

# 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 February 2020:

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

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

1. **IAA, Inc. (ticker symbol IAA):** IAA offers salvage vehicle auction and other services. The Team emailed IAA following research on IAA. The Team reviewed the publicly available materials on the IAA website but did not find much discussion about ESG issues. The Team communicated that we look for disclosure about employee diversity, training and safety statistics, environmental programs and statistics, supplier oversight, and any litigation or regulatory items of relevance. The Team noted IAA’s corporate governance was strong. The Team inquired if IAA would be able to provide any information about plans for increasing its disclosure and whether it is planning to prepare an ESG report.
  2. **Avantor, Inc. (ticker symbol AVTR):** AVTR provides products and services to customers in the biopharma, healthcare, education & government, and advanced technologies & applied materials industries. The Team emailed AVTR following research on AVTR. The Team communicated that significant additional disclosure has become industry standard. The Team asked for the opportunity to review with the appropriate contact AVTR’s ESG/ Sustainability disclosure, programs, and any future plans.
  3. **Change Healthcare Inc. (ticker symbol CHNG):** CHNG provides healthcare technology solutions. The Team emailed CHNG following research on CHNG. The Team noted the sustainability disclosure could be improved to reach what is currently industry standard, including the publication of a sustainability report. The Team asked to discuss CHNG’s plans for further sustainability programs and disclosure. The Senior Vice President, Investor Relations responded and explained CHNG is in the process of developing sustainability disclosure that will encompass elements of environmental, social, and governance considerations. CHNG recently went public and plans to share more information regarding sustainability around the filing of its first proxy statement later this summer and in other ways as it develops its disclosure. The representative noted engagement with shareholders will be a key part of CHNG’s approach to corporate governance.
  4. **Envista Holdings Corporation (ticker symbol NVST):** NVST manufactures and sells dental products. The Team emailed NVST following research on NVST. The Team noticed that the sustainability disclosure could be improved to match current industry standard; in particular, the publication of a sustainability report. The Team inquired about
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next steps for sustainability at NVST.

5. **Nelnet, Inc. (ticker symbol NNI):** NNI delivers education-related products and services and loan asset management. The Team emailed NNI following research on NNI. The Team reviewed NNI's website and published materials but was unable to find anything on NNI's approach to sustainability/ESG. The Team inquired if NNI is planning to publish a sustainability report or similar disclosure in the future.
6. **Ares Commercial Real Estate Corporation (ticker symbol ACRE):** ACRE is a real estate investment trust. The Team emailed ACRE following research on ACRE. The Team found minimal ESG disclosure on the website and asked to discuss further. ACRE responded and set up a call. ACRE explained ESG is important to Ares Management (the parent company) and ACRE. Ares has had an ESG Policy for 7 or 8 years. ACRE is discussing incorporating ESG more in the investment process. ACRE noted the real estate group takes environmental risks into account, and there is an infrastructure and power strategy that invests in climate infrastructure. In terms of social matters, ACRE launched a diversity and inclusion initiative a few years ago and supports local communities. Additionally, Ares has invested in Volery Capital Partners, which specializes in environmental and social impact. The Team described the disclosure that has become standard and sent a copy of a sustainability report for another REIT following the call.
7. **BMC Stock Holdings, Inc. (ticker symbol BMCH):** BMCH provides diversified building products and services in the US residential construction market. The Team engaged with BMCH following research on BMCH. BMCH provides minimal ESG disclosure. The Team spoke with an investor relations representative who communicated that additional sustainability disclosure would be provided during the first half of 2020.
8. **Union Pacific Corporation (ticker symbol UNP):** UNP is a rail transportation company. The Team had a call with representatives from UNP in response to the Team's December engagement email. UNP addressed its Glassdoor and Indeed ratings, sustainability oversight, injury rates, climate goals and fuel consumption, supplier oversight, and employee training.
9. **Amdocs Limited (ticker symbol DOX):** DOX provides information systems solutions to major telecommunications companies. The Team had a call with an investor relations representative in response to the Team's December engagement email. DOX published its latest Corporate Social Responsibility Report shortly before the call. DOX intends to report annually going forward. The Team discussed the lack of diversity on the Board, and DOX pointed to language the Nominating Committee added to its charter regarding diversity. DOX also addressed supplier oversight, environmental performance metrics and targets, and employee turnover. The representative also pointed out DOX participated in the RobecoSAM questionnaire for the first time and was included in the DJSI. The representative provided more information about supplier oversight following the call.
10. **TripAdvisor, Inc. (ticker symbol TRIP):** TRIP is an online travel company. The Team emailed TRIP following research on TRIP. The Team communicated Boston Partners' belief that having an independent Chairman of the Board is an important governance factor and encouraged TRIP to appoint an independent Chair with the next leadership transition. The Team stated our preference for a high percentage of independent directors on the Board and fully independent Board committees, as well as an annual say-on-pay vote. The Team noted TRIP considers its travel partners—local tour or travel activities/experiences operators— to be its suppliers and inquired how TRIP conducts due diligence on these partners. Finally, the Team encouraged TRIP to consider the SASB standards and disclose data related to the environmental footprint of the hardware infrastructure, employee diversity, data privacy, and data breaches.
11. **Spectrum Brands Holdings, Inc. (ticker symbol SPB):** SPB is a global branded consumer products company. The Team emailed SPB following research on SPB. The Team reviewed SPB's 2017 Sustainability Report but was unable to find a subsequent report. The Team inquired about subsequent reporting.
12. **Lithia Motors, Inc. (ticker symbol LAD):** LAD is an automotive retailer and provider of personal transportation solutions. The Team emailed LAD following research on LAD. The Team was unable to find information about LAD's sustainability organization or efforts and inquired if LAD discloses sustainability information.

