ROBECO
The Investment Engineers

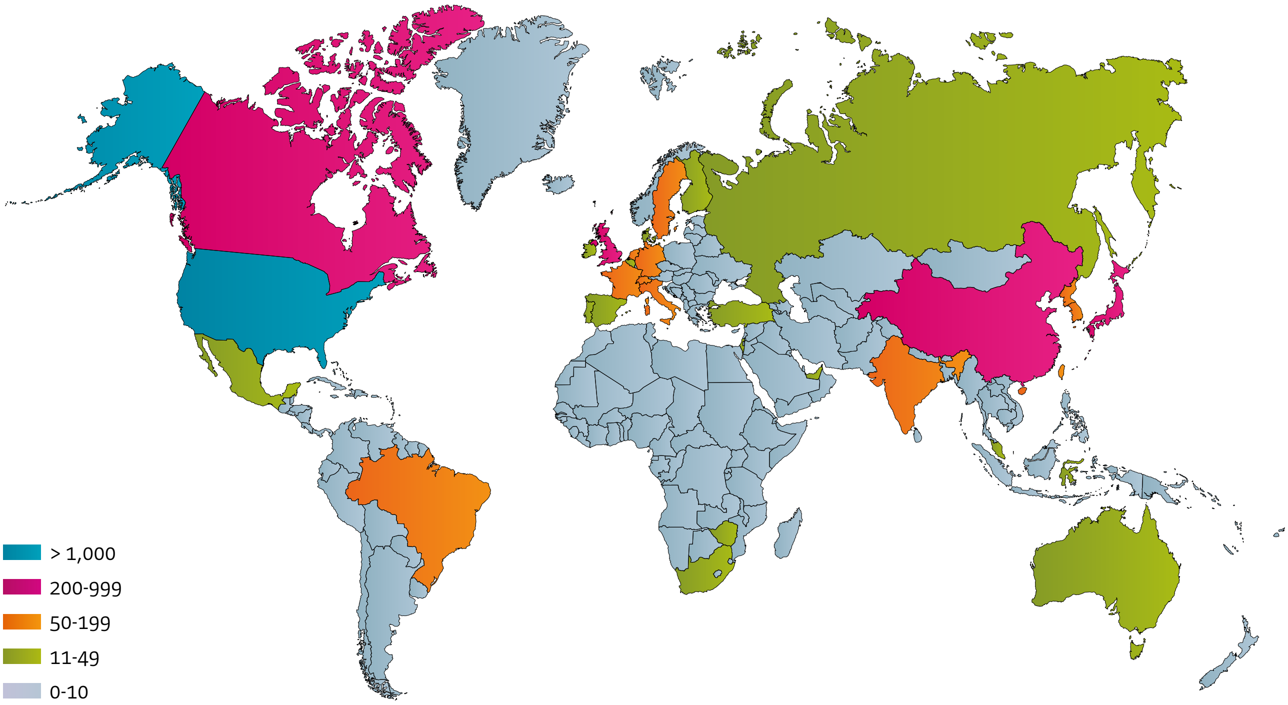
ROBECO

Proxy Voting Season Overview

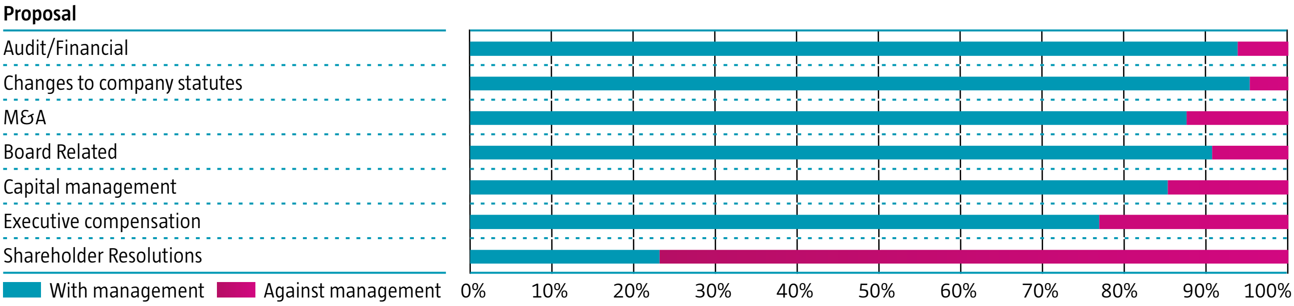
JANUARY – JUNE 2018

4,120	Meetings voted	46,925	Proposals voted
56%	% meetings voted against management	72	Countries where we voted

Shareholder Meetings by Country and Region



Voting Activity per topic



% Votes in favor of shareholder resolutions

71.6%	Environmental	78.4%	Social	81.6%	Corporate Governance

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Globally, there has been plenty to discuss on corporate governance, with the 2018 AGM season representing a busy time for the Robeco Active Ownership team. During the first half of the year, we voted upon 47,000 proposals at 4,100 shareholder meetings across 72 countries.

