

Sustainability and Engagement at Boston Partners

Engagement Report

The Sustainability and Engagement Team (the “Team”) undertook the following engagement actions during December 2019:

Calls, Meetings and Correspondence with Issuers:

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

1. **Nintendo Co., Ltd. (ticker symbol 7974 JP):** Nintendo develops, manufactures, and sells home entertainment products. An Investor Relations representative provided responses to the Team’s November email. Nintendo described examples of initiatives to promote female empowerment and the status of gender diversity at the company. In response to a question regarding a third-party hotline for compliance concerns, Nintendo explained employees can report compliance-related issues directly to the Audit and Supervisory Committee, which is independent from the Board. Nintendo noted they are considering making the anti-corruption policy publicly available and they will continue to work on supply chain management and information disclosure. Nintendo also briefly described the data security and privacy program.
 2. **Valero Energy Corporation (ticker symbol VLO):** VLO is an independent petroleum refining and ethanol producing company. The Team had a call with representatives from VLO in response to the Team’s October email. VLO addressed concerns around the combined CEO/Chairman and highlighted the Independent Lead Director. VLO also acknowledged concerns about the Board’s authority to issue blank-check preferred stock. VLO confirmed they do not make all policies publicly available and noted that enhancements to the compliance program are underway. VLO confirmed the Code of Conduct and Ethics is not explicitly applicable to contractors and explained Code provisions are addressed via master contract terms. VLO described the internal audit team and supplier audit program. The Team encouraged VLO to publish EEO-1 data; VLO will take this recommendation back to the appropriate committee. VLO noted information on training and employee development will be added to future reporting.
 3. **Royal KPN NV (ticker symbol KPN NA):** KPN is a telecommunications and IT provider. The Team emailed KPN following research on KPN. The Team noted KPN had good sustainability disclosure but sought clarification regarding supplier oversight.
 4. **FleetCor Technologies, Inc. (ticker symbol FLT):** FLT provides commercial payment solutions. The Team emailed FLT following research on FLT. The Team noticed FLT doesn’t publish much about its sustainability structure and policies. The Team inquired if FLT has considered publishing more information such as a sustainability or corporate responsibility report and asked to discuss FLT’s approach to sustainability by phone.
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5. **Mohawk Industries, Inc. (ticker symbol MHK):** MHK produces flooring products. The Team emailed MHK following research on MHK. The Team noted that the sustainability report lacked disclosure on several matters such as GHG emissions data, recycling and waste data, supplier oversight, and diversity, safety and training of employees; the Team inquired about plans to enhance the disclosure in the future. The Team also noted that MHK has an executive rather than an independent Chairman and that the level of gender diversity among directors and the executive team is low; the Team inquired about plans to improve this. The Team had a call with Investor Relations and the Chief Sustainability Officer. MHK explained there is a GRI supplement that they do not post on the website but provide upon request. MHK noted they are an acquisitions-based company so total GHG emissions can rise year over year while GHG intensity is decreasing. The Team commented on the executive Chairman and communicated our preference for a separate and independent Chairman. The Team also commented on the lack of diversity on the Board and executive team.
6. **Union Pacific Corporation (ticker symbol UNP):** UNP is a rail transportation company. The Team emailed UNP following research on UNP. The Team noticed UNP's Glassdoor and Indeed ratings seemed low and inquired if UNP reviews these ratings. The Team also inquired about officers and committees dedicated to sustainability and asked about sustainability goals. The Team inquired about the increased injury rate and any action taken in response. The Team also noted GHG emissions and emissions intensity remain steady despite initiatives to reduce fuel consumption and sought more insight into why. Additionally, the Team asked about disclosure regarding supplier oversight and whistleblower claims or Code of Ethics violations. Finally, the Team inquired about employee training data. UNP acknowledged the email and plans to provide responses after the upcoming earnings release.
7. **Electronic Arts Inc. (ticker symbol EA):** EA develops, markets, publishes, and distributes games, content, and services for game consoles, PCs, mobile phones, and tablets. The Team spoke with a representative from EA following the November engagement email to go over the Team's questions. The Team is awaiting responses from the representative.
8. **C.H. Robinson Worldwide, Inc. (ticker symbol CHRW):** CHRW is a third-party logistics company that provides freight transportation services and logistics solutions. Following an engagement call in November, CHRW provided the latest corporate responsibility deck with updated information.
9. **Vistra Energy Corp. (ticker symbol VST):** VST is a power company. The Team emailed VST following a client inquiry and research on the company. The Team sought clarification around VST's emissions reduction targets and the progress VST has made transitioning from coal. VST responded providing more context around the targets and status of coal-fired generation. The Team also encouraged VST to consider the SASB sustainability disclosure topics and to increase diversity on the Board, and VST noted these are on their radar screen.
10. **Hexcel Corporation (ticker symbol HXL):** HXL develops, manufactures, and markets reinforcement products, composite materials, and engineered products. A representative from HXL reached out to provide an update on their sustainability program following engagement in July. The responsibilities of the Nominating and Corporate Governance Committee were recently expanded to incorporate sustainability to: "Periodically review the Company's sustainability strategy, including initiatives and policies relating to environmental stewardship, corporate social responsibility and corporate culture, and report to the Board."
11. **Amdocs Limited (ticker symbol DOX):** DOX provides software and services to communications and media companies. The Team emailed DOX following research on DOX. The Team noted DOX publishes a biennial Corporate Social Responsibility Report and encouraged DOX to report annually and consider the SASB disclosure topics. The Team also encouraged DOX to increase gender diversity on the Board. The Team noted DOX is improving its supplier oversight process and disclosure and encouraged DOX to disclose the percentage of suppliers that have been reviewed, as well as issues identified and remediation efforts if applicable. The Team encouraged DOX to disclose data for—and set targets to reduce—waste, energy consumption, and water withdrawn. Finally, the Team encouraged DOX to report employee turnover data.

