



2017 Stewardship Report - Brazil

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Stewardship Activities in Brazil

During 2017 Robeco was in constructive dialogue with several of our Brazilian investments. Most of our engagement has been aimed at improving corporate governance in companies that had exposure to corruption issues in the past, or with companies who were reviewing their shareholder relationship agreements and where we could therefore provide our constructive input. The report below provides some examples of our work.

Engagement

Like many shareholders we have engaged with companies that were heavily involved with the bribery issues related to Lava Jato. In past years we have supported the appointment of independent members to the board and provided frequent feedback on issues of corporate governance, safeguards from government influence and objective pricing policies. In 2018 we concluded our engagements on this topic.

In the final stages, our conversations were aimed at gaining better understanding of risk management and compliance systems. Our assessment is that the current board of the company has played a crucial role in the progress of the company's

governance and risk management systems. In the last

phase of our engagement, we discussed the nomination policy of the company in order to assess the risk of a change in dynamics in the board as a result of future nominations.

Another engagement dealt with a company that changed their dual share class structure into a unitary share structure whilst revising their agreement with their largest shareholder. The new structure is likely to be beneficial to the liquidity of the stock, and to creating equal rights between shareholders in the long run.

Still, we have some concerns associated with the plan, including the intended conversion ratio, the associated dilution and the time-lines associated with the proposal. One additional part of our engagement with this company is focused upon moving the

company towards best practice under the governance guidance of the Novo Mercado.

Another part of our engagement is focused on the prevention and remediation of environmental disasters, after the company was involved in a significant environmental issue in one of their joint venture companies.

We intend to add several more of our Brazilian equity holdings to our engagement program in 2018.

Proxy Voting

Proxy voting is an effective way of exercising shareholder rights and is one of the main pillars of our active ownership approach. Voting at the shareholder meetings of companies held in our portfolios provides us with an opportunity to improve corporate governance, as well as wider sustainability performance,

at the board level. 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.

In total, Robeco voted at 4,733 shareholder meetings globally over the course of 2017. In 60% of these meetings, we voted against one or more agenda item. Specifically for Brazil, we voted at 137 shareholder meetings, on a total of 648 proposals. The most common proposals which we voted against were: Compensation (43%), Board Composition (25%), and Capital Management (10%).

The most common reasons behind our votes against were a lack of independence at board

level, a lack of performance criteria in remuneration plans, and poor disclosure. With this in mind, below we provide one example of our voting on board composition, and one example of how we assess and vote on executive compensation plans.

To achieve effective management supervision, it is of the utmost importance that the board can exercise independent judgment and is free of conflicts of interest. This is particularly the case for positions on key committees, including the audit committee, which we believe should be composed solely of independent members.

Performance based compensation, particularly when granted in equity, can help to align the interests of executives with those of shareholders. When used appropriately, it can provide a vehicle for linking

employee pay to company performance, thereby aligning their interests with shareholders. When assessing such plans, one key element to be considered are the targets against which such awards are made. It is of key importance to utilize the right metrics which reward executives for performance against the companies' long term strategy. Misalignment between reward metrics and company strategy can lead to substantial disconnect between pay and performance.

[More information](#)

In the interests of transparency towards all of our stakeholders, Robeco publishes voting results via a dedicated proxy voting disclosure website, available at Robeco.com