Despite the fact that engagement and voting on governance issues is an all-year activity for the team, the annual AGM season places our governance activities clearly into the spotlight.

At the AGM, new board members are elected, new remuneration policies can be introduced and shareholders have the opportunity to file resolutions as part of their engagement with a company.

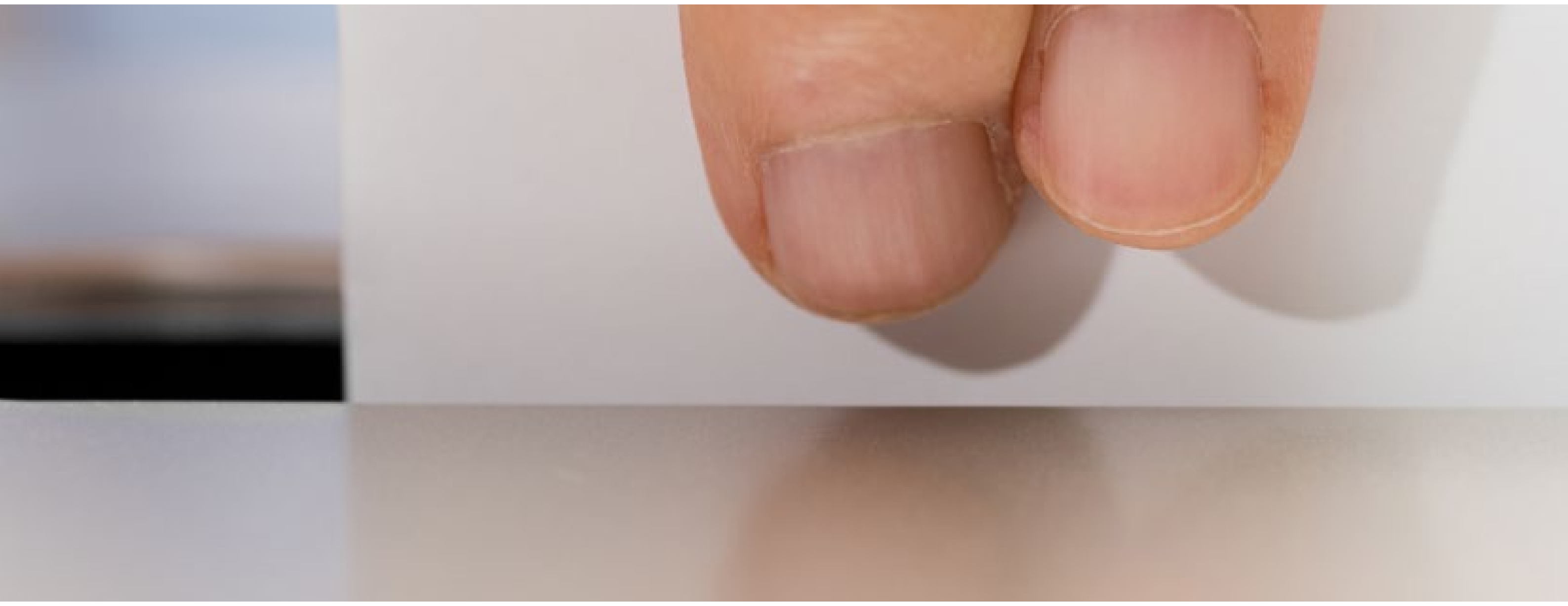
As in previous years, the remuneration and composition of corporate boards and executive management teams have been a focus of our voting approach.

Yet our voting activities do not only relate to corporate governance, with companies' environmental and social performance also incorporated into our voting analysis. This is particularly relevant for voting on shareholder proposals, which represent a key way in which shareholders can affect a company's performance on these issues.

With transparency being at the core of our Active Ownership approach, this report is written to show how we put our voting policy into practice.

Carola van Lamoen
Head of Active Ownership

General Highlights



Proxy voting is an integral part of Active Ownership. The aim of our voting activities is to encourage good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Below we provide an update on some of the themes we observed during proxy season 2018.

Codes of conduct
- ICGN Global Governance Principles

Our voting policy is based on the widely accepted principles of the International Corporate Governance Network (ICGN), which provide a broad framework for assessing company's corporate governance practices. We constantly monitor the consistency of our general voting policy with the ICGN principles, with laws and governance codes and systems as well as client specific voting policies. Our voting policy is formally reviewed at least once a year. We also take into account company specific circumstances and best practices when casting our votes.

