

# Sustainability and Engagement at Boston Partners

## Engagement Report

---

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

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

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

- ALLETE, Inc. (ticker symbol ALE):** ALE is an energy company. The Team emailed ALE following research on ALE in February. The Team inquired if ALE intends to publish a sustainability report in accordance with GRI, SASB, or TCFD; if ALE will publish statistics showing its generating capacity by energy source; what percentage of coal used for energy generation is lignite as opposed to black coal; and what plans, if any, ALE has to reduce the use of lignite in its generation capacity. The Team also asked about ALE’s statistics on water use, waste to landfill, and recycling, as well as key statistics like gender diversity of its employee population, safety statistics, and training hours. Finally, the Team inquired about supplier oversight and data regarding whistleblower complaints. A representative from ALE Shareholder Services responded indicating ALE is reviewing several frameworks for sustainability reporting and is working to complete the EEI template for ESG reporting. ALE intends to release the report in 2020. Further, ALE has several policies and procedures in place for working with suppliers that mitigate risk and address safety, environmental, and labor standards.
  - Kennedy-Wilson Holdings, Inc. (ticker symbol KW):** KW is a real estate investment company. The Team emailed KW following research on KW. The Team noted KW’s publication of a corporate responsibility report is commendable, though some information is missing that we normally see. The Team inquired about diversity statistics, safety statistics for employees and contractors, training hours or spend, supplier oversight, and the number of Code of Conduct violations or whistleblower claims and their resolution. The Team also mentioned Boston Partners generally votes to declassify boards and provide for an independent Chairman.
  - Envista Holdings Corporation (ticker symbol NVST):** NVST manufactures and sells dental products. The Team had a call with NVST in response to the Team’s February engagement email. NVST noted the company is a recent spin-off of Danaher and asked what we typically look for in terms of ESG/sustainability. The Team explained most issuers publish a sustainability report that includes environmental data (emissions, waste, energy use, etc.), supplier oversight information, information about the diversity of the workforce and leadership, as well as training programs and safety statistics. The Team also mentioned we review a company’s sustainability structure and goals, particularly science-based emissions targets, and recommend adopting a standard such as SASB, GRI, and/or TCFD. The Team also noted governance and whistleblower hotline data, and explained we look to see that all the
-

appropriate policies are in place such as a Code of Conduct and Supplier Code of Conduct. The Team highlighted HPQ and COP as examples of companies with strong disclosure.

4. **Bausch Health Companies Inc. (ticker symbol BHC):** BHC develops, manufactures, and markets pharmaceuticals, medical devices, and over-the-counter products. The Team emailed BHC following research on BHC. BHC arranged a call to discuss. The Team asked about BHC's statistics for the diversity of the workforce; a description of the safety structure; the number of whistleblower claims or Code of Conduct violations; the number of hours or dollars spent on training for staff (including personal development training); environmental goals such as GHG emissions, energy and water intensity, and waste and recycling; if the GHG emissions goals will be science-based; and whether BHC will report under TCFD and/or SASB. The Team also asked to what extent renewable energy is being used or installed in BHC locations and inquired about supplier oversight. BHC noted ESG efforts at the company began a couple of years ago and are a work in progress. BHC is a combination of over 20 companies put together, which presents reporting challenges, but BHC is making progress. BHC explained the systems were not in place to provide diversity information for the entire workforce; however, BHC has a Global HR System in place now and will be able to provide these statistics with the next CSR report. BHC also noted more than 50% of the workforce is female and BHC is working to increase racial diversity within the company. BHC explained there is constant training; they will try to incorporate this type of information in future reports. BHC explained the Head of Supply Chain provides daily status reports, and BHC will work to include this information in the CSR report.
5. **Broadcom Inc. (ticker symbol AVGO):** AVGO is a technology company. The Team emailed AVGO regarding the company's sustainability efforts and progress toward developing ESG disclosure, and AVGO set up a call to provide an update. An investor relations representative communicated sustainability is an increasing area of focus and ESG is discussed at the Board level. The Nominating and Corporate Governance Committee reviews, and reports to the Board on, matters of corporate responsibility and sustainability. AVGO has committed to publishing its first ESG report after the end of fiscal year 2020. AVGO has hired a consultant to help develop the report and is working on the materiality assessment. There is an internal steering committee and oversight from the Executive Team. The report will cover topics such as supply chain responsibility, governance, ethics, and the environment. The Team inquired if AVGO will be adopting a reporting standard like GRI or SASB and recommended HPQ as an example of a company with strong disclosure. The Team also suggested looking into the RBA and UNGC. Additionally, the Team communicated Boston Partners is planning to vote against the say-on-pay proposal.
6. **Nelnet, Inc. (ticker symbol NNI):** NNI delivers education-related products and services and loan asset management. An Executive Director responded to the Team's February engagement email. He indicated NNI does not currently have a formal published sustainability report, though the management team continues to review formalizing a report. He included a recent letter to shareholders that addresses sustainability/ESG. For instance, NNI has made investments in solar renewable energy and estimates more energy is produced from its investments in renewable solar energy plants than the total energy consumed by the company.
7. **Persol Holdings Co., Ltd. (ticker symbol 2181 JP):** Persol provides temporary staffing and placement services. The Team contacted Persol following research on Persol. The Team was unable to find sustainability reporting on Persol's website and inquired if Persol has a plan to publish this information. An investor relations representative responded explaining the sustainability policies are only available in Japanese. Persol is redesigning the website and the English versions of the sustainability policies will be posted. Persol also plans to publish an integrated annual and ESG report, which will be posted on the website.
8. **Bright Horizons