

Sustainability and Engagement at Boston Partners

Engagement Report

The Sustainability and Engagement Team (the “Team”) undertook the following engagement actions during January 2020:

Calls, Meetings and Correspondence with Issuers:

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

1. **Royal KPN NV (ticker symbol KPN NA):** KPN is a telecommunications and IT provider. An Investor Relations Officer provided a response to the Team’s December email regarding supplier oversight. The representative explained 90% of KPN’s direct suppliers are based in the Netherlands. Audits are focused on production plants located in geographical areas that present a high social and environmental risk (mainly in Asia, Latin America, and Eastern Europe). Further, KPN is a member of the Joint Audit Cooperation (JAC), an association of 17 telecom operators aiming to verify, assess, and develop CSR implementation across the manufacturing centers of important multinational suppliers in the global ICT supply chain.
 2. **CK Asset Holdings Limited (ticker symbol 1113 HK):** CK operates real estate businesses. The Team emailed CK following research on CK. The Team inquired about building requirement policies related to climate risks such as flooding and seismic events. The Team encouraged CK to have an independent Chairman and a nominating committee with solely independent directors, as well as to publish its Code of Conduct and Supplier Code of Conduct. The Team also inquired about gender diversity of management, the safety supervisory structure, a reported shortage of employees in the housing management industry, employee training statistics, verification of GHG emissions data, renewable energy use, and supplier oversight. The Team also encouraged CK to consider a TCFD report.
 3. **Melrose Industries PLC (ticker symbol MRO LN):** MRO acquires manufacturing businesses. The Team emailed MRO following research on MRO. The Team inquired about the sustainability structure. The Team also encouraged MRO to disclose information regarding whistleblower complaints or Code of Ethics violations, training opportunities for employees, and supplier oversight. The Team also inquired how MRO is anticipating the effects of climate change and suggested that MRO consider a TCFD report. An Investor Relations representative responded via email indicating MRO has an unusual business in its buy, improve, and sell model but will provide the information where possible.
 4. **A.P. Moller - Maersk A/S (ticker symbol MAERSKB DC):** MAERSK operates as an integrated transport and logistics company. The Team emailed MAERSK following research on MAERSK. The Team noted MAERSK only
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provides for election of directors every other year and encouraged MAERSK to move to an annual election of directors, as well as to have a nominating committee with solely independent directors and prepare an annual report on and approval of directors' compensation. The Team asked about initiatives to reach the company's targets for women in leadership roles and suggested publishing a progress report. The Team also inquired about MAERSK's cybersecurity program, anti-corruption program, and MAERSK's sustainability oversight structure.

5. **AutoZone, Inc. (ticker symbol AZO):** AZO is an automotive replacement parts and accessories retailer. The Team spoke with a representative from AZO, then emailed various comments and recommendations following research on AZO. The Team communicated Boston Partners normally votes in favor of resolutions to separate the Chairman and CEO roles and to have an independent Chairman; further, Boston Partners also normally votes to reduce the threshold for shareholders to call a special meeting to 10% and to provide shareholders with a right to act by written consent based on the number of shareholders required to approve a resolution at a shareholder meeting. The Team also inquired about the sustainability oversight structure. Additionally, the Team encouraged AZO to provide disclosure regarding gender diversity, safety statistics, employee training data, GHG emissions and other environmental data, supplier audits, whistleblower reports, and the compliance program. The Team also encouraged AZO to produce a TCFD report.