Blurring Lines in Corporate Political Activity

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

Since that time, the extent to which corporations are able to act to influence governance policy has dramatically increased. Besides pure lobbying, there also are several other possibilities of engaging in political activity, with one familiar way being through Political Action Committees (PACs). PACs are founded to raise funds for a specific political purpose. PAC contributions only come from individuals and are spent on the goal of the PAC, e.g. contributions to politicians or parties. However, innovative ways to increase political spending without mandatory disclosure are on the rise, in the form of so called 'Dark Money'. A significant part of corporate funds are donated to 501(c) organizations, which are set up to pursue a specific societal purpose, of which the trade and social welfare organizations are the most prominent. As these organizations are not obliged to disclose any of their donors or expenses, corporate lobbying activities can become considerably more opaque.

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

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

U.S. makes great progress on boardroom diversity

The United States is making great strides on the topic of gender diversity at the board level in comparison to other developed markets. A recent Spencer Stuart survey found that in 2017, half of the incoming directors on S&P 500 boards were women or from minorities. Female representation among new directors rose from 26% in 2012 to 36% in 2017, while 20% of new independent directors were male and female minorities.

Gender diversity on boards has improved prominently in recent years across several market capitalizations and markets. Government intervention in this area has increased, as several countries (e.g. India, France) adopted legislative measures to promote gender diversity at board level through mandatory gender quotas. However, the debate around the topic moved from a discussion around equality and fairness, to a matter of superior corporate performance, evidenced by a wide range of literature.

So, what do these people do? Corporate boardrooms provide management and risk oversight while supervising the company's strategy on behalf of the shareholders. Diversity becomes a crucial factor to promote success at the boardroom when understood from a broader perspective, moving beyond solely gender equality and including diverse representation of tenures, ages, nationalities and professional backgrounds.

It's simple – diversity at the boardroom reflects the real world in which the company operates. An appropriate variety of director profiles allows for a better understanding of the company's customer base, ensuring better adaptability to shifting consumer and market trends at an ever-increasing pace. A wide range of perspectives in the boardroom is critical to effective corporate governance and potential disruptive discussions.

Well-diversified boards add value to a company since people from different backgrounds are more likely to approach issues from differing perspectives, leading to more effective decision-making and efficient supervision. Therefore, institutional investors have been praising board diversity as a key to sound corporate governance practices.

As part of Robeco's Active Ownership approach, we have been addressing diversity in the boardrooms of our investee companies through our engagement and voting activities. In several markets, it is common to find director nominations to serve on the board included on the shareholder meeting's agenda. A thorough assessment of the overall board diversity in terms of tenure, skills, gender and external commitments is conducted and compared to local best practices. Our voting guidelines have been recently updated to reflect this assessment criteria.

In recent years, much of the focus on board diversity has focused solely on gender. However, if the argument for increased diversity is that it adds value to the board, then boards must strive to achieve diversity in the broadest sense in order to enhance business performance.

Revisions to the UK Corporate Governance Code

Revisions to the UK Corporate Governance Code were suggested by the UK Financial Reporting Council (FRC) in December 2017. The proposed changes aim to enhance corporate accountability, unlock sustainable long-term growth, and to enhance the attractiveness of the UK capital market. After a consultation period, the final version of the revised Code e 2018. The main changes involve the revision of a companies' leadership and purpose, remuneration, internal controls, board composition, succession and evaluation.

More stringent criteria have been included in the new Code for assessing directors' independence. After a non-executive director, regardless of his function, serves for more than nine years on the board, the nominee can no longer be deemed as an independent board member. Although we agree that long tenures might compromise directors' independence, setting such a hard-rule threshold for directorship tenures can achieve unintended consequences as it neglects the specific roles held by the directors and might be over prescriptive.

Furthermore, responsibilities at the board level should be clear and made publicly available. Directors combining the roles of chairman and chief executive officer are no longer acceptable under the revised Code. Moreover, the Code provides for the chair to be independent at all times. Enhancing diversity both at the board and executive level became one of the key topics included in the proposed Code. Companies must disclose the actions they undertake to increase ethnic and gender diversity, especially at the executive level. These set of amendments are deemed a positive development as it improves the board composition guidelines and aligns the country's code to international best practices.

Changes have also been proposed to the topic of executive remuneration. The remuneration committee should demonstrate how pay and incentives are properly aligned across the company. Boards might be able to override remuneration outcomes if pay and measured performance are not aligned. Share awards provided to executives should have a holding period from three to five years to encourage companies to prioritize long-term decision making. Shareholders are better served if these changes are implemented, as it further aligns pay and performance while prioritizing long-term shareholder value creation.