12. **United Parcel Service, Inc. (ticker symbol UPS):** UPS provides letter and package delivery, specialized transportation, logistics, and financial services. The UPS Investor Relations Officer addressed the questions and comments from the Team's November engagement email. UPS described the approach to independent board leadership, explained the UPS Comprehensive Health and Safety Process (CHSP), and responded to concerns about climate control in delivery vehicles. UPS also described the company's approach to diversity and inclusion, supplier due diligence, and compliance and ethics.

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

1. **Hillenbrand, Inc. (ticker symbol HI):** HI is a diversified industrial company. HI reached out as part of its annual shareholder engagement effort. Boston Partners withheld votes from three directors at the 2019 meeting due to a governance failure; specifically, the governing documents do not permit shareholders to amend the bylaws. HI reported that the Board is correcting the issue and approved an amendment to HI's governing documents to permit shareholders to amend the bylaws. Further, the Team sought an update on HI's disclosure. HI noted they were working on a materiality assessment and recently joined the UN Global Compact. The Team also noted the classified board and communicated our preference for a declassified structure. HI indicated they review this and will pass our feedback along to the Board.
2. **Wheeler Real Estate Investment Trust, Inc. (ticker symbol WHLR):** WHLR is a REIT that focuses on grocery-anchored shopping centers. WHLR reached out to Boston Partners ahead of the annual meeting, which involved a contested election for three board seats. WHLR provided an overview of the business. WHLR highlighted the new director nominees. WHLR discussed the contested election and expressed their belief that the dissident's nominees would not enhance the Board and that the dissident was not a suitable nominee. Boston Partners intended to support the dissident proxy card; nonetheless, the governance committee convened to discuss further given the additional information.
3. **McKesson Corporation (ticker symbol MCK):** MCK provides pharmaceuticals and medical supplies. MCK contacted Boston Partners as part of its winter shareholder outreach efforts. MCK highlighted the change in leadership. Brian Tyler became CEO and Edward Mueller became Independent Board Chairman on April 1, 2019. MCK also split the roles of Chief Compliance Officer and General Counsel. The MCK team described diversity and inclusion at the company. MCK also highlighted the board composition. MCK discussed the lobbying proposal from the 2019 annual meeting. The proposal did not pass, but MCK continues to work with the proponent and anticipates further enhancements to the lobbying disclosure. MCK also mentioned executive compensation. Finally, MCK provided an update on the DEA action regarding the West Sacramento distribution operation.
4. **Mondelez International, Inc. (ticker symbol MDLZ):** MDLZ is a snack food and beverage company. Following an engagement call in October, MDLZ representatives sent the Team a link to information about MDLZ's sustainable cocoa sourcing program, Cocoa Life, as well as links to information about MDLZ's Impact Strategy and a report on consumer snacking trends.
5. **NortonLifeLock Inc. (ticker symbol NLOK):** NLOK provides cyber security products. NLOK reached out to Boston Partners in advance of the annual meeting. The Team communicated how Boston Partners intended to vote: against a director nominee who sits on more than three public company boards, for a proposal to require an independent Board Chairman, and against the advisory vote to ratify named executive officers' compensation. NLOK explained the unique situation behind the compensation plan. There was volatility in the stock price and management team, thus there were unconventional agreements due to the unusual time and circumstances.
