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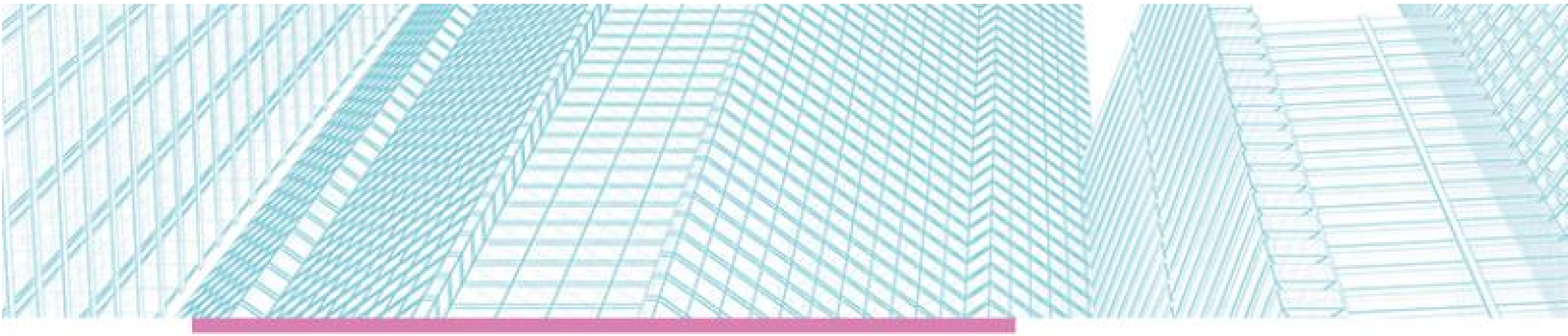

Proxy Voting Report

Period: January 01, 2020 - March 31, 2020

Votes Cast	3382	Number of meetings	387
For	2793	With management	2775
Withhold	19	Against management	607
Abstain	4		
Against	563		
Other	3		
Total	**3382**	**Total**	**3382**

In 280 (72%) out of 387 meetings we have cast one or more votes against management recommendation.

General Highlights

COVID-19 impact on voting season
As companies attempt to come to grips with the new reality of a coronavirus pandemic, few aspects of 'business as usual' have remained untouched. The ritual of annual general shareholder meetings (AGMs) is no exception. Uncertainty abounds as news on postponed, cancelled, or revamped AGMs trickles in.

A likely outcome is that many shareholder meetings will be postponed. Countries have different legal timelines requiring companies to hold their AGMs after the closure of the fiscal year. While companies make the choice to postpone their AGMs individually, regulators have already extended the legal deadline to hold the AGM later in the year. Italy and the Netherlands will likely see much of the AGM activity concentrate around June, rather than the upcoming weeks as initially planned. That brings challenges of its own – investors expect certain markets to hold their AGMs at the same times each year and prepare accordingly. When these timelines are reshuffled, an even more concentrated season can mean less time to analyze important proposals at AGMs and to engage with issuers. It remains to be seen if this risk materializes.

Other shareholder meetings have moved online. Virtual meetings can have advantages, such as reduced costs, and better accessibility for shareholders, according to law firm Norton Rose Fullbright. But we have generally been wary of this trend. Even though more shareholder can tune in, the quality of debate can suffer drastically. The largest concern is an inability to ask questions or the board cherry-picking comments to respond to. Some best practices have emerged, such as opening a forum ahead of time for shareholders to submit queries, holding a live Q&A as would have been the case in person, and the (tele-)presence of all board members.

On the other end of the spectrum, some companies have simply streamed a video link on the internet. A shareholder meeting which shareholders are not invited to and does not give them a voice during the session can hardly be described as such.

In these circumstances, prudence is understandably top of mind. Companies should be given some leeway to minimize disruption and protect the health and safety of employees and shareholders. But the way in which companies do respond draws our attention once more to the importance of the annual general meeting, which helps to maintain board accountability towards shareholders.

Market Highlights

Fortifying the foundation of Spanish corporate governance

The Spanish National Stock Exchange Commission (CNMV in Spanish) proposed a set of modifications to its Good Governance Code of Listed Companies, initially published in 2006 and most recently updated in 2015. Stakeholders could provide feedback on the suggested changes to be implemented in 2020 and the CNMV committed to take these into account when relevant in the final version of the Code.

