

# 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 September 2019:

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

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

1. **Azul S.A. (ticker symbol AZUL):** AZUL is Brazilian airline company. The Team emailed AZUL following research on AZUL. The Team encouraged AZUL to provide more disclosure related to ESG matters. The Team also inquired about carbon offsetting, cybersecurity, and supplier due diligence. Further, the Team mentioned the lack of voting rights for preferred shareholders and the lack of diversity on the Board. The Team arranged to speak with AZUL’s Chief Financial Officer and Investor Relations Officer. AZUL is preparing its first sustainability report, which it plans to publish in 2020. The report will follow GRI standards and address many of the Team’s questions and comments. During the call, AZUL described the whistleblower hotline and the types of typical claims. AZUL also discussed its energy usage, GHG emissions, and waste—noting the primary source of these is flights rather than office operations. AZUL has been improving fuel efficiency by modernizing its fleet. AZUL described applicable carbon offsets, its cybersecurity program and penetration testing, and supplier due diligence process. AZUL also explained that the voting rights structure was a function of limitations in Brazilian law for foreign investors. Preferred shareholders have limited voting rights under certain circumstances, and AZUL provided a list of these following the call. The Team also inquired if AZUL has an overboarding policy for directors. The representative was not aware of one but noted AZUL tracks the number of boards on which each director serves.
  2. **Best Buy Co., Inc. (ticker symbol BBY):** BBY is a consumer electronics retailer. The Team emailed BBY following research on BBY. The Team encouraged BBY to select an independent director as Hubert Joly’s successor for the role of Chairman of the Board. The Team also encouraged BBY to include whistleblower data in the Ethics section of the CSR. Additionally, the Team sought more information about instances of non-compliance and corrective action within the supply chain and inquired about recent material product recalls. Finally, the Team encouraged BBY to expand its diversity data reporting and disclose safety and injury rate data.
  3. **EOG Resources, Inc. (ticker symbol EOG):** EOG produces crude oil and natural gas. The Team emailed EOG in August following research on EOG. EOG responded to the Team’s email and sent the 2018 Sustainability Report. EOG highlighted its expanded disclosure and recent appointment of a Director, Sustainability.
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## Calls, Meetings and Correspondence with Issuers:

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

- 1. FedNat Holding Company (ticker symbol FNHC):** FNHC is Florida-based insurance company. FNHC reached out to the Team to discuss recent board additions and other governance topics of interest ahead of the annual meeting. FNHC explained the cooperation agreement into which FNHC entered with Capital Returns. As part of the agreement, two new directors are joining the Board. FNHC discussed how diversity was considered during the selection process. The Team appreciated many governance changes FNHC has instituted, such as separating the roles of Chairman and CEO, increasing the say-on-pay frequency to an annual vote, and reducing the percentage of shares required to call a special meeting from 33% to 25%; however, the Team noted that FNHC continues to have a classified board. The Team communicated Boston Partners' preference for a non-classified board structure. FNHC also briefly discussed the compensation plan. Finally, the Team encouraged FNHC to provide ESG disclosure.
- 2. Cigna Corporation (ticker symbol CI):** CI is a health service organization that provides insurance and related products. CI reached out to the Team to discuss the written consent shareholder proposal that was voted at the 2019 annual meeting. CI was engaging with shareholders again to solicit feedback about their views on the right to act by written consent and determine next steps. Boston Partners voted in favor of the proposal and the Team explained the firm's position that it is an important right for shareholders to have. CI inquired about the firm's view of the right to call a special meeting, and the Team communicated that the firm encourages both rights and generally supports proposals for the right to call a special meeting with 10% of shareholders. The Team also noted that CI published their most recent sustainability report since the last call and included training hours data.
- 3. Huntington Bancshares Incorporated (ticker symbol HBAN):** HBAN is a regional bank. The Team spoke with representatives of HBAN as part of HBAN's twice-yearly shareholder engagement. The Team provided feedback on HBAN's ESG report and recommended adopting some form of standardization, such as GRI or SASB. HBAN is considering using the SASB standards in the future. HBAN discussed matters relating to maintenance of the Board such as director assessments and diversity. The Team highlighted gender diversity as an important factor and discussed Boston Partners' overboarding policy. The Team reiterated comments about separating the roles of CEO and Chairman and expanding shareholder rights. HBAN participates in the CDP, though it has noticed a trend of big banks including the relevant information in their reports but not releasing it through CDP. The Team communicated that we refer to CDP but don't have a strong opinion about participation in it as long as the information is disclosed and verified by a third party. HBAN inquired about our perspective on including ESG information in the proxy. The Team communicated that we use the proxy for "G" information but generally look to other sources for the disclosure of "E" or "S" data.
- 4. Laboratory Corporation of America Holdings (ticker symbol LH):** LH is a global life sciences company focusing on diagnostics and drug development. LH contacted Boston Partners as part of LH's annual outreach program. LH described the upcoming CEO transition. The Team encouraged LH to select an independent director as King's successor for the role of Chairman. The Team also pointed out that the percentage of independent directors on the Board will decrease with the CEO transition, which is a concern. LH noted the Board can add another member. The Team noted three directors serve on more than three public company boards, which presents overboarding concerns. Additionally, LH provides the right for shareholders to act by written consent, though LH does not provide the right for shareholders to call special meetings. LH described the executive compensation structure, noting they have made changes over time in response to shareholder feedback. LH has also expanded its environmental and social disclosure and is working to further enhance the reporting.
- 5. Entergy Corporation (ticker symbol ETR):** ETR is a regional electricity generator and regulated utility. ETR reached out to the Team as part of its offseason engagement program. ETR provided an update on the business and noted ETR has good relationships with its state regulators. ETR reviewed their sources of power generation noting its "clean" nature including solar and natural gas and some nuclear. ETR also discussed the compensation philosophy and compensation

