

# Sustainability and Engagement at Boston Partners

## Engagement Report

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The Sustainability and Engagement Team (the “Team”) undertook the following engagement actions during January 2021:

### **Calls, Meetings and Correspondence with Issuers:**

The Team engaged with the below issuers following research on the company.

1. **PACCAR Inc (ticker symbol PCAR):** PCAR designs, manufactures, and distributes light, medium, and heavy-duty commercial trucks. The Team emailed PCAR while it was updating research on PCAR. The Team noticed the ESG report on the website only covered data to 2018 and inquired when the updated report would be published. The Director of Investor Relations responded communicating the updated report would be published soon. The updated report was posted and the Team reviewed PCAR’s progress.
2. **Henry Schein, Inc. (ticker symbol HSIC):** HSIC provides health care products and services to dental practitioners and laboratories, animal health clinics, and other care clinics. The Team emailed HSIC following research on HSIC. The Team inquired if HSIC intends to publish SASB-aligned reporting and encouraged HSIC to publish more detailed diversity data. The Team also encouraged HSIC to seek third-party verification of its environmental data, set environmental goals (especially science-based emissions targets), and publish multi-year environmental data to demonstrate trends.

The Team engaged with the below issuers following shareholder outreach by the company.

1. **Parsley Energy, Inc. (ticker symbol PE):** PE is an independent oil and natural gas company. PE reached out to Boston Partners regarding the golden parachute proposal for the Special Meeting. Boston Partners intended to vote against the proposal because recent enhancements to the treatment of performance-based equity were concerning. Performance share units would single-trigger vest at the maximum level rather than based on actual performance over the period leading up to the change-in-control. PE explained why the Compensation Committee chose to waive the cap. PE indicated the Compensation Committee was being conservative by modifying the existing award structure rather than adopting a new cash payment, and the absolute dollars of the package was low for the industry. The Team communicated the information to the Governance Committee to review.
  2. **Melrose Industries PLC (ticker symbol MRO LN):** MRO buys, improves, and sells manufacturing businesses. MRO reached out to Boston Partners ahead of the Special Meeting regarding the employee share plan renewal. Boston Partners was set to vote against the proposal to Approve the Employee Share Plan and the proposal to Approve Amendments to the Remuneration Policy; however, Boston Partners evaluated the plan and decided to support the proposals. During the engagement call, MRO provided context about the proposals. MRO’s unique business model
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informed the remuneration structure, and shareholders have historically supported the program. MRO also discussed ESG. MRO has improved its ESG disclosure and is working to improve further and incorporate the UN SDGs. The next iteration of the report is expected to be published in the spring. MRO indicated it operates in carbon intensive sectors but is contributing to the turnaround in those sectors.

3. **FMC Corporation (ticker symbol FMC):** FMC is an agricultural sciences company. FMC contacted Boston Partners as part of its annual shareholder outreach. FMC highlighted the company's first Chief Sustainability Officer and indicated it is expanding its ESG disclosure. FMC also discussed its diversity and inclusion efforts and goals. Additionally, FMC communicated it has made progress against its environmental goals and indicated sustainable product development is critical to the company and the industry. The Team inquired about health concerns related to pesticides as well as the environmental impacts of pesticide use. FMC indicated the products are focused on targeted issues, and FMC works to balance solving pest problems and protecting the quality of the soil.
4. **NXP Semiconductors N.V. (ticker symbol NXPI):** NXPI offers various semiconductor products. NXPI reached out to Boston Partners for a shareholder engagement call. NXPI described the impact of COVID-19 on the company, then turned to ESG efforts and disclosure. NXPI wants to make its ESG disclosure easier to read and added a person in the organization who will be working on reporting. NXPI also added three board members, including two women. NXPI is focusing on climate and talent management. NXPI indicated the company is putting a lot of effort into diversity to be more transparent. NXPI is working to create female role models and identify the appropriate universities to provide the mix of candidates NXPI seeks. NXPI also sought Boston Partners' views on overboarding and director tenure. The Team communicated Boston Partners' policies.
5. **DTE Energy Company (ticker symbol DTE):** DTE is a diversified energy company that engages in utility operations. The Team participated in DTE's Sustainability Priorities Survey, an effort to identify and prioritize DTE's sustainability issues. The identified ESG issues, or Priority Sustainability Issues, will guide DTE's efforts to enhance its disclosure and engagement with stakeholders and build upon long-term strategic planning efforts.
6. **Oshkosh Corporation (ticker symbol OSK):** OSK designs, manufactures, and markets specialty vehicles and vehicle bodies. OSK reached out to Boston Partners ahead of the Annual Meeting. On the ballot was a shareholder proposal to amend the company's proxy access bylaw to enable as many shareholders as may be needed to aggregate their shares to equal 3% of stock owned continuously for three years, thereby removing the 20-shareholder aggregation limit. Boston Partners intended to support the proposal. OSK explained the history of the proposal and why management recommended voting against it. OSK turned to sustainability and indicated OSK has been transitioning from environmental compliance to sustainability as a differentiating factor. OSK also noted its sustainability program is a key driver to attract and retain talent. OSK has goals around energy use and waste diversion, and OSK started reporting according to SASB and TCFD. The Team inquired about diversity. OSK included some diversity information in the latest disclosure and will be disclosing more in the upcoming report. OSK also added a second female to the leadership team, effective in February. The Team also encouraged OSK to disclose supplier audit data. Additionally, the Team inquired about science-based targets. OSK is considering them and working to procure renewable energy. OSK also discussed electrification.
7. **BWX Technologies, Inc. (ticker symbol BWXT):** BWXT manufactures and sells nuclear components. BWXT contacted Boston Partners for a shareholder outreach call. BWXT communicated it is working on its first standalone sustainability report, which it expects to release in conjunction with the proxy. The Team inquired about employee diversity. BWXT indicated the workforce is primarily white, and male, though BWXT noted this is representative of the populations where BWXT operates. BWXT indicated it focuses on the talent pipeline and growing the applicant pool; however, challenges for increasing diversity include low turnover and frequency of hiring experienced candidates. The Team inquired about sustainable products and services. BWXT highlighted the long life and efficiency of its products, commercial nuclear power in Canada, and endeavors into medical isotopes. The Team recommended discussing GHG emissions and climate change in the upcoming sustainability report and asked about goals and performance tracking.