The proposed changes focus on three main topics: strengthening the company's internal controls to avoid irregular business practices, emphasizing the company's responsibility regarding sustainability matters and implementing amendments on executive compensation guidelines. We believe that the changes suggested in this revision strengthen the good governance practices in the Spanish market and further protects long-term shareholder value creation.

Given the increasing cases of corruption in the Spanish corporate arena, the revision of the Code proposes that the board must assess any situation resembling misbehavior of a director that might damage the reputation of the company as soon as possible. Currently the Code requires this assessment only after a director has been formally prosecuted. These proposed changes ensure that the board assesses such situations without delay and decides whether it should take any action, for instance carrying out an internal investigation. Considering that most Spanish supervisory boards are chaired by executives, we believe that the Lead Independent Director should instigate this assessment when the executive directors on the board are being scrutinized.

Another change proposed by this revision is increasing the number of directors of the least represented gender on the board. It proposed that the least represented gender must hold at least 40% of total board seats, in comparison to the 30% threshold currently in place. Given that the current rate of female directors on the board for the IBEX35 is around 27%, we believe that this proposed change could include concrete measures to promote the representation of female directors. For instance, gender diversity should be considered in the nomination policy and the succession planning strategy for both the supervisory and executive boards.

The revision also suggests amending a set of guidelines currently in place for executive compensation plans. In essence, it proposes that if executives are subject to stock ownership guidelines, deferral provisions in the variable pay should be minimized if not removed. Our view is that the requirements for holding shares should not be mutually exclusive with deferral of share-based variable remuneration. Both provisions help to align the interests of shareholders and executive directors since priority is given to generating and preserving long-term value for the entity and its shareholders.

Voting Highlights

Visa Inc - 01/28/2020 - United States
Proposal: Advisory Vote on Executive Compensation

Visa Inc. operates a retail electronic payments network and manages global financial services. The Company also offers global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities.

Large US companies regularly put suitably large executive compensation plans up for vote at their annual shareholder meetings. The numbers alone can make for impressive reading, but shareholders have to balance strengths and weaknesses in compensation plans before reaching a voting decision. At Visa's AGM this year, we perceived the weaknesses to outbalance the strengths and voted against the Advisory Vote on Executive Compensation.

The Advisory Vote on Executive Compensation (say-on-pay) is a non-binding resolution whereby corporates publish a report outlining how compensation policies have been applied to executives' remuneration in the past year. It has no legal weight, so even a majority disapproval will not block payments to the CEO. However, the say-on-pay performs an important signaling role, allowing shareholders to put the board on notice that they believe compensation plans are not sufficiently aligning interests between investors and executives.

In the case of Visa, two factors contributed to our vote against the say-on-pay: height and structure. First, despite good financial performance in the preceding year, we found the total quantum of remuneration for the named executive officers to be excessive. Understanding that retaining top executive talent is a priority for global corporations, we find that companies need to be prudent in maintaining a reasonable height of total compensation. With reported CEO pay of nearly USD 25 million last year, we found Visa to fall foul of that expectation.

Second, the compensation plan's structure did not match best practice. Under the long-term incentive plan (LTIP), we would expect a diversified set of return-based metrics with performance measured over at least a 3-year period. Visa's LTIP is heavily skewed towards rewarding earnings-based performance, and measures this on an annual timescale. This may fail to properly reflect the exposure of long-term shareholders to the company's value creation. Finally, the LTIP also makes significant use of stock option awards, which are not tied to company performance. Options can create undesirable incentives, as their value is driven by volatility, once again not aligning with the priorities of a long-term investor.

In aggregate, these factors meant that we were unable to support the compensation proposal at Visa's AGM.

Walgreens Boots Alliance Inc - 01/30/2020 - United States
Proposal: Executive Remuneration

Walgreens Boots Alliance, Inc. operates as a pharmacy-led health and wellbeing company. It operates through three segments: Retail Pharmacy USA, Retail Pharmacy International, and Pharmaceutical Wholesale. Walgreens Boots Alliance, Inc. was founded in 1901 and is based in Deerfield, Illinois.

When assessing an executive compensation package, we analyze, among other factors, the overall structure, transparency and height of the plan put up for vote by the company. At Walgreens Boots Alliance, the compensation policy is poor due to the misalignment between pay and performance in addition to a series of one-off payments without performance criteria. For these reasons, we voted against the advisory vote on executive compensation at Walgreens annual shareholder meeting held in January 2020.