package to senior executives. The Team discussed the lack of an independent chairman, but other than that ETR appeared to be addressing the main concerns, particularly on climate issues.

6. **The Allstate Corporation (ticker symbol ALL):** ALL is an insurance company. ALL reached out to Boston Partners following the annual meeting. ALL discussed the shareholder proposal for a report on political contributions and described the steps ALL has taken in response. The Team communicated that Boston Partners did not support the proposal. ALL also spoke about board refreshment. The Team explained the firm's policy on overboarding and noted Boston Partners voted against two directors in 2019 for this reason. The Team also communicated Boston Partners' preference for an independent chairman but positively noted ALL provides the shareholder right to call a special meeting at 10%, as well as the shareholder right to act by written consent. The Team also provided feedback on ALL's ESG disclosure.
7. **Hubbell Incorporated (ticker symbol HUBB):** HUBB manufactures electrical and electronic products. HUBB was engaging with shareholders following low say-on-pay support at the annual meeting. Boston Partners did not participate in the vote as the firm was not a shareholder at the time, but as a current shareholder the Team welcomed the opportunity to connect. HUBB described the compensation program and explained why shareholders may not have supported the proposal. HUBB also sought Boston Partners' perspective on the compensation plan. Additionally, the Team provided feedback on HUBB's ESG profile, noting low Indeed and Glassdoor ratings and a lack of comprehensive disclosure. HUBB communicated it is involved in many positive initiatives and is working to improve disclosure.
8. **Chubb Limited (ticker symbol CB):** CB is an insurance company. CB reached out to Boston Partners as part of its annual engagement program. The Team noted that CB's disclosure has increased; however, the reporting still lacks safety data—which may be less relevant for the industry—and diversity information for the workforce and management. The Team also recommended CB disclose whistleblower data. CB does not produce a comprehensive report, but it is improving the disclosure available on the website. CB also noted it has been a big year for CB regarding climate change. CB instituted a Coal Policy in July 2019, and CB set a new GHG emissions reduction goal. Regarding corporate governance, CB recalled Boston Partners' overboarding policy. The Team also noted Boston Partners' preference for a separate CEO and Chairman.
9. **Gilead Sciences, Inc. (ticker symbol GILD):** GILD is a biopharmaceutical company. GILD reached out to the Team as part of its shareholder engagement program. GILD highlighted the new CEO and recently hired or appointed members of the management team. The new CEO serves as Chairman of the Board, and the Team communicated Boston Partners' view that having an independent chairman and separate CEO is preferable. GILD also noted its efforts in board refreshment, and the Team communicated the firm's overboarding policy and mentioned Boston Partners voted against one director at the 2019 annual meeting due to overboarding concerns. GILD highlighted its activities regarding CSR and ESG, such as the CSR Committee and target to reduce Scope 1 and 2 GHG emissions by 25% by 2025. The Team also inquired about regulatory matters and GILD described its compliance structure.