6. **Jazz Pharmaceuticals plc (ticker symbol JAZZ):** JAZZ is a biopharmaceutical company. JAZZ reached out to Boston Partners as part of shareholder engagement. JAZZ described the board evaluation process and noted the Board reviews the skillset and capabilities of directors. JAZZ also considers diversity on the Board. The Team commented on the combined CEO/Chair and communicated our preference for a separate and independent Chairman. JAZZ recognized that this structure is not favorable for all companies but highlighted the Independent Lead Director. The Team noted

the classified board and communicated our preference for the Board to declassify. JAZZ expressed the Board reviews the classified structure and they will relay our feedback. JAZZ discussed compensation and highlighted a future Irish-specific share issuance proposal. JAZZ also described its ESG strategy. The Board is focused on ESG and JAZZ is considering options for reporting. The Team made recommendations based on other reports we have seen.

7. **White Mountains Insurance Group, Ltd. (ticker symbol WTM):** WTM operates primarily through its subsidiaries and affiliates, which are focused in the insurance industry. WTM reached out to Boston Partners as part of its annual shareholder engagement program. WTM provided a business update and indicated the company is on the same trajectory with the same strategy as last year. Boston Partners noted the classified board and expressed our preference for a declassified board structure. WTM explained the structure has not changed, though the Board reviews it. WTM also highlighted its governance best practices, such as the independent Chairman, highly independent board, and shareholder right to call a special meeting at 10%. WTM pointed to the changes in the compensation structure in 2019, which were developed in response to shareholder feedback. WTM instituted a new formulaic annual bonus program for the 2019 compensation process and initiated new stock ownership guidelines for executives. The Team noted the lack of sustainability disclosure. WTM responded they are doing what they can. The Team described the reporting we typically see and suggested considering the SASB disclosure topics for the holding company and operating businesses.
8. **Quest Diagnostics Incorporated (ticker symbol DGX):** DGX provides diagnostic testing, information, and services. DGX contacted Boston Partners as part of its annual shareholder outreach. The DGX team discussed the company's governance practices, such as the shareholder right to call special meetings, declassified board, and proxy access. The Board is 44% women and includes directors of varied tenure. DGX also thinks about refreshment and ensures there is a diverse candidate pool when recruiting. The Team noted DGX has a combined CEO/Chairman and expressed our preference for the roles to be separate and the Chairman to be independent. DGX explained the Board consciously chose this structure. DGX mentioned the compensation program and indicated the plan is focused on performance. DGX noted there is an annual employee survey that is reviewed by managers and the Board. DGX discussed the sustainability program and goals. The Team also asked about supplier due diligence and DGX provided more information about the supplier oversight program following the call.
9. **Wyndham Destinations, Inc. (ticker symbol WYND):** WYND is a hospitality company. WYND contacted Boston Partners as part of its shareholder outreach efforts. WYND mentioned notable transactions that transpired in 2018. WYND also mentioned executive compensation. WYND highlighted the new PSU program and inquired what Boston Partners considers best practices for disclosure and design. WYND published its first Social Responsibility report as an independent company in 2019, reflecting 2018 performance. WYND's disclosure is comprehensive. WYND inquired if we review these types of reports. The Team indicated we do and described what we typically look for. WYND asked how we use rating agencies, and the Team explained we use them for prioritization and corroboration. WYND inquired if we have a policy or position on director pay and about our views on board leadership structure. The Team communicated our preferences for an independent Chairman and independent board committees, as well as diversity on the Board and lack of overboarding.