After this revised version takes effect it has the potential to trigger significant changes in terms of corporate governance practices. We view these amendments as a positive step towards the long-term success of the companies' businesses, which in turn will contribute to generate value for shareholders and a wider set of stakeholders.

Brazil's push for corporate governance reform

Good corporate governance practices help to build a transparent and accountable business environment, and in turn contribute to fostering long-term shareholder value creation. However, corporate governance also remains a key risk factor for investors in emerging markets. This occurs due to a wide range of factors at both country and company level, such as weak rule of law or the presence of controlling shareholders.

In Brazil several regulatory entities have striven to increase foreign investment in the market by better aligning the country's corporate governance standards with other models applicable in developed markets, whilst also aiming to provide greater protections for minority shareholders. When local codes or guidelines change, this can create some momentum, and investors can provide feedback on the implementation of new codes.

The recent change in listing requirements for the Novo Mercado, the top-level listing on the Brazilian exchange, is an appropriate example. Many Brazilian companies historically have a dual share class structure and an agreement with the largest shareholders. Effectively, this often puts the company under the control of a single entity, even if the company is not majority owned.

The exchange proposed several governance improvements for the top-level listing, including strict requirements for the share structure, disclosures around remuneration and nomination policy, and minimum standards for independence at board level. If these new requirements are implemented well, they can very beneficial for the position of all investments.

To assess the quality of governance of Brazilian companies requires in-depth knowledge of the market and the various players involved. Robeco recently joined Brazil's Association of Institutional Investors (AMEC), a group of domestic and foreign investors with 400 billion reais (USD 97 billion) of assets on the Brazilian Stock market.

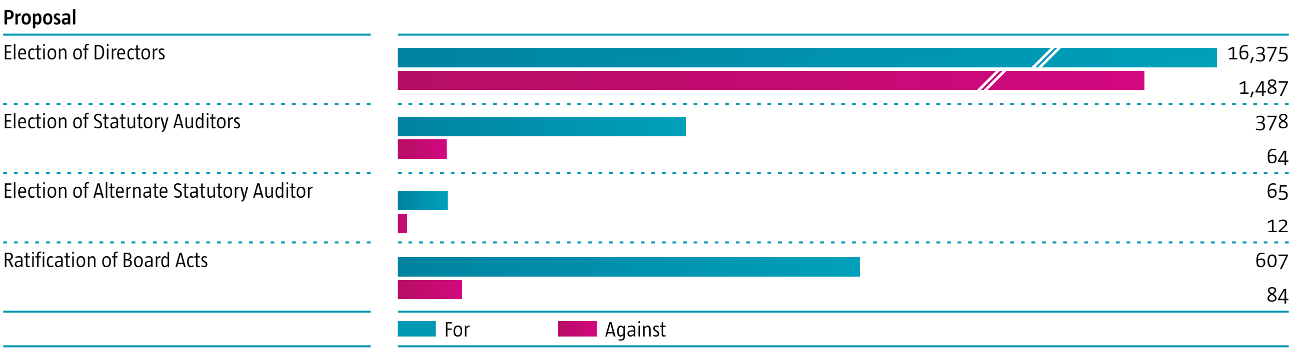
The aim of this network is to protect shareholder rights for minority investors and gain ESG improvements in topics such as food safety, environmental risk management and anti-corruption controls. AMEC network facilitates the understanding of governance developments in the market, and promises to be a great platform for continuing Robeco's engagement efforts with Brazilian public companies.

We believe the push for better corporate governance practices in Brazil is already beginning to bear fruit, and strongly support the continuation of this effort. Several of the regulatory changes put forward in the last couple of years have the potential to induce significant changes in the market's corporate governance arena.

Board Composition

The quality of a corporate board is vital to good corporate governance. It is a board's responsibility to make sure that the company's decisions are in line with the shareholders' interests. Investors should be able to assess a board members' capacities and added value to the board, whilst a companies nomination process should ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. We wish to see boards which not only have a high degree of independence, are diverse across a range of metrics, and that also reflect the diversity of the business, the challenges and the economic context within which it operates.

Voting activity by a selected sample of proposal types



Capitol Federal Financial

Capitol Federal Savings Bank operates as a federally charted stock savings bank. It offers savings accounts and certificates of deposit, checking accounts, bill payments, mobile banking services, and telephone banking services.