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

1. **HP Inc. (ticker symbol HPQ):** HPQ provides personal computing devices, printers, and related technologies. HPQ reached out to the Team for a shareholder engagement meeting. HPQ noted the breadth of expertise on the Board and highlighted a new female director. HPQ mentioned minor changes to the compensation program. HPQ noted there will be a proposal to provide shareholders the ability to act by written consent at the 2020 meeting and explained the actions HPQ took to respond to a similar proposal in 2018. The Team reiterated Boston Partners' position that we typically support such proposals. HPQ described the XRX matter and indicated shareholder value was the top priority. HPQ also noted it conducts regular employee engagement surveys and the recent CEO transition was smooth. Additionally, HPQ noted the focus on personal systems and gaming and highlighted the new Elite Dragonfly laptop, which was made using ocean-bound plastic and recycled DVDs.
2. **DaVita Inc. (ticker symbol DVA):** DVA provides kidney dialysis services. DVA reached out to Boston Partners ahead of the January 2020 Special Meeting. On the ballot is a proposal to amend the omnibus stock plan. DVA described the compensation program and provided an overview of the business. DVA highlighted the CEO transition and sale of DaVita Medical Group; DVA pointed out the new CEO has Mexican heritage and advances diversity within management. The Team also inquired about ESG concerns. The Team encouraged DVA to consider the SASB disclosure topics and report data for metrics such as injury rates, turnover rates, and supplier due diligence. The Team also asked about False Claims Act violations, and DVA described the compliance structure.
3. **NCR Corporation (ticker symbol NCR):** NCR is a software- and services-led enterprise provider in the financial, retail, hospitality and telecommunications and technology industries. NCR contacted Boston Partners as part of its shareholder outreach efforts. NCR provided an overview of the business and noted the shift from hardware to software and services. NCR described the compensation plan and a one-time award granted to the new CEO. The 2019 say-on-pay proposal received low support, and NCR addressed the concerns shareholders had such as the size of the award and it not being tied to performance. The one-year transition was reflected in the compensation plan, but the program will follow a more traditional multi-year plan going forward. The Team inquired about NCR's ESG disclosure and initiatives. NCR explained it is a focus internally. The Team offered suggestions of what to report, such as training data, diversity data, safety data, and recommended referring to the SASB standards.
4. **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 addition of a cash metric to TSR in the long-term incentive package in 2019, which they believe contributed to the strong say-on-pay results. FMC described the upcoming CEO transition. The current CEO will step down June 1, 2020 and remain as Chairman of the Board. The incoming CEO will have a seat on the Board, but FMC intends to keep the roles of CEO and Chairman separate. FMC noted climate change

may disrupt food production and explained the new environmental goals. There is a Sustainability Committee on the Board. FMC also noted a positive company culture and strong human capital management. The Team communicated Boston Partners' governance preferences, such as an independent Chairman and shareholder rights to call special meetings and act by written consent. The Team also suggested reporting whistleblower data, which FMC currently reports internally, as well as considering SASB and TCFD.