13. **Avista Corporation (ticker symbol AVA):** AVA is an electric and natural gas utility company. The Team emailed AVA following research on AVA. The Team noted AVA published a GRI compliant sustainability report in 2016 but was unable to find a subsequent report. The Team inquired about later reports.
14. **Equity Commonwealth (ticker symbol EQC):** EQC is a real estate investment trust. The Team emailed EQC following research on EQC. The Team reviewed materials on the EQC website but was unable to find the type of disclosure we typically see regarding ESG matters. The Team communicated we would normally see quantitative information about GHG emissions, energy use, water use and intensity, waste recycling and landfill amounts. We would also normally see information about diversity and training of the workforce and information about supplier oversight. The Team asked to schedule a call to discuss sustainability at EQC. The Team had a call with the VP - Investor Relations & Capital Markets. EQC explained that the EQC staff is focusing on continuing operations including better sustainability disclosure. EQC now has a sustainability committee and is investigating the disclosure standard they want to use, focusing on the Global Real Estate Sustainability Benchmark. EQC has hired a third party to gather the relevant data. EQC will likely publish additional sustainability data during 2020. The Team sent EQC an example of a good REIT sustainability report.
15. **Air Transport Services Group, Inc. (ticker symbol ATSG):** ATSG leases aircraft and provides support services to the air transportation and logistics industries. The Team emailed ATSG following research on ATSG. The Team noted ATSG's disclosure was below what we have seen as an industry standard. The Team asked to schedule a call to discuss ATSG's plans for improving its sustainability disclosure. The CFO responded to the Team's email with additional information about ATSG's sustainability profile, highlighting landfill reduction, energy efficiency, production conservation, chemical minimization, resource renewal/reuse, eWaste reduction, and operational efficiencies. He noted ATSG continues to update and populate the website with more information since its recent go-live start.

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

1. **Hewlett Packard Enterprise Company (ticker symbol HPE):** HPE provides information technology solutions. HPE reached out to Boston Partners as part of its shareholder engagement efforts. HPE explained its pivot to an as-a-service model and discussed its on-prem solutions. HPE described its governance structure and Board. Directors have a strong skills mix with experience in leadership, finance, and technology. HPE indicated the high level of diversity on the Board allows for better discussions and debates. HPE also noted refreshment. Regarding compensation, HPE emphasized continuity. There are no major changes to the compensation program. HPE discussed its people and culture. Voluntary attrition has decreased and labor productivity has increased. HPE noted a high percentage of offers of employment are accepted. The culture is career-driven rather than short-term. HPE also highlighted its strong employee engagement score.
2. **Ciena Corporation (ticker symbol CIEN):** CIEN is a networking systems, services, and software company. The Team spoke with CIEN at CIEN's request to discuss specifically CIEN's upcoming proposal to authorize additional shares for its equity incentive plan. CIEN noted that the plan was last approved in 2017 and that share amount authorizations are generally sought for three-year periods and the shares requested this year would last until 2023. CIEN explained that its incentive plan tried to push equity awards further down the employee workforce ranks and expected about 500 additional eligible employees so that nearly 20% of the total workforce would be eligible for grants. CIEN noted that the plan's adjusted burn rate was 4.13%, higher than Boston Partners' normal cap. The Team noted that it would consider the depth in the organization of the securities grants. The additional request is for 12.2 million shares, but aggressive stock repurchases have limited the overall annual dilution to shareholders. CIEN also discussed its sustainability reporting noting that the next sustainable report preparation process had begun with the end of 2020 the target date for the next report. CIEN limited overboarding in 2019 by preventing executives from serving on more than the CIEN board plus one other board and non-executives from serving on the CIEN board plus three other boards.
3. **AmerisourceBergen Corporation (ticker symbol ABC):** ABC is a global pharmaceutical sourcing and distribution services company. ABC reached out to Boston Partners ahead of the 2020 annual meeting. ABC highlighted the majority independent board, Independent Lead Director, and recently added board committee for Compliance & Risk. ABC