Meeting Date: 23rd January 2018
At the annual general meeting of Capitol Federal Financial, Robeco voted against the re-election of the current chair of the nominating committee, due to our concerns as to the overall independence at the supervisory board level. In order to achieve effective supervision of management, it becomes imperative that the board can exercise independent and objective judgement whilst being free of conflict of interest. Therefore, we believe that either the CEO should not simultaneously hold the position of chairman of the board or, if this is the case, that a lead independent director should be appointed.

Independent board chairs are typically better able to oversee executives and set a pro-shareholder agenda without the conflicts of interest that an executive officer can face. One additionally important criteria when assessing board independence in the key person risk which can develop, particularly if the CEO is also the chairman of the board.

Therefore, in case the position of board chair is held by an insider or affiliate, it is the responsibility of the nominating committee to appoint an independent lead or presiding director. In this case, Capital Federation's former and current nominating committees have repeatedly neglected to install either and independent chairman, or a lead independent director. As a result, the company has a combined CEO/Chair mandate, without ensuring certain level of independence in the boardroom by appointing a lead independent director.

At the 2018 AGM, 79% of shareholders voted in favor of the proposal, and the candidate was elected to the board. However, we will be monitoring future developments as we strongly emphasize the need for independent lead positions.

Hyundai Mobis Co.

Hyundai Mobis Co. Ltd. Manufactures and sells automotive parts worldwide, such as cockpit, front end, and chassis modules. Safety, braking, steering, lamp, and air suspension systems. The company also contracts environmental projects including sewage treatment plant and industrial waste water treatment plant construction.

Meeting Date: 9th March 2018
At the 2018 AGM of Hyundai Mobis, Robeco voted against the election of director's proposal, due to our concern as to the level of independence of the board. We voted against the proposal because two of the three candidates up for election could not be classified as independent by the standard of local market best practice. Robeco's voting policy dictates that, at minimum, the number of independent directors should at least be in line with local independence guidelines. According to the Commercial Act in Korea, a listed company with assets over KRW 2 trillion is required to appoint at least three independent directors, and the independent directors should comprise a majority of the board.

In the case of Hyundai Mobis' 2018 AGM, after having evaluated the candidates' independence, we concluded that the board was composed of only 40% independent board members when factoring in their candidates' senior positions at law firms representing the company. In addition, we have concerns as to the attendance of one board member up for election. According to company disclosures, the board member in questions failed to attend at least 75% of the board- and committee meetings, which we view as a failure to sufficiently fulfil his duties as a board member.

We therefore voted against the election of director's proposal at the company's 2018 AGM, due to our concerns with the overall independence of the board.

Samsung Electronics

Samsung Electronics Co., Ltd., together with its subsidiaries, engages in the consumer electronics, information technology and mobile communications, and device solutions businesses worldwide.

Meeting Date: 23rd March 2018
Diversity is one aspect we pay attention to when assessing the overall composition, and effectiveness, of a board of directors. We wish to see boards which are not only diverse across a range of metrics, but also

reflect the diversity of the business, the challenges and the economic context within which it operates. Robeco believes that a diverse workforce at all levels of the organization with equality of opportunity for both should support business performance, and therefore financial performance, over time.

Concurrently, an ever-greater number of companies are convinced that a well-diversified board adds value to the company. A common argument is that boards with people from different backgrounds are more likely to approach issues from various perspectives, leading to more comprehensive decision-making and more effective supervision.

In recent years, much of the focus on board diversity has focused solely on gender. Boards must strive to also be diverse in the broadest sense, for example on nationality (to help in understanding the culture/geography of the organization), age (to balance new perspective vs understanding of business) and sector experience (to achieve a skill set which matches the underlying operations of the business). We are therefore happy to see that the three new board members presented for election at Samsung Electronics 2018 AGM met the criteria outlined above, with backgrounds ranging from legal service to semiconductor experience. In addition, Samsung also recently took the step of splitting the function of Chair and CEO, which we view as a progressive step in the company's corporate governance regime.

Whilst the newly appointed chairman is not deemed as independent, due to his former role as CFO of the company, we still view this as a positive first step on the part of the company. In addition, during our pre-AGM conference call with the company's investor relations team, we were pleased to hear that in future the company would consider the instillation of a fully independent board chair.

At the AGM, all members were re-elected to the board. We will continue to engage with the company in the coming year to further improve corporate governance at the company, in collaboration with the company's current efforts.

Bezeq Israeli Telecommunication Corporation Ltd.

Bezeq Israeli Telecommunication Corporation Ltd. offers local, long-distance, and international telecommunications services in Israel. The Company also offers Internet access lines, calling cards, and high volume data transfer networks.
Meeting Date: 26th April 2018

Structural issues within Bezeq have significantly affected the recent stock price trend, which has declined by 25% in the last year after several legal and regulatory proceedings were initiated by the Israeli Securities Authorities. Issues involving management turnover and uncertainty, inadequate corporate governance practices and regulatory risks have directly affected the company and raised significant shareholder concerns. At this year's AGM shareholders had to cast theiri votes amidst severe turmoil, especially in relation to the board nominations put forward by shareholders and the company.