5. **Persimmon plc (ticker symbol PSN LN):** PSN is one of the largest home builders in the UK. PSN reached out to Boston Partners as part of its shareholder engagement program to discuss the proposed remuneration policy, future CEO pay, and any other questions. PSN sent a shareholder letter detailing the new Remuneration Policy ahead of the call. PSN described the remuneration policy as a new start. PSN aims to achieve more balance between financial and cultural performance. The Team inquired about the Findings of the Independent Review, which indicated PSN had an issue with missing or incorrectly installed cavity barriers in its timber frame properties. The Team asked about the inspection process and whether third-party inspectors are involved. PSN explained the various inspectors involved and described the new process to address the issue moving forward. Additionally, PSN noted a member of the Board is retiring this year and the Board is looking to add non-executive directors, particularly with industry expertise, CFO experience, and sustainability expertise.
6. **Everest Re Group, Ltd. (ticker symbol RE):** RE provides reinsurance and insurance products. RE contacted Boston Partners as part of its annual outreach to top investors to discuss best practices in governance and shareholder values. RE indicated the Board is focused on ESG matters and recently added an additional female director to the Board. RE also noted it has drafted a sustainability report, which it expects to publish in March. Further, RE described the CEO transition and compensation program.
7. **W. R. Berkley Corporation (ticker symbol WRB):** WRB is an insurance holding company for commercial insurance and reinsurance. WRB reached out to Boston Partners for an engagement meeting. The Team commended WRB for publishing its inaugural sustainability report, which was comprehensive. The Team also reiterated concerns we have expressed in the past: non-independent Chairman and a classified board. WRB also addressed the concerns ISS typically raises: pledging, bonus structure, and director tenure. WRB described how they view corporate culture as a competitive advantage and described an innovation program the company recently instituted. Finally, WRB discussed how climate change may affect the business.
8. **Cigna Corporation (ticker symbol CI):** CI is a health service organization that provides insurance and related products. CI reached out to Boston Partners to discuss the response to the written consent shareholder proposal that was voted at the 2019 annual meeting. CI engaged with shareholders and found investors preferred the right to call a special meeting if given a choice. CI also determined that 25% was the preferred threshold among shareholders. The Corporate Governance Committee considered the feedback and CI has proposed the potential adoption of a bylaw amendment to provide the right to call a special meeting at a 25% threshold, which was determined to be in line with market practice. The Team expressed Boston Partners' view that either ability (written consent or special meeting) is preferable to none, though we endorse providing both rights.
9. **Diamondback Energy, Inc. (ticker symbol FANG):** FANG is a Permian Basin oil and gas company. FANG reached out to Boston Partners for a shareholder engagement call to provide an update on ESG developments at the company. FANG published its second sustainability report in 2019, which had considerable additional disclosure. A new Board Committee focused on ESG (Safety, Sustainability and Corporate Responsibility Committee) was formed in late 2019, with the first meeting held in early 2020. FANG's sole female director chairs the committee, and all directors are members since the Board is small currently. FANG strives to be best in class for ESG disclosure and performance. The Team inquired about FANG'S long-term plan considering climate change. FANG reported demand is growing and FANG is a low-cost provider. Further, FANG aims to have a best-in-class sustainability profile. Additionally, FANG's operations replace dirtier production—like coal— in a region that is less geo-politically volatile than other oil-producing areas. FANG reported it is developing long-term performance goals for ESG measures and including metrics for flaring, spills,

safety, GHG emissions, and water in the STI scorecard. FANG also described other key compensation changes.

10. **Dover Corporation (ticker symbol DOV):** DOV is an American conglomerate of industrial products. DOV reached out to Boston Partners to provide an update on the results of the fall shareholder engagement program regarding the low say-on-pay results. DOV engaged with shareholders following the annual meeting and the Compensation Committee developed a response to address the feedback. DOV plans to increase disclosure regarding the annual incentive plan and adjust the mix of the long-term incentive plan. DOV also adopted a clawback structure. Further, DOV mentioned there will be a shareholder proposal for the ability to act by written consent at the 2020 meeting. The Team expressed our position regarding the rights to call a special meeting and act by written consent.

Proxy Voting:

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

1. **Amdocs Limited (ticker symbol DOX):** Voted against two director nominees because they are incumbent members of the nominating committee and the board does not have at least two board members that are not the majority board gender. Boston Partners supports gender diversity on boards; a diverse board may improve overall corporate management and financial performance.
2. **Encana Corporation (ticker symbol ECA):** Voted against other business because though this is a routine Item, the details of other business were not timely disclosed preventing shareholders from making fully informed voting decisions.
3. **Euronav NV (ticker symbol EURN):** Voted against board share issuance and repurchase proposals because minimum thresholds were exceeded and granting the board such authority can be used as an antitakeover mechanism.
4. **Goldman Sachs Trust (ticker symbol n/a):** Withheld votes from two director nominees because they are incumbent members of the audit committee and the ratification of auditors is not on the ballot for shareholder vote.
5. **Pure Cycle Corporation (ticker symbol PCYO):** Withheld votes from three director nominees because they are incumbent members of the nominating committee and the board does not have at least one board member that is not the majority board gender. Voted for an annual advisory say-on-pay vote.

Boston Partners voted the following number of proxies:

Number of meetings: 29

Number of issues: 237

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.

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