In fiscal year 2019 , the company’s CEO received a total payout worth approximately USD 19 million, which ranks in the upper quartile of compensation levels compared to market-based peers. While almost 70% of this award was subject to performance conditions, the total quantum of the grant warrants a level of concern. The portion of this pay that is linked to performance is not measured relative to peers and is solely based on the cumulative earnings-per-share targets. It is important for compensation policies to be based on a variety of performance metrics and measured in both absolute and relative terms so that they accurately capture the company's overall financial health and performance. In the case of Walgreens, both the relative and absolute total shareholder returns for the past financial year have been rather low, and this has not been reflected in executive pay.

Furthermore, the disclosures around the achievement of performance goals is also lacking. No clear description of threshold, target, or maximum goals for variable payments were provided in the company’s recent proxy statement. This data is essential for shareholders to understand and evaluate the company's procedures for assessing the performance of its executives and determining the final payouts to which they are entitled.

Performance-based compensation can be an appropriate incentive tool to encourage near-term outcomes that generate progress toward the achievement of longer-term performance. However, rigorous oversight should be applied to the design and implementation of this tool to ensure that it is not subject to manipulation. Ultimately, performance metrics used should support the company’s business strategy, and potential payouts should be aligned with the performance levels that will generate them. For Walgreens Boots Alliance, we will continue to monitor progress towards this alignment.

Apple Inc - 02/26/2020 - United States
Proposal: Shareholder Proposal Regarding Freedom of Expression and Access to Information

Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions.

Apple’s shareholders were asked to vote on a shareholder proposal that requested the company to uphold freedom of expression globally and be more transparent in how it responds to the Chinese government’s demands to restrict certain apps. The US Securities and Exchange Commission denied Apple’s request to block the shareholder vote on the resolution. We supported this resolution and it ended up getting more than 40% of votes in favor from shareholders.

Although Apple is regarded as a leader in privacy, we note that there is a lack of information on the company’s approach to the right of freedom of expression, and has yet to make a public commitment to uphold this right. The company scores very low in the Ranking Digital Rights on the topic of freedom of expression, lagging behind US counterparts. This index works to promote freedom of expression and privacy on the internet by creating global standards and incentives for companies to respect and protect users’ rights.

Apple has operations and sales throughout the world, yet China is both a huge market for Apple, representing 20% of global sales, and it is an essential part of its supply chain, manufacturing the iPhone and many other products. Conducting business operations in certain markets such as China can present significant legal and reputational risks, some of which are on account of potential human rights violations. Peers such as Microsoft, which also operates in this market, have a much stronger public stance on freedom of expression and how they take that into account when facing government requests to remove content.

All this presents a threat to Apple's business, serious risk to its reputation and a significant challenge to manage. Shareholders need to understand these risks, how the board is overseeing these challenges, and the company's policies and practices to balance these competing demands. We believe that enhanced transparency on this matter would allow shareholders and stakeholders to better understand how Apple is ensuring the freedom of expression of its users.

Samsung Electronics - 03/18/2020 - South Korea
Proposal: Company engagement on board nomination

Samsung Electronics Co., Ltd. manufactures a wide range of consumer and industrial electronic equipment and products such as semiconductors, personal computers, peripherals, monitors, televisions, and home appliances.

Independence is one of the various aspects we pay attention to when assessing the overall composition and effectiveness of a board. We wish to see boards that are capable of truly objective oversight while also having the skillsets and experience to understand the context in which management is operating. We believe that an independent board with adequate oversight will contribute to enhance and protect long-term shareholder value.

The board of directors at Samsung has experienced a relatively high turnover in recent years. Most recently, the chairman of Samsung Electronics' board resigned from his role just two months after being found guilty of 'union sabotage'. In December, he was sentenced to 18 months in jail after a High Court ruled that he had violated labor laws by disrupting union activities at Samsung. His resignation comes as Samsung Group heir Jay Y. Lee is facing a retrial over a bribery scandal that has engulfed Samsung executives and South Korea's former president.

During the company's 2020 annual shareholder meeting, several notable changes to its board composition were proposed, including the election of a new independent Chairman. Director Bahk, the incoming independent Chairman of the board, was proposed for this role due to his board tenure of four years and previous position as Minister of Finance and Employment. Proxy advisory agencies have questioned the new Chairman's independence due to his affiliation with a university that received a donation from Samsung in the past. However, from previous conversations with the company, we have been assured that director Bahk is fully independent and has retired from his previous positions which raised these initial concerns. Therefore we supported his nomination at the shareholder meeting.

