts in place to ensure that compensation matches overall company performance and stakeholder experience. Compensation should reflect actual performance rather than projected performance.

Unilever NV - 09/21/2020 - Netherlands
Proposal: Unification

Unilever NV manufactures branded and packaged consumer goods, including food, detergents, fragrances, home, and personal care products.

In September, Unilever held a special shareholder meeting to propose the unification of its Dutch and British entities into one company incorporated in the United Kingdom. We supported the unification along with 99% of NV shareholders, as it brings about several organizational and corporate governance improvements.

From an organizational perspective, as a split entity, Unilever cannot fully benefit from its total market size because each entity is valued at its individual market capitalization. Unilever has previously attempted to incorporate as a Dutch entity, largely opposed by passive investors who did not want Unilever to lose its listing on the FTSE. As a PLC incorporated entity, Unilever would be able to retain its listings on both the FTSE and the AEX indices but would only lose its eligibility for the Dow Jones EuroSTOXX 50. Therefore, the eligible index listings as a PLC would garner more shareholder support than the listings available as a unified BV.

In terms of corporate governance, there are several pros and cons of unifying in the UK. Under Dutch law, an Extraordinary General Meeting (EGM) may only be requested by shareholders representing 10% of outstanding shares. As a PLC, this threshold is reduced to 5% and the meeting becomes mandatory. This reduced threshold bolsters the rights of minority shareholders as they would be able to convene an EGM more easily. Secondly, NV shareholders are currently unable to file shareholder resolutions, but this will become a possibility under the PLC unification. Shareholder resolutions are one of the most valuable tools for meaningful engagement, as it allows shareholders to directly address material ESG topics at the board level and increases the alignment between engagement and voting. Lastly, as a PLC it will become possible for shareholders to initiate an amendment to the articles of association that will be adopted upon receiving a 75% vote majority. This is a particularly relevant improvement because we have encouraged Unilever to amend its articles of association to preserve the stakeholder-outreach that is stipulated under Dutch law. Unilever has confirmed its commitment to stakeholders and its sustainability strategy and remains open to adopting such an amendment in the future.

Tesla Inc - 09/22/2020 - United States
Proposal: Shareholder Proposal Regarding Human Rights Reporting

Tesla Inc designs, manufactures, and sells high-performance electric vehicles and electric vehicle powertrain components. The Company owns its sales and service network and sells electric powertrain components to other automobile manufacturers. Tesla serves customers worldwide.

At Tesla’s Annual meeting on 22nd of September, shareholders raised their concerns on ESG related issues by submitting two proposals. The first asked for a report on the use of mandatory arbitration in employment-related claims. The second SHP requested more transparency on Tesla's processes for embedding respect for human rights within operations and through business relationships. We supported both shareholder proposals since they will provide additional disclosure on the company’s practices which will benefit shareholders by allowing greater scrutiny on human rights violations and thus avoiding future reputational harm.

Tesla has faced various accusations from employees in the past regarding sexual harassment and discrimination practices. Moreover, there has been a lack of female representation in the board of directors, which we condemned by voting against Ms. Denholm, the chair of the board, and the only member of the nomination committee up for a vote this year. The lack of diversity and women in leadership positions may be correlated to the sexual harassment allegations and accusations made by female employees about mistreatment by their male managers.

Tesla has also been under the microscope regarding human rights concerns in the supply chain, and the safety violations in its labor practices. Employees have reported long working hours under severe conditions resulting in injuries and medical issues. There has also been media attention regarding the Covid-19 response and the company's reopening plan of the Fremont factory in California. The reopening plan violated the county's orders, but some employees allegedly faced threats of dismissal from their managers if they did not return to work. Furthermore, Tesla faces accusations about their human rights and child labor practices in their supply chain. More specifically, a lawsuit has been filed by the families of 14 children from the Democratic Republic of Congo who were killed or injured in its cobalt mining sourcing activities.

The company maintains various policies and disclosures, among others Human Rights, Code of Business and Ethics, and impact reports on diversity, inclusivity, and social, environmental, and sustainability best practices in their operations. Although in all of the above documentation, Tesla addresses issues related to Human Rights, we firmly believe that further reporting regarding this topic is necessary. Considering all the legal accusations that can effectuate reputational risks, extra reporting can lead to more transparency and support sustainable shareholder value creation.