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

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

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

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

How company executives are incentivized financially can have significant and wide ranging consequences on firm performance and the subsequent creation of long term shareholder value. An appropriately structured remuneration policy should align executive pay with company strategy, by incentivizing executives to create long term, sustainable shareholder value. When voting at shareholder meetings, Robeco uses an executive compensation analysis model to guide our voting instructions where executive compensation is concerned.

Voting activity by a selected sample of proposal types

Proposal	For	Against
Advisory vote on executive compensation (U.S.)	523	336
Remuneration Policy (forward looking)	203	72
Remuneration Report	584	232
Director's Fees	896	112

Novartis AG

Novartis AG manufactures pharmaceutical and consumer healthcare products. The Company produces pharmaceuticals for cardiovascular, respiratory and infectious diseases, oncology, neuroscience, transplantation, dermatology, gastrointestinal and urinary conditions, and arthritis, vaccines and diagnostics, vision, and animal health products.

Meeting Date: 2nd March 2018

More than one third of Novartis' shareholders, including Robeco, voted against its executive compensation package at the company's 2017 shareholder meeting. Following this large display of opposition by shareholders, the company carried out an intensive campaign to engage with investors and amended the structure of the compensation plan. A set of positive changes were implemented in the both the short and long-term incentive package, which mitigated the concerns raised previously by shareholders. Because of the positive changes rolled out by the compensation committee, this year we supported the executive compensation included on the agenda of Novartis' 2018 annual general meeting.

A study by AMP Capital highlights that "incentives linked solely to financial metrics might trigger negative culture and conduct". Yet when using qualitative performance metrics companies should provide sufficient disclosure regarding how performance is assessed and measured. Novartis aimed to simplify the set of qualitative metrics included in its compensation package to better align these to the company's strategy. Individual objectives included under the balanced scorecard were removed, metrics included in the strategic scorecard were modified to better capture the company's values and behaviors and it lowered the weight of these performance metrics included in the annual bonus. We believe this enhances the objective performance-based component of the annual bonus, ensuring that pay will be better aligned to effective performance.

Using solely absolute metrics may reflect economic factors beyond the control of executives rather than the executives' own performance. Therefore, we view positively the current mix of absolute and relative performance metrics included under Novartis' long-term incentive package. Moreover, the vesting schedule applicable for the relative TSR metric has been amended to ensure that pay-outs are not awarded if Novartis performs below peers' median performance. This represents a positive development aimed to further strengthen the alignment between executives' pay and performance.

We believe Novartis has taken appropriate steps to address shareholders' concerns and align its executive compensation package to best practice guidelines. The set of changes implemented under the variable pay improve the overall incentive structure and further reinforce the used of formula-based performance metrics while assessing relevant qualitative criteria. Accordingly, we supported the compensation proposal at the company's 2018 AGM.

Walt Disney

The Walt Disney Company is an entertainment company that conducts operations in media networks, studio entertainment, theme parks and resorts, consumer products, and interactive media. The company produces motion pictures, television programs, and musical recordings, as well as books and magazines. Disney is a Dow 30 company and had annual revenues of $55.1 billion in its fiscal year 2017.

Meeting Date: 8th March 2018

At the 2018 AGM of Walt Disney Co, Robeco voted against the advisory vote on executive compensation due to our concerns over the structure of executive pay at the company. How company executives are financially incentivized can have significant and wide-ranging consequences on firm performance and the subsequent creation of long term shareholder value. We believe executive compensation plans should include a component which allows for reduction in rewards when firms underperform, ensuring that executive pay and the company's performance is properly aligned.

Whilst the company's Total Shareholder Return (TSR) over the last 5 years has consistently trailed the industry peer group median, CEO compensation has continued to rank amongst the highest when measured against the same peer group. Whilst the current CEO has a long track record of strong performance in his role, the link between pay and performance has not been maintained in years in which performance worsened.

In addition, we have concerns around the metrics used, particularly the overlap of metrics used in the short and long-term components of the plan. Having a narrowly focused plan based upon a single metric may fail to align long term pay for performance. Performance targets should therefore be set clearly, ensuring that these are aligned with the company's strategy and subsequently with long term shareholder value creation.

Given our concerns outlined above, we voted against the advisory vote on executive compensation, which was rejected by 52% of shareholders. In the coming months, we encourage the company to engage in constructive dialogue with its shareholders to address their concerns.