discussed the order monitoring program for opioid compliance. ABC described the citizenship program and indicated the next annual corporate citizenship report should be released soon. ABC is working to increase transparency. ABC also addressed the shareholder proposals for the upcoming meeting: one to provide the shareholder right to act by written consent, one to adopt a policy on bonus banking. ABC noted much of the compensation is tied to LTI, so they don't feel this policy is necessary.

4. **Douglas Emmett, Inc. (ticker symbol DEI):** DEI is a real estate investment trust. DEI reached out to Boston Partners as part of its shareholder engagement efforts. DEI discussed the 2019 say-on-pay vote and compensation structure. Through outreach, DEI found shareholders are comfortable with the Compensation Committee's discretion because a formula can lead to unreasonable results or cause management to focus on particular metrics. DEI highlighted transparency and aims to disclose specific performance assessments for goals and the weightings. DEI noted relative TSR will be separated out as a key component going forward. DEI also noted how retention relates to compensation. The Team communicated Boston Partners supported the 2019 say-on-pay proposal. DEI recalled Boston Partners withheld votes from three directors on the Governance Committee because the bylaws restrict shareholders' ability to amend the bylaws. DEI explained the company is incorporated in Maryland and Maryland law doesn't require bylaw access like Delaware does. Shareholders that hold 3% of outstanding shares for three years may amend the bylaws. DEI also noted an additional female director joined the Board in the fall.
5. **PulteGroup, Inc. (ticker symbol PHM):** PHM is a homebuilder in the United States. PHM reached out for shareholder engagement. PHM described the leadership team, brands, geographic diversity and price points on housing. The Team noted corporate governance was good, though pointed to data missing from the sustainability report, such as training, safety, diversity, GHG and other environmental factors, and supplier oversight information. PHM noted a new, inclusive report would be out by the end of the year and would also address SASB factors. The Team also noted several quality issues. PHM described its quality index noting that it had doubled in the past 5 years as PHM focused on quality. Quality is the realm of both internal supervisory staff as well as audit staff that visit each site multiple times a year, and audit reports are reviewed at every board meeting.
6. **ManpowerGroup Inc. (ticker symbol MAN):** MAN provides innovative workforce solutions and services. MAN reached out to Boston Partners to hold a shareholder engagement meeting. MAN began by describing their business. MAN has about 28,000 employees and has reduced its geographical footprint by replacing smaller brick and mortar locations with bigger, more centralized operations. MAN conducts interviews at these centers as well as at cafes and client offices. The Team asked if MAN feels companies like Indeed are helping or hurting MAN; MAN believes they help them. The Team inquired about the lack of gender diversity in the IT space. MAN indicated that many companies say they are committed to diversity but do not want to spend the money to train candidates with potential, which include women. This will be an engagement point for Boston Partners, and the Team will let issuers know that there are resources for them. MAN also indicated that diversity programs are more successful when messaging comes from company leadership rather than the human resources department. MAN noted it devotes many resources to internal employee development. Regarding corporate governance, MAN expanded their board evaluations, which are facilitated through a third party. TSR is not a metric MAN focuses on when setting compensation due to the cyclical nature of the business. Rather, compensation is tied heavily to performance.
7. **Flex Ltd. (ticker symbol FLEX):** FLEX provides design, engineering, manufacturing, and supply chain services and solutions. FLEX contacted Boston Partners as part of its shareholder engagement efforts. FLEX described its governance structure. FLEX has stepped up its ESG efforts and the charter of the Nominating and Governance Committee includes Environmental, Social, and Corporate Governance matters as part of the Board's responsibilities and duties. A strong sustainability program is built into the company. FLEX described its robust process for board evaluation. FLEX added three female board members over the past few years. FLEX has a female CEO. FLEX is also internationally diverse, with directors from China and Singapore. FLEX is a global company and values diversity of thought. FLEX is formally staggering the Board. FLEX also noted it has a robust CEO selection process and the onboarding of the new CEO was successful. FLEX described the compensation program. FLEX received low say-on-pay support in 2019 due to the CEO

