

# Border to Coast Global Equity Alpha Fund



## Proxy Voting Report

Period: October 01, 2020 – December 31, 2020

Votes Cast	158	Number of Meetings	22
For	142	With Management	141
Withhold	2	Against Management	15
Abstain	0	Other	2
Against	13		
Other	1		
Total	158	Total	158

In 38% of meetings we have cast one or more votes against management recommendation.

# General Highlight

## Diversity at large

Diversity matters among employees, as well as among management and the board. The gains of diversity can be significant throughout the whole organization. Several researchers show that diversity corresponds with improved financial performance, but also to higher employee retention rates, stronger employee engagement, and higher talent acquisition. Companies have throughout the years realized that board composition should reflect various stakeholders, and diversity in the board leads to an enhanced decision-making process and less “groupthink”.

This year has shown that not only companies, but society as a whole, is facing various challenges. Addressing complex and urgent problems like a pandemic, climate change, biodiversity loss, and political conflict requires a multi-dimensional approach. A diverse group of people with a varied skill set and background is best placed to succeed.

Regarding gender diversity, data on a global level shows that women hold only 16.7% of the board seats at publicly traded firms. Northern and Western Europe have the highest female representation on the board, followed by the US and Canada, and Latin America and the Middle East taking the bottom of the ranking. Imposing quotas in some countries in the last years has assisted in raising female representation, but more action is needed from companies themselves. Shareholders can play a role through their votes at AGMs and engagement.

The challenge of increasing gender diversity is also followed by the challenge of achieving better ethnic diversity. The #MeToo movement, followed by the recent protests against racial injustice and police brutality in the US, has led many companies and organizations to evaluate ways and create a plan that focuses on a systemic transformation. Racial diversity is critical to sustainable growth and addressing issues of injustice would benefit the economy greatly. Investors’ ability to structurally challenge insufficient ethnic diversity on boards is constrained by the complexities of fair and accurate data collection.

Diversity is a complex and constantly evolving notion. Gender and racial diversity have a firm spot on corporates’ radar. Nevertheless, lesbian, gay, bisexual, transsexual, and queer (LGBTQ) representation on the board is usually not in the scope of corporate governance standards, and it is estimated that there are fewer than 10 openly LGBTQ members on Fortune 500 boards. A positive development was Nasdaq’s decision at the beginning of December, to file a request with the SEC to require its 3,300 listed companies to have or explain why they do not have, at least one female board member and one board member who identifies as either an under-represented minority or LGBTQ. This decision emphasizes the greater need for transparency around diversity and shows that though progress has been made, there are many human rights issues in this arena still to be addressed.

# Market Highlight

## US: Change in shareholder regulations

On October 30, 2020, the U.S. Department of Labor (DOL) released its final regulation relating to a fiduciary's consideration of environmental, social and governance factors when making investment decisions for plans subject to the Employee Retirement Income Security Act of 1974 (ERISA). In response to the proposed rule, the DOL received several thousand comments, the vast majority of which opposed the new rule. Many investment professionals voiced objection to the proposal's antipathy towards the consideration of ESG factors. In the final rule, the DOL generally softened its stance toward the consideration of economic ESG factors but retained its opposition to the consideration of non-pecuniary ESG or other non-pecuniary factors.

The new rule requires a fiduciary to base its investment decisions solely on pecuniary factors and not subordinate the interests of participants and their beneficiaries to any non-pecuniary objectives. The DOL acknowledged that ESG factors may be compatible with a purely financial analysis of an investment option or strategy, so a fiduciary will be allowed to incorporate pecuniary ESG factors into its decision-making process without having to undergo additional documentation requirements.

A "pecuniary factor" is defined as a factor that a fiduciary prudently determines will have a material effect on the risk or return of an investment based on appropriate investment horizons consistent with the investment objectives and funding policies. The DOL expressed strong disagreement with investor comments which argued that plan investments should focus on society or economy-wide issues. In response, the DOL Secretary penned an op-ed stating that plan fiduciaries are not tasked "with solving the world's problems" but must focus exclusively on providing retirement benefits to plan participants. Several experts have already suggested that this regulation might be repealed under the new Biden administration in the United States.

The new rule continues to express skepticism towards ESG ratings systems and indexes, since a rating or inclusion on an index may be based on a variety of ESG factors, including non-pecuniary ESG considerations. Before using any ESG ratings, a plan fiduciary must determine the methodology, weighting, data source and assumptions used in such a system. When considering an investment in an ESG-indexed fund, the fiduciary must analyze the index's objective, maintenance, benchmarks, and construction to understand whether and how the ESG factors used are pecuniary. The new rule also prohibits the selection of any investment option as a qualified default investment alternative (QDIA) if its investment objectives, goals or principal investment strategies include, consider or indicate the use of non-pecuniary factors, even if its selection as the plan's QDIA would be based solely on pecuniary considerations. This would include funds that exclude investments from certain sectors (e.g., weapons, gaming, or tobacco) in their objectives or principal strategies if the investments are excluded for non-pecuniary reasons. Investment options that includes ESG factors could still be selected as a QDIA, provided that such ESG factors are based purely on financial considerations.