Persimmon Plc

Persimmon plc designs, develops, and builds residential housing units. The Company constructs residential homes ranging from studio apartments to executive family homes throughout the United Kingdom.
Meeting Date: 25th April 2018

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

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

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

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

AT&T Inc.

AT&T Inc. is a communications holding company. The Company, through its subsidiaries and affiliates, provides local and long-distance phone service, wireless and data communications, Internet access and messaging, IP-based and satellite television, security services, telecommunications equipment, and directory advertising and publishing.
Meeting Date: 27th April 2018

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

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

Relative performance metrics allow direct comparison of the company's performance against peers, in contrast to absolute metrics that may reflect economic factors beyond the control of executives. Yet, when relative metrics are used, these should be ambitious enough to responsibly incentivize management for its actual performance. AT&T has included relative TSR in its LTIP, however it allows for pay-outs even though the company underperforms peers since its threshold performance is the 4th quartile. We believe that awards shall be provided if the company at least registers a TSR performance target aligned with the median of peers.

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

Shareholder Proposals

We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, similar to the way we look at other drivers such as company financials or market momentum. Both the management and board of listed companies are accountable for the company's long term strategy and management of ESG issues. Robeco believes that companies that have strong sustainability and governance policies in place are more likely to act in the the best interest of all their stakeholders, and are better positioned to deal with a variety of issues, such as non-financial risks and changing regulation. We analyze shareholder proposals on a case by case basis, supporting those which we believe will have a positive imapct on long term, sustainable shareholder value creation.

Voting activity by a selected sample of proposal types

Proposal	For	Against
SHP sustainability or environmental reports	18	0
SHP Adoption of Comprehensive Recycling Strategies	3	0
SHP Reviewing Political Spending or Lobbying	28	5
SHP Independent Board Chairman/ Seperation of Chair and CEO	23	0
SHP Shareholder Access to the Nomination Process (Proxy Access)	12	9

Tyson Foods, Inc.

Tyson Foods, Inc. produces, distributes, and markets chicken, beef, pork, prepared foods, and related allied products. The Company's products are marketed and sold to national and regional grocery retailers, regional grocery wholesalers, meat distributors, warehouse club stores, military commissaries, and industrial food processing companies.
Meeting Date: 8th February 2018

Water represents a critical resource for the meat production supply chain, yet its use has wide ranging material sustainability impacts for companies operating within the sector, and society at large. Impacts through direct company operations and via the supply chain include excessive wastewater discharges at slaughtering facilities, unmanaged livestock manure at animal facilities and excess fertilizer runoff associated with growing animal feed. It is therefore one aspect which we expect companies operating within the sector to pay particular attention to.

For these reasons, we supported a shareholder proposal at the 2018 Annual General Meeting of Tyson Foods Inc, requesting the company to adopt and implement a water stewardship policy designed to reduce risks of water contamination at Tyson-owned facilities, facilities under contract to Tyson and Tyson's feed suppliers. Robeco's approach to assessing shareholder proposals always includes an assessment of the merits of the proposal itself, as well as how the company's performance on the issue in questions relates to their peers. In this instance, the financial materiality of the proposal becomes clear as both the company's customers and direct peers continue to take action to improve their approach to water stewardship.

Walmart, the Company's largest customer, has strict supplier expectations on management of water, manure, nutrients, and fertilizer use, demonstrating the clear risks in the company failing to conform with the sustainability criteria set by their customers. Furthermore, the company lags behind many of their established peers in the area of water management. Amongst others, Hormel have adopted a Sustainable Agriculture Policy with commitments on water quality and supply chain management, Smithfield set a target for 75% of the grain they purchase to be grown with efficient fertilizer and soil health practices by 2018 (with associated reduction in nitrate pollution of water resources), whilst Perdue invested $68 million to launch a large-scale poultry litter recycling operation to prevent nutrient pollution of local water resources.

As Tyson also continues to reposition its business model towards consumer sales, it must also stay in alignment with rising consumer expectations around sustainable business practices. Given that Tyson continues to be exposed to numerous investigations and lawsuits related to violations of the Clean Water Act, including pleading guilty to two criminal charges in 2017, resulting in a $2 million criminal fine and additional $500,000 for clean-up costs, the need for a more robust water stewardship policy is clear.

At the 2018 Annual General Meeting, approximately 63 percent of independent shareholder votes cast supported the proposal. However, due to the companies share class structure, whereby the Tyson Limited Partnership controls approximately 70.5% of the Company's total voting power, the proposal received the support of only 15% of all votes. Given that the majority of the company's independent shareholders supported this proposal at the companies last three shareholder meetings, we see this as a strong signal to the company to implement the proposal in the coming year.

