

Proxy Voting and Shareholder Rights NPRM
Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

05 October 2020

Subject: RIN 1210-AB91

Dear Assistant Secretary Wilson,

Robeco is a global asset manager, based in Rotterdam, The Netherlands, and 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 one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum. From an investment perspective, we believe considering material Environmental, Social and Governance (ESG) factors strengthens our investment process and ultimately leads to a better-informed investment decision. Corporate governance is core to our stewardship practices, and therefore, we make informed use of our shareholder rights via proxy voting to stimulate long term shareholder value.

With this letter we would like to use the opportunity available during the comment period to comment on the proposed rule: 'Fiduciary Duties Regarding Proxy Voting and Shareholder Rights'.

Given the changes in the investment landscape over the years, we understand the need for new rules to enhance the alignment of shareholder interests, economic value, and corporate governance. We appreciate that the proposed rule aims to enhance the responsibility of investors to make informed voting decisions. Nonetheless we are concerned that the proposed rule and the three non-exclusive 'permitted practices' have the potential to prevent ERISA-plan fiduciaries from exercising their votes effectively and may prevent them from taking account of material ESG factors. Our concerns are outlined below:

- The proposed changes to regulation potentially reduce the ability of shareholders to hold management accountable and to communicate material concerns at shareholder meetings. We believe that the ability to vote on all agenda items allows shareholder to assess a listed company's performance on a variety of issues. We believe that agenda items individually may not seem material to some, but we firmly believe that the option to exercise these rights lays a foundation for good governance and accountability.

- Paragraphs (e)(3)(iii)(A-C) set out the three permitted practices in which an ERISA plan fiduciary can make 'prudence-based judgments' around the implementation of its voting policies. However, these practices call for the individual ballot items to be assessed for their economic impact which can significantly increase the operational costs of proxy voting. This additional operational cost could outweigh the perceived impact that voting on non-pecuniary agenda items would have on overall investment performance. We believe that cost assessments should be made at a total investment level instead of individual agenda items. Assessing individual proposals makes proxy voting more costly and creates an unnecessary operational burden. Keeping the operational costs of proxy voting to a minimum is necessary to ensure that investment performance is not negatively impacted. The economies of scale granted by the existing proxy advisory firms enables proxy voting to be cost efficient but enforcing a per-proposal assessment could materially jeopardize this efficiency.
- We are concerned with the legislation's impact in effectively preventing shareholders from improving ESG performance. We firmly believe that exercising shareholder rights in the service of a company's ESG performance and profitability is not only a sound investment approach, it is critical to corporate success over the long term. As it stands, we find that a policy of exercising votes on ESG-related areas that the applicable fiduciary believes are likely to significantly affect long-term value would be consistent with the second permitted practice (Paragraph (e)(3)(iii)(B)).

We hope that our concerns outlined above will be addressed and incorporated in the final implementation of the new rule.

Sincerely,



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