Additionally, the board nominated two new directors with the aim of enhancing expertise on key topics not sufficiently covered by the current board and contributing to board refreshment. Both nominees bring valuable skillsets to the board given their expertise within various operational departments at Samsung. One nominee is the newly appointed CFO who will be tasked with drafting the new shareholder return policy. Based on these positive characteristics of the nominated directors, we supported their election Samsung's board at their most recent annual shareholder meeting.

Shinhan Financial Group Co. Ltd. - 03/26/2020 - South Korea
Proposal: Company engagement on board nomination

Shinhan Financial Group Co., Ltd., a holding company, provides a full range of consumer and commercial banking-related financial services. The Company main businesses include banking, securities brokerage, trust banking, and assets management to individuals, businesses, and other financial institutions.

We met with the company's Investor Relations team on February 17th prior to the company's shareholder meeting to discuss the agenda items up for vote. Primarily we discussed the proposed reappointment of the company's Chairman and CEO to serve on the board. The candidate is currently being investigated by the Korean legal authorities for nepotism. As it will take a long time until the higher courts make their judgments, the group's board of directors expressed willingness to retain the chair and he has been nominated to serve his second three-year term until 2023.

The director was indicted without detention on charges of manipulating the scores of 101 applicants to ensure the hiring of those with ties to influential politicians, the children of executives and more male workers, when he was serving as the Shinhan Bank CEO between 2015 and 2016.

The court stated that informing the application of particular applicants to the HR department could be seen as an improper behavior, however considered his actions were not directly linked to the hiring process. However, they did not find him guilty of his alleged violation of the Equal Employment Opportunity guidelines.

We believe that companies and boards should foster a corporate culture which ensures that employees understand their responsibility for appropriate behavior and adhere to an ethical conduct. On top of that, executive teams should act upon the highest ethical standards and be a role model for the rest of employees in the company. For that reason, we shared our concerns with the company regarding the reappointment of the Chairman and CEO to the board and deemed appropriate to abstain from supporting the reappointment of the candidate to the board. The appointment was approved at the group's annual shareholders meeting in Seoul which was livestreamed on the company's website due to the COVID-19 spread.

Bank of Montreal - 03/31/2020 - Canada
Proposal: Shareholder Proposal Regarding Investments to Upgrade Computer Systems

Bank of Montreal is a Canadian chartered bank which operates throughout the world. The Bank offers commercial, corporate, governmental, international, personal banking, and trust services.

Canadian banks are subject to shareholder proposals covering a wide range of ESG topics. Mostly, the issues addressed are worthy of shareholder concern. However, sometimes these proposals overstep or miss the mark. This was the case at Bank of Montreal's (BMO) shareholder meeting, where we opposed two shareholder proposals and supported a third.

We voted in favor of a proposal asking the board to set a target to increase diversity at the board level over the coming years. The proposal text left the board with a wide scope for interpretation, allowing the company itself to highlight the dimensions of diversity it would focus on. Meanwhile, the supporting statement made clear that gender diversity should play a prominent role in these discussions. We are convinced that greater board diversity can lead to better risk oversight and a better representation of a broad range of shareholders' views.

Two further shareholder proposals targeted equally important issues, but each had critical flaws that precluded a supportive vote. The first requested enhanced disclosure on the bank's investments in computer systems to protect personal information and maintain a competitive advantage. While the proposal amounted to an interesting cybersecurity and data privacy request, these considerations must be balanced with potential unintended consequences. The proposal's spirit was supportable, but its angle of approach was not in shareholders' best interests, as it may have required the disclosure of sensitive information that could disadvantage the company. With this drawback in mind, we voted against the proposal.

The final shareholder resolution addressed the ever-relevant issue of carbon-intensive financing. We recognize the weight this issue carries for shareholders and other stakeholders alike. It is of the utmost importance that companies in the financial sector have strong climate policies in place. The proposal filed at BMO did not approach the issue of carbon-intensive financing constructively, though. The resolution text put forth an accusation of incongruities between the bank's lending history and financing criteria regarding fossil fuel loans and public statements regarding sustainability and climate change.

The proposal focused on a backward-looking analysis and was not fully substantiated with robust empirical data, which is not particularly productive. We have seen resolutions at other Canadian financial institutions requesting company-wide, quantitative, time-bound targets to reduce negative climate impacts. These approach the issue head-on with a future-oriented point of view that is more actionable for the company. As a result, we opposed the resolution at BMO's AGM, but expect the company to implement concrete climate-related financing targets and policies to avoid becoming a laggard.