### Proxy Voting:

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

1. **Berkeley Group Holdings Plc (ticker symbol BKG LN):** Voted against the approval of the remuneration policy. The reworked remuneration framework allows for extension of earned long-term incentives for a further two years and removal of long-term incentive caps while maintaining a baseline dividend pay-out. The proposed variable framework does not focus on business operational targets, other than maintaining dividend pay-out. Voted against one director nominee due to overboarding concerns. Voted against the equity issuance authorization because Boston Partners believes the authorization would lead to excessive dilution. Voted against amendments to BKG's 2011 long-term incentive plan. The proposed amendments to the long-term incentive plan will see a continuation of a relatively high quantum being delivered to the executives for maintaining baseline dividend performance. The proposal to extend the life of the plan, at a time when BKG enters a more challenging period in its business cycle, will allow banked awards to

vest for simply continuing with BKG's established returns policy. This fails to encourage an enhanced level of company performance.

2. **Gazprom Neft PJSC (ticker symbol SIBN RM):** Voted against several director nominees because the disclosure provided by the Company made it impossible to discern the independent nominees and there did not exist any compelling reason to support one candidate over any of the others.
3. **Golar LNG Partners LP (ticker symbol GMLP):** Voted against one director nominee because he is a member of the audit committee and the ratification of auditors was not on the ballot for shareholder vote.
4. **Gujarat State Petronet Limited (ticker symbol GUJS IN):** Voted against two director nominees because they failed to attend at least seventy-five percent of board and committee meetings in the most recent fiscal year, without a satisfactory explanation.
5. **MiX Telematics Ltd. (ticker symbol MIXT):** Voted against the approval of the remuneration policy. The total number of shares reserved for equity-based schemes exceeds the recommended limit of five percent and long-term incentive awards begin vesting in less than five years.
6. **NetApp, Inc. (ticker symbol NTAP):** Voted against two director nominees due to overboarding concerns. Voted against amendments to NTAP's omnibus stock plan because the company's three-year average burn rate exceeds three and a half percent, which Boston Partners deems excessive.
7. **NetScout Systems, Inc. (ticker symbol NTCT):** Voted against amendments to NTCT's omnibus stock plan because the company's three-year average burn rate exceeds three and a half percent, which Boston Partners deems excessive.
8. **Newmark Group, Inc. (ticker symbol NMRK):** Voted against four incumbent director nominees because the Board failed to remove or subject to a sunset provision the dual class capital structure that adversely impacts shareholder rights. Further, one nominee is non-independent and NMRK lacks a formal nominating committee. Although controlled companies are exempted from the exchange requirement to maintain a majority-independent board and exclude non-independent directors from key committees, many institutional investors consider majority board independence and independent key board committees essential to ensure representation of shareholders as opposed to company management. The establishment of fully independent key committees ensures that shareholders can hold members involved accountable for their actions. Separate, formal committees may also increase transparency and communication with shareholders. Lastly, three of the four nominees are members of the audit committee and the ratification of auditors was not on the ballot for shareholder vote.
9. **Open Text Corporation (ticker symbol OTEX):** Voted against proposed amendments to the shareholder rights plan because the plan is not structured to protect the interests of shareholders in the event of a bid for their shares. Under the plan, beneficial owners are permitted to acquire common shares pursuant to any agreement, pledge or understanding where such rights are exercisable within a period up to 105 days. This is an unacceptably lengthy period; generally, plans limit the definition of beneficial ownership to the right to acquire common shares within a period of 60 days.

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

1. **Steven Madden, Ltd. (ticker symbol SHOO):** SHOO offered to have a call with the Director of Corporate Development & Investor Relations in response to Boston Partners' letter of June 24, 2019 regarding votes against management recommendation at the annual meeting. Boston Partners voted against a proposal to increase authorized stock because the increase in the number of authorized shares exceeds 50% of current authorized shares and there was no specific purpose. The Team wanted to provide feedback on our voting, which SHOO appreciated as they typically do not receive feedback. The Team also discussed SHOO's lack of sustainability disclosure. The representative noted SHOO is working to increase disclosure and recently hired a VP of CSR. The Team recommended the report include more

facts than verbiage and be prepared in accordance with some standard, such as GRI. The Team also noted we look for whistleblower data and supplier due diligence information. Finally, the Team noted SHOO has a combined CEO and Chairman and communicated our preference for these roles to be separate.