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

1. **Lam Research Corporation (ticker symbol LRCX):** LRCX manufactures semiconductor processing equipment. The Senior Vice President, Chief Legal Officer & Secretary responded to Boston Partners' letter of October 22, 2019 regarding votes against management recommendation at the annual meeting. The representative indicated she will share our views with the Board of Directors.
2. **Fox Corporation (ticker symbol FOXA):** FOXA is a news, sport, and entertainment company. The Chief Investor Relations Officer & Executive Vice President of Corporate Initiatives responded to Boston Partners' letter of October 31, 2019 regarding votes against management recommendation at the annual meeting. The representative addressed concerns about overboarding and the advisory vote to ratify named executive officers' compensation. The representative

indicated the Nominating and Corporate Governance Committee is mindful of directors' commitments. Further, the compensation program for fiscal 2020 and after focuses on paying for performance, mitigating risk, and aligning with shareholder interests.

Proxy Voting:

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

1. **Azul SA (ticker symbol AZUL):** Voted against a related party transaction due to lack of timely and detailed disclosure; the business nature of the transaction, the total value, and the duration of the cooperation agreement were not known.
2. **Associated British Foods PLC (ticker symbol ABF LN):** Voted against the issuance of equity due to dilution concerns.
3. **Companhia Brasileira de Distribuicao (ticker symbol PCAR4 BZ):** Abstained from voting on a separate minority election request because the company did not disclose a preferred minority shareholder nominee. Voted for the installation of a fiscal council because a fiscal council could potentially improve the company's governance and bring greater corporate oversight.
4. **Expedia Group, Inc. (ticker symbol EXPE):** Withheld votes from three directors due to overboarding concerns, attendance at board and committee meetings, and committee independence concerns.
5. **Fabrinet (ticker symbol FN):** Voted against the approval of the company's omnibus stock plan because the company's three-year average burn rate exceeds 3.5%, which Boston Partners deems excessive.
6. **Farmer Bros. Co. (ticker symbol FARM):** Voted for the phased-in declassification of the Board of Directors.
7. **Ituran Location & Control Ltd. (ticker symbol ITRN):** Voted against one director nominee due to committee independence concerns. Voted against the renewal of an amended compensation policy. The size of the discretionary grant may be considered excessive and exceeds the level typically observed in the Israeli market.
8. **National Energy Services Reunited Corp. (ticker symbol NESR):** Voted against one director nominee due to committee independence concerns.
9. **NortonLifeLock Inc. (ticker symbol NLOK):** Voted against one director nominee due to overboarding concerns. Voted against the ratification of executive officer compensation. Amendments to the plan were made allowing acceleration of certain unvested equity awards. In addition, the company used its discretion to accelerate the vesting of certain equity grants. Voted for the requirement that the Chairman of the Board be independent.

Boston Partners voted the following number of proxies:

Number of meetings: 27

Number of issues: 219

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.

Boston Partners | One Beacon Street, Boston, MA 02108 tel: 617-832-8200

www.boston-partners.com