Citigroup

Citigroup is a global financial-services company doing business in more than 100 countries and jurisdictions. Citicorp, the company's core business, consists of the global consumer banking segment, which provides basic branch banking around the world, and the institutional clients group, which provides large customers with investment banking, cash management, and various other products and services.
Meeting Date: 24th April 2018

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

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

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

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

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

Verizon Communications Inc.

Verizon Communications Inc., through its subsidiaries, offers communications, information, and entertainment products and services to consumers, businesses, and governmental agencies worldwide.
Meeting Date: 3rd May 2018

An increasing number of companies are also beginning to build sustainability performance into their remuneration policies, a trend that Robeco encourages and supports. We use RobecoSAM materiality frameworks to assess the most relevant sustainability factors for a company and support the inclusion of these into executive pay metrics. In order to be value adding, and to further enhance the link between pay and long-term performance, companies should include material ESG factors in the long-term component of executive pay. When sustainability or other non-financial metrics are used in a remuneration program, such metrics should add value for stakeholders and should not create extra bonus pay-outs for normal managerial responsibilities. For example, executives should not receive additional awards for simply maintaining their license to operate in terms of preventing significant environmental damage as a result of their operations. Non-financial targets should therefore be designed to enhance performance, rather than additionally rewarding management for normal expected business practices.

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

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

American Express

American Express Company, together with its subsidiaries, provides charge and credit payment card products and travel-related services to consumers and businesses worldwide.
Meeting Date: 9th May 2018

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

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

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

For this reason, we supported this proposal at the company's 2018 shareholder meeting, where it received the support of 35% of shareholders.

Robeco's Proxy Voting Approach

About Robeco

Our Active Ownership team has been voting on behalf of Robeco's clients since 1998, when proxy voting emerged as an instrument for promoting responsible investing. Robeco's dedicated voting team offers a comprehensive proxy voting service and currently votes on behalf of clients at approximately 5,000 meetings per year. All proxy voting activities are carried out by dedicated, in house, voting analysts in the Active Ownership team. We provide our clients with an integrated and cutting edge voting product, built up of 20 years of experience

Voting Policy

The basis of any well informed proxy voting decision starts with the development of a proxy voting policy designed to ensure that we vote proxies in the best interest of our clients.
Our voting policy is based on the widely accepted principles of the International Corporate Governance Network (ICGN), which provide a broad framework for assessing companies corporate governance practices. The ICGN principles offer scope for companies to be assessed according to local standards, national legislation and corporate-governance codes of conduct. We constantly monitor the consistency of our general voting policy with the ICGN principles, laws, governance codes and systems as well as client specific voting policies. Our voting policy is formally reviewed at least once a year. We also take into account company specific circumstances and best practices when casting our vote. With our voting and engagement practices, we aim to encourage the management teams of companies in which we invest to implement good corporate governance and responsible policies to increase long-term shareholder value while encouraging responsible corporate behavior.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team, working in close collaboration with Robeco's Investment Teams, and RobecoSAM's Sustainability Investing Research team. This team was established as a centralized competence centre in 2005. The team consists of 12 qualified active ownership professionals based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. The team is headed by Carola van Lamoen.

About Robeco

Robeco Institutional Asset Management B.V. (Robeco) is a global asset manager, headquartered in Rotterdam, the Netherlands. Robeco offers a mix of investment solutions within a broad range of strategies to institutional and private investors worldwide. As at 31 December 2017, Robeco had EUR 161 billion in assets under management. Founded in the Netherlands in 1929 as 'Rotterdamsch Beleggings Consortium', Robeco is a subsidiary of ORIX Corporation Europe N.V. (ORIX Europe), a holding company which also comprises the following subsidiaries and joint ventures: Boston Partners, Harbor Capital Advisors, Transtrend, RobecoSAM and Canara Robeco. ORIX Europe is the centre of asset management expertise for ORIX Corporation, based in Tokyo, Japan.

Robeco employs about 877 people in 15 countries (December 2017). The company has a strong European and US client base and a developing presence in key emerging markets, including Asia, India and Latin America.

Robeco strongly advocates responsible investing. Environmental, social and governance factors are integrated into the investment processes, and there is an exclusion policy is in place. Robeco also makes active use of its voting right and enters into dialogue with the companies in which it invests. To service institutional and business clients, Robeco has offices in Bahrain, Greater China (Mainland, Hong Kong, Taiwan), France, Germany, Japan, Luxembourg, Singapore, Spain, Switzerland, Sydney and the United States.

More information is available at www.robeco.com

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