

# 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 August 2021:

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

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

1. **International Game Technology Plc (ticker symbol IGT):** IGT is a multinational gambling company that produces slot machines and other gambling technology. The Team emailed IGT following research on IGT. The Team encouraged IGT to adopt an independent Board Chairman and to reduce the number of non-independent directors. Also, the Team encouraged IGT to provide the shareholder right to act by written consent and to disclose hotline claim data. Finally, the Team asked IGT how many supplier audits were conducted in 2020.
  2. **Qualcomm Inc. (ticker symbol QCOM):** QCOM creates semiconductors, software, and services related to wireless technology. The Team emailed QCOM following research on QCOM. The Team encouraged QCOM to provide shareholders the right to call special meetings and the right to act by written consent and to disclose hotline claim data. Also, the Team asked QCOM if the number of classroom training course enrollments contains multiple enrollments by the same employee and why the safety statistics were remarkably low. Also, the Team asked QCOM what caused the significant increase in scope 1 and 2 GHG emissions from 2019 to 2020 and if QCOM has any plans to increase renewable energy sources. Finally, the Team asked QCOM if there are any goals in place to decrease the amount of water withdrawn and if QCOM is auditing its suppliers in China more than every 2 years.
  3. **Westinghouse Air Brake Technologies Corporation (ticker symbol WAB):** WAB provides equipment, systems, digital solutions, and value-added services for the freight and transit rail sectors. The Team emailed WAB following research on WAB. The Team encouraged WAB to adopt an independent Board Chairman and Vice Chairman and to declassify the Board. Also, the Team encouraged WAB to disclose hotline claim data, to publish their annual sustainability report in accordance with GRI, SASB or another recognized framework, and to provide year to year environmental data comparisons pertaining to its operations. The Team asked WAB how they plan on meeting their safety, GHG emissions and water reduction goals. Finally, the Team asked WAB how they plan to reduce water consumption across its manufacturing facilities and how WAB prevents forced labor in its facilities in China and India.
  4. **NetEase Inc. (ticker symbol NTES):** NTES is an internet and video game company. The Team emailed NTES following research on NTES. The Team encouraged NTES to increase the gender diversity of the Board to at least 2 women, to provide shareholders the right to call special meetings and the right to act by written consent, to have the whistleblower hotline managed by a third-party and to disclose hotline claim data. Also, the Team encouraged NTES
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to adopt a policy to limit the number of public company boards on which directors may serve to no more than 4, to provide safety statistics, to create environmental goals and to provide year to year environmental data pertaining to its operations. The Team encouraged NTES to use more standard units of measurement, and asked NTES to what extent data centers are wholly operated by NTES in single tenant locations, which are in colocation facilities, and which are from cloud-based providers. The Team asked if NTES has renewable energy for just one data center or if NTES only measured one data center. Finally, the Team encouraged NTES to discuss its audit procedures and disclose annually the number of suppliers audited and the results of those audits and to disclose sustainability related information about its pig farms.

5. **Ambev SA (ticker symbol ABEV):** ABEV is a Brazilian brewing company. The Team emailed ABEV following research on ABEV. The Team encouraged ABEV to increase the number of independent directors and to adopt an independent Board Chairman, to adopt a policy to limit the number of public company boards on which directors may serve to no more than 4, and to disclose hotline claim data. Also, the Team encouraged ABEV to increase the gender diversity of the workforce, discuss its audit procedures and disclose annually the number of suppliers audited and the results of those audits. Finally, the Team asked ABEV plans to reduce the number of safety accidents in Brazil, and to explain the scope 1 and 2 GHG emissions increase from 2019 to 2020 in Canada.
6. **Carnival Corporation (ticker symbol CCL):** CCL is a cruise operator and the world's largest travel leisure company. The Team emailed CCL following research on CCL. The Team encouraged CCL to appoint an independent Chairman, to disclose whistleblower statistics, and to provide shareholders with the right to call special meetings and the right to act by written consent. Additionally, The Team encouraged CCL to publish EEO-1 diversity data and to provide employee training statistics.
7. **Avantor, Inc. (ticker symbol AVTR):** AVTR is a global supplier in the life sciences, advanced technologies, and applied materials industry. The Team emailed AVTR following research on AVTR. The Team encouraged AVTR to disclose whistleblower statistics and provide additional statistics on its training programs. The Team also encouraged AVTR to create long term GHG emission goals that reflect relevant dates of the Paris Agreement, and to disclose the number of suppliers audited annually.
8. **Royal Caribbean Group (ticker symbol RCL):** RCL is the world's second largest cruise line operator. The Team emailed RCL following research on RCL. The Team encouraged RCL to appoint an independent Chairman and to disclose whistleblower statistics. The Team also encouraged RCL to publish EEO-1 diversity data and employee safety statistics. Finally, The Team encouraged RCL to conduct supplier audits and to report the number of audits conducted annually.
9. **Procter & Gamble (ticker symbol PG):** PG is a global supplier of cleaning products and machinery made for daily customer use. The Team emailed PG following research on PG. The Team encouraged PG to separate the role of CEO and Chairman, to disclose complaints made on the whistleblower hotline, and to disclose the number of employees covered by CBA's. The Team also encouraged PG to provide more information about its training program statistics, to consolidate and verify metrics in their reports relating to environmental data, and to disclose the number of suppliers audited annually.
10. **Curtiss-Wright Corporation (ticker symbol CW):** CW is a product manufacturer and service provider. The Team emailed CW following research on CW. The Team encouraged CW to adopt an independent Board Chairman, to provide shareholders the right to call special meetings and the right to act by written consent. Also, the Team encouraged CW to disclose complaints made on CW's whistleblower hotline including the number of reports, categories of reports, the number of reports substantiated, and the number of employees terminated or otherwise disciplined from the report. Finally, the Team encouraged CW to provide a sustainability report in accordance with a recognized framework, to provide gender diversity data across the workforce and to disclose the number of suppliers audited annually.
11. **Wesco International, Inc. (ticker symbol WCC):** WCC is a provider of electrical, industrial, communications, maintenance, repair and operating, and original equipment manufacturer products, as well as construction materials

and advanced supply chain management/logistic services. The Team emailed WCC following research on WCC. The Team encouraged WCC to separate the role of CEO and Chairman, to provide shareholders the right to call special meetings and the right to act by written consent. Also, the Team encouraged WCC to disclose hotline claim data, to provide full EEO-1 data, and to disclose the number of suppliers audited annually. Finally, the Team encouraged WCC to further examine options to reduce GHG emissions besides carbon offsets.

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

1. **Lam Research Corporation (ticker symbol LRCX):** LRCX designs, manufactures, markets, and services semiconductor processing equipment. LRCX reached out to Boston Partners for a shareholder engagement call. LRCX provided a presentation in advance of the discussion. LRCX noted there were no changes to Board composition during 2020. The Team asked LRCX if there has been employee feedback on the compensation plan. LRCX noted employees haven't reacted negatively. The Team inquired about the ability to call special meetings and LRCX thinks the ability to act by written consent is sufficient. The Team asked LRCX how they determined their ambitious environmental goals and where the gaps lie. LRCX does not completely know how they will reach later goals some of which will be dependent on new technology.

The Team received the following responses from issuers, as well as participated in the following discussions, regarding Boston Partners' proxy vote against management.

1. **Nihon Unisys, Ltd. (ticker symbol 8056-JP):** 8056-JP is a leading provider of IT consulting services in Japan. 8056-JP responded to Boston Partners' proxy letter regarding votes against management. Boston Partners voted against statutory auditor nominee Oishi because his affiliation with the company could compromise independence. 8056-JP decided to nominate Oishi because he served as an executive of Norinchukin Bank which is one of their major business partners and lenders and 6 years have passed since he left the bank in June 2015. He also served as executive in charge of the global markets division of Mizuho Securities Co., Ltd. from June 2015 until March 2021. 8056-JP claims their business with Mizuho Securities Co., Ltd. is nominal given it's less than 0.1% of their consolidated net sales in the latest fiscal year.
2. **DXC Technology Company (ticker symbol DXC):** DXC provides business-to-business information technology services. DXC responded to Boston Partners' proxy letter regarding votes against management and setup a call to discuss. Boston Partners voted against the advisory vote to ratify named executive officers' compensation because there is a pay-for-performance misalignment for the year in review. Specifically, the annual incentive pool was funded above target based on financial goals that were set significantly lower than the prior year, while executives' payout opportunities remained unchanged. The application of a subjective strategic modifier then increased the CEO's payout from above target to the maximum level. Further, DXC does not provide a compelling rationale for the significant decrease in the proportion of PSUs granted to certain NEOs. In addition, retention and one-time awards appear to be problematic, as certain awards are entirely time-based with a fairly short vesting period. This also includes a sizable lump-sum cash payment to one NEO. Finally, the CEO's employment agreement provides for a cash payment upon any termination of employment, which is considered a problematic pay practice. DXC's main reason for the pay for performance misalignment is employee retention and not losing talent. DXC's Board believes the performance-based awards were appropriate because the leadership team has low equity, and something needed to be done to keep the team focused on delivering incremental work.

### Proxy Voting:

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

1. **Enova International, Inc. (ticker symbol ENVA):** Voted against the omnibus stock plan because ENVA's three-year average adjusted burn rate exceeded 3.5 percent, which Boston Partners deems excessive.
2. **Eagle Materials Inc. (ticker symbol EXP):** Voted against 2 director nominees because they were incumbent members

of the nominating committee, and the board did not have any directors who were racial minorities. Boston Partners supports diversity in leadership.

3. **EnerSys (ticker symbol ENS):** Voted against a director nominee because he was an incumbent member of the nominating committee, and the board did not have at least 2 members that were not of the majority board gender.
4. **UPL Limited (ticker symbol 512070-IN):** Voted against a director nominee because he was non-independent, and the board was less than one-third independent.
5. **Check Point Software Technologies Ltd. (ticker symbol CHKP):** Voted against a director nominee because he sits on more than 4 public company boards, which presents overboarding concerns.
6. **Electronic Arts Inc. (ticker symbol EA):** Voted against 3 director nominees because they were members of the compensation committee and there was limited responsiveness to last year's failed say-on-pay vote. Voted against the ratification of named executive officers' compensation because despite shareholder engagement and feedback following last year's failed say-on-pay proposal, the committee demonstrated only limited responsiveness, as certain concerns were not fully addressed. Additionally, there were pay-for-performance concerns for the year in review. Specifically, the CEO's "enhanced" equity awards granted in FY21 on a one-time basis were outsized at \$30 million, which alone exceeded the median total pay for CEOs in the company-defined peer group. Further, a significant portion of the annual incentive program was based on qualitatively disclosed strategic objectives, which made it difficult for shareholders to assess the pay for performance linkage. In addition, concerns were heightened given that the CEO received a maximum annual incentive payout of \$5 million. Lastly, a portion of the PSUs continued to utilize relatively short performance periods with additional vesting opportunities, which reduced the long-term nature of the program. Voted for the proposal to provide the right to act by written consent because this would enhance shareholder rights by affording shareholders an additional means of acting in between annual meetings.
7. **SillaJen, Inc. (ticker symbol 215600-KR):** Voted against the amended compensation policy due to lack of disclosure.
8. **Kansas City Southern (ticker symbol KSU):** Voted against the advisory vote on golden parachutes. While cash severance was double trigger and reasonably based, NEOs were entitled to receive problematic excise tax gross-ups pursuant to recently entered agreements. Additionally, majority of time-based equity awards would fully vest in connection with the merger, and performance shares would be converted into cash-based awards at the maximum performance level without a compelling rationale. Further, retention bonuses were sizeable, and the CFO's severance was recently enhanced without a compelling rationale.
9. **Sykes Enterprises, Incorporated (ticker symbol SYKE):** Voted against the advisory vote on golden parachutes. The CEO's employment agreement provided for single trigger cash severance. Accordingly, he could receive severance for a voluntary termination upon the change in control. Additionally, the NEOs' equity was automatically accelerated in connection with the transaction and represented a significant portion of the total golden parachute payments. Furthermore, executives would receive a tax reimbursement based on a deferred compensation plan payout.
10. **Naspers Ltd. (ticker symbol NPN-ZA):** Voted against a director nominee because he was the Chair of the Remuneration Committee, and therefore was accountable for NPN-ZA's approach to executive remuneration. Persistent concerns were raised regarding NPN-ZA's approach to remuneration and its lack of sufficient response to high levels of shareholder dissent over the last few AGMs. Voted against a director nominee because he was a non-independent Audit Committee Chair. Voted against the remuneration policy because it included elements in the long-term incentive plans which were not based on pre-determined performance targets, and which vested after only one year from grant. Voted against the implementation of the remuneration policy because LTIP award quantum was high, and a large portion was not subject to pre-determined performance conditions. Voted against the proposal to place authorized but unissued shares under control of directors because the stock that could have been issued represented an increase of 30 percent or more, which exceeded Boston Partners' threshold of 10 percent. Voted against the proposal to authorize the

board to issues shares for cash because the proposed authority could involve the issue of new A ordinary shares, which have multiple voting rights, and therefore perpetuate NPN-ZA's dual-class share structure. Voted against the proposal to approve financial assistance in term of section 44 of the compliance act because it would facilitate the operation of equity incentive schemes which raise concerns due to the lack of performance criteria in some of the long-term incentive schemes and vesting profiles which allow for the release of awards less than three years from the grant date. Voted against the proposal to authorize specific repurchase of N ordinary shares from holders of N ordinary shares because the specific repurchase authority was in addition to the general authority to repurchase up to 20% of the issued N share capital with no obvious benefits or details of the repurchase set out for investor attention. Voted against the proposal to authorize the repurchase of A ordinary shares because NPN-ZA did not specify how the purchase price for A ordinary shares would be determined or whether any limit applied to repurchases. In addition, potential conflicts of interest could exist.

11. **Bharti Airtel Limited (ticker symbol 532454-IN):** Voted against 3 director nominees because they were non-independent members of key committees. Voted against the reappointment and remuneration of the chairman because the practice of paying remuneration through subsidiaries and group companies was concerning and 532454-IN was seeking a blanket approval for his remuneration for a period of 3 years.

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

Number of meetings: 22

Number of issues: 171

### **Disclosure**

This document is not an offering of securities nor is it intended to provide investment advice. The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients. It should not be assumed that investments in these securities were or will be profitable. It is intended for information purposes only.