# Voting Highlights

## Microsoft Corporation - 12/02/2020 - United States

Proposal: Shareholder Proposal Regarding Report on Non-Management Employee Representation on the Board

Microsoft Corporation develops and sells software products. The Company offers operating system software, server application software, and business and consumer applications software, among others. Microsoft also develops video game consoles and digital music entertainment devices.

At Microsoft's 2020 AGM, a recurring shareholder proposal regarding board composition was once more put to a vote. The proposal asked the company to consider the merits and drawbacks of adding non-management employee representatives to the board in a setup sometimes called 'shared governance' or 'codetermination'. A handful of such proposals crop up each year in the US, but they tend to receive muted support from shareholders.

Several European markets have requirements for employee representation or have a history of such requirements that still affects common practices today. Meanwhile, it is very rare in the US. Legislative proposals several years ago sought to mandate the European model in the Anglo-Saxon world, but none were ultimately passed into law. With that, shareholders have taken on the role of suggesting codetermination at American companies. Their arguments are based, in large part, on company commitments to initiatives like the Business Roundtable Statement on the Purpose of a Corporation. Microsoft signed the Statement, proclaiming a renewed focus on all vital stakeholders, including employees. The proponents imply that adding employee representatives to the board would be a tangible move away from the shareholder primacy model in line with the Statement.

We supported the proposal at Microsoft, as we believe preparing a report analyzing the feasibility of shared governance is not overly onerous and could provide useful insight into the board's thought-process, while providing a good foundation for further dialogue between investors and the board.

Microsoft's board rejected the shareholder resolution, arguing that the role of the nominating committee is to select the most qualified directors whilst maintaining high independence levels. Nearly 95% of shareholders agreed with management that these priorities are not compatible with employee representatives, but the proposal did achieve a marginally higher support rate than the preceding year. We continue to believe that the academic research demonstrating the effectiveness of employee representation on boards supports further investigation into whether such an addition would be of value to Microsoft and its peers.

# Votes Against Management

In the following instances, Border to Coast Pension Partnership voted against the recommendation of management at the shareholder meeting. In each instance where a vote against management has been cast, the rationale for the vote is also provided.

Issuer Name	Meeting Date	Proposal Description	Management Recommendation	Vote Decision	With Or Against Management	Vote Note	Meeting Type
Juventus Football Club	10/15/2020	Accounts and Reports; Allocation of Losses	For	Against	Against Management	The Company has bundled the approval of the financial statements with the allocation of dividends.	Annual
Juventus Football Club	10/15/2020	Remuneration Policy (Binding)	For	Against	Against Management	The compensation plan lacks of clawback provisions under the Short-Term Incentive Plan. There is also no Long-Term incentive plan.	Annual
Juventus Football Club	10/15/2020	Remuneration Report (Advisory)	For	Against	Against Management	The compensation plan lacks of clawback provisions under the Short-Term Incentive Plan. There is also no Long-Term incentive plan.	Annual
Juventus Football Club	10/15/2020	Appointment of Auditor and Authority to Set Fees (Deloitte; Preferred Option)	For	Against	Against Management	Audit fees are excessive.	Annual
Estee Lauder Cos., Inc.	11/10/2020	Advisory Vote on Executive Compensation	For	Against	Against Management	Pay and performance disconnect; Concerning pay practices	Annual
Peloton Interactive Inc	12/9/2020	Elect Erik Blachford	For	Withhold	Against Management	IPO governance concerns. The Company has included a number of provisions in its governing documents that restrict the rights of shareholders and the director serves on the governance committee.	Annual

Peloton Interactive Inc	12/9/2020	Elect Pamela Thomas-Graham	For	Withhold	Against Management	IPO governance concerns. The Company has included a number of provisions in its governing documents that restrict the rights of shareholders and the director serves on the governance committee.	Annual
Peloton Interactive Inc	12/9/2020	Frequency of Advisory Vote on Executive Compensation	3 Years	1 Year	Against Management	An annual vote on executive compensation is in shareholders' best interests.	Annual
Copart, Inc.	12/4/2020	Elect Steven D. Cohan	For	Against	Against Management	Affiliate/Insider on audit committee; Board is not sufficiently independent; Current interlocking directorship	Annual
Copart, Inc.	12/4/2020	Advisory Vote on Executive Compensation	For	Against	Against Management	Long term awards are not linked to performance. The compensation plan lacks of clawback provisions under the Long-Term Incentive Plan. The compensation plan lacks of clawback provisions under the Short-Term Incentive Plan.	Annual
Microsoft Corporation	12/2/2020	Shareholder Proposal Regarding Report on Non-Management Employee Representation on the Board	Against	For	Against Management	The report will increase the disclosure on board's practices and would increase long-term shareholder value. Moreover, the report just asks for investigation of opportunities and does not demand to include non-management employees on the board. An increase of employees	Annual

Tapestry Inc	11/5/2020	Advisory Vote on Executive Compensation	For	Against	Against Management	representation in the board, would benefit all stakeholders. Concerning pay practices. LTI performance period is less than three years and targets, thresholds and maximum are not clearly disclosed. Significant sign-on and severance payments were granted	Annual
Easyjet plc	12/23/2020	Appointment of Auditor	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Easyjet plc	12/23/2020	Authority to Set Auditor's Fees	For	Against	Against Management	The tenure of the auditor is excessive.	Annual
Easyjet plc	12/23/2020	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual

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