transition; however, the base program is relatively sound. Last year a one-time grant and vesting were the primary issues. FLEX takes feedback seriously and has addressed the issues and has an active dialogue with ISS. FLEX also addressed the attendance issue with one of the directors last year. It was a one-off, unusual occurrence. The director involved was an international director. The Team mentioned we appreciate that FLEX has an independent chairman model, that FLEX is declassifying the Board, and that FLEX provides shareholders the right to call special meetings at a 10% threshold. The Team noted we voted against a couple director nominees due to overboarding in 2019, but our overboarding policy has since changed.

### Proxy Voting:

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

1. **Alpek SAB de CV (ticker symbol ALPEKA MM):** Voted against the Chairmen of the Audit Committee and Corporate Practices Committee as well as directors due to lack of timely disclosure. Further, ALPEKA bundled the election of its directors and their remuneration into a single voting item, which prevented shareholders from making thoughtful decisions.
2. **Apple Inc. (ticker symbol AAPL):** Voted against one director nominee due to overboarding concerns. Voted for amendments to AAPL's proxy access shareholder right because the amendments aimed to enhance shareholders' existing right.
3. **Beacon Roofing Supply, Inc. (ticker symbol BECN):** Withheld votes from four 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 can improve overall corporate management and financial performance.
4. **Cerence Inc. (ticker symbol CRNC):** Withheld votes from one director nominee because he is a non-independent member of the compensation committee. The presence of non-independent directors on key committees may diminish the committees' ability to oversee management objectively.
5. **Daily Journal Corporation (ticker symbol DJCO):** Withheld votes from two non-independent director nominees because DJCO lacks a formal nominating committee. Boston Partners believes companies should have a formal nominating committee with clearly delineated areas of responsibility so that shareholders are able to hold members involved in the nomination process accountable for their actions. Further, the nominating committee should be fully independent to increase transparency and communication with shareholders.
6. **Dolby Laboratories, Inc. (ticker symbol DLB):** Voted against amendments to DLB's omnibus stock plan because DLB's three-year average burn rate exceeds three and a half percent, which Boston Partners deems excessive. Additionally, the program was estimated to be excessively dilutive and costly and allowed broad discretion to accelerate vesting if there is a change in control.
7. **Euronav NV (ticker symbol EURN):** Voted against several stock issuance proposals because the stock that could be issued exceeded thresholds acceptable to Boston Partners and proposed authorities, if granted, could be used as antitakeover mechanisms.
8. **Gardner Denver Holdings, Inc. (ticker symbol GDI):** Voted against amendments to GDI's omnibus stock plan based on the estimated cost, lengthy duration, and change-in-control vesting discretion, which allowed for accelerated vesting.
9. **Liquidity Services, Inc. (ticker symbol LQDT):** Voted against amendments to LQDT's omnibus stock plan because LQDT's three-year average burn rate exceeds three and a half percent, which Boston Partners deems excessive.
10. **Novartis AG (ticker symbol NOVN SW):** Voted against other business because details were not disclosed preventing shareholders from making an informed decision.

11. PT Bank Rakyat Indonesia (Persero) Tbk (ticker symbol BBRI IJ): Voted against changes to the board because BBRI did not provide further information regarding the proposal, which adversely affected the shareholders' ability to make an informed voting decision.
12. Tyson Foods, Inc. (ticker symbol TSN): Voted against one director nominee due to board and committee attendance concerns. Voted for a report on deforestation impacts in TSN's supply chain, a report on TSN's human rights risk assessment process, and the adoption of a share retention policy for senior executives.
13. SMART Global Holdings, Inc. (ticker symbol SGH): Voted against one director nominee because he is an incumbent member of the nominating committee and the board does not have at least two board members that are not the majority board gender.

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

Number of meetings: 37

Number of issues: 440

**Disclosure**

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