BWXT indicated it is not planning to disclose goals, but BWXT has been tracking GHG emissions, waste, energy usage, and water consumption. The Team also noted the de-classification of the Board and suggested disclosing whistleblower data.

8. **InterDigital, Inc. (ticker symbol IDCC):** IDCC designs and develops technologies that enable and enhance wireless communications. IDCC contacted Boston Partners for a shareholder engagement call. IDCC described the impact of COVID-19 on the company and IDCC's response. IDCC then discussed its ESG initiatives. IDCC is integrating ESG into the strategic planning process. IDCC plans to launch a sustainability microsite then publish a sustainability report. In terms of diversity, IDCC is purposefully looking at historical and current data to support diverse talent investment and development. IDCC discussed the compensation program and last year's say-on-pay vote. The Team also communicated Boston Partners' preferences around shareholder rights, and IDCC expressed it has adopted recommendations in the past and welcomes feedback.
9. **Arrow Electronics, Inc. (ticker symbol ARW):** ARW provides products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. ARW reached out to discuss changes to the compensation plan and other updates. Support for the 2020 say-on-pay proposal was below 70%, which prompted ARW's outreach effort last summer. ARW indicated shareholder feedback drove changes to the compensation program design, disclosure, and governance. ARW then described its response to COVID-19. ARW also expressed it is on a 5-year journey to improve diversity. Additionally, ARW added two new directors to the Board in 2020 as part of a multi-year effort to refresh the Board. ARW is focused on diversity of experience, gender, and race/ethnicity. Moreover, the CEO/Chairman will be retiring, at which point ARW will consider separation of the CEO and Chairman positions. ARW indicated it will likely move with market practice and separate the roles. The Team communicated Boston Partners' preference for separation. The Team inquired about concerns regarding suppliers. ARW indicated there is a strong compliance office, many of ARW's partners are leaders for ESG, and ARW ensures customers are using the products it sells responsibly and has end-to-end supply chain assurance.

### Proxy Voting:

The Team sent a letter to the following issuers informing each issuer of Boston Partners' proxy vote against management.

1. **Acuity Brands, Inc. (ticker symbol AYI):** Voted against the ratification of named executive officer compensation due to various concerns.
2. **Pure Cycle Corporation (ticker symbol PCYO):** Withheld votes from two director nominees because they are incumbent members of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender. Boston Partners supports diversity in leadership.
3. **WH Smith Plc (ticker symbol SMWH LN):** Voted against approval of the remuneration report. COVID-19 negatively impacted the company. All executive officers and directors except for the CEO took a voluntary 20% pay reduction. Had the CEO also volunteered to take a 20% pay cut, he would have earned GBP 420,000 in 2020, rather than the GBP 550,000 he earned. Though the CEO donated his salary increase, during a period that saw shareholder dilution, thousands of employee layoffs and negative profits, his pay increased 5%, while the rest of the C-suite's fell 20%. Further, the company's stock lagged 75% of peers, while pay lagged only 10% of peers over the last 3 years, and during 2020, the company issued 20% of its shares at a price 60% lower than 1/1/2020 due to unforeseen financial distress. Voted against the issuance of equity due to dilution concerns.
4. **PT Bank Rakyat Indonesia (Persero) Tbk (ticker symbol BBRI IJ):** Voted against amendments to the articles of association, the transfer of treasury stock, and the approval of changes to the board due to lack of information.
5. **Visa Inc. (ticker symbol V):** Voted for the shareholder right to act by written consent. The right to act by written consent enhances shareholder rights by affording an additional means of acting in between annual meetings.
6. **Amdocs Limited (ticker symbol DOX):** Voted against three director nominees because they are incumbent members of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.

**Boston Partners voted the following number of proxies:**

Number of meetings: 20

Number of issues: 158

**Disclosure**

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