2. **ACCO Brands Corporation (ticker symbol ACCO):** ACCO offered to speak in response to Boston Partners' letter of June 21, 2019 regarding votes against management recommendation at the annual meeting. The Team had a call with ACCO's General Counsel and the Sr. Director, Investor Relations. Boston Partners voted against a proposal to approve the omnibus stock plan because ACCO's three-year average burn rate exceeds three and a half percent, which Boston Partners deems excessive. The Team provided an explanation of our process and policy to cap burn rate at three and a half percent. ACCO said the burn rate has historically been a challenge due to volatility in the stock, but they aspire to have a responsible burn rate. ACCO also noted they are looking at their overall ESG strategy and sought Boston Partners' perspective. The Team provided feedback on ACCO's disclosure and communicated our preference for details and data. ACCO mentioned that they have had numerous acquisitions and different business segments have been capturing and measuring data differently, which presents a challenge. The Team also commented on ACCO's corporate governance profile. ACCO has a combined CEO and Chairman and does not provide shareholders the right to call a special meeting nor the right to act by written consent. The representatives offered to pass along the feedback to the directors.
3. **Points International Ltd. (ticker symbol PCOM):** PCOM responded to Boston Partners' letter of June 13, 2019 regarding votes against management recommendation. Boston Partners voted against the proposal to re-approve the stock option plan because non-employee directors participate in the plan on a discretionary basis; no limits have been established. The Team spoke with the President and an Investor Relations representative. The Team explained that we sent the letter to provide feedback on our voting. PCOM explained that they intend to fix the provision with the next version of the plan. The Team also noted that PCOM does not have any sustainability disclosure and encouraged the Company to develop ESG reporting.
4. **Commvault Systems, Inc. (ticker symbol CVLT):** The Team had a call with representatives from CVLT in response to Boston Partners' letter of August 20, 2019 regarding votes against management recommendation at the annual meeting. The Team explained Boston Partners' positions: voting against one director nominee who sits on more than three public company boards; opposing the amendment to the omnibus stock plan because CVLT's three-year average burn rate exceeds three and a half percent; and voting against the say-on-pay proposal due to the modifications to the outgoing CEO's compensation. Regarding the executive compensation matter, CVLT explained the company sought to ensure a smooth transition of leadership. CVLT pointed out this was a non-cash charge, and it did not include acceleration. CVLT also emphasized that it was a one-time event rather than the typical policy for a retiring CEO, and CVLT received majority support on the say-on-pay proposal at the annual meeting. CVLT noted that the director Boston Partners did not support due to overboarding was both effective and engaged, and she is part of CVLT's efforts to increase board diversity. CVLT addressed the burn rate and explained that the one-time grants awarded to the outgoing and incoming CEOs impacted the burn rate, as did the stock price. The Team noted that CVLT lacks sustainability disclosure and encouraged CVLT to develop ESG reporting. CVLT communicated that they have raised the issue internally and it has been discussed.
5. **Molson Coors Brewing Company (ticker symbol TAP):** TAP's VP Legal and Corporate Affairs sent an email and letter in response to Boston Partners' letter of June 21, 2019 regarding votes against management recommendation at the annual meeting. Boston Partners withheld votes from two incumbent audit committee member director nominees because auditor ratification was not on the ballot. TAP noted its status as a "controlled company" and highlighted some of the governance practices it follows, such as having fully independent compensation and audit committees and a majority independent board, receiving input from all stockholders (Class A and Class B) with respect to the say-on-pay vote, and considering diverse director candidates. TAP offered to have a call to discuss further.

6. **Verizon Communications Inc. (ticker symbol VZ):** The Vice President - Governance & Engagement at VZ responded to Boston Partners' letter of June 6, 2019 regarding votes against management recommendation at the annual meeting. VZ offered to arrange a call for October to discuss Boston Partners' views further.

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

Number of meetings: 23

Number of issues: 194

**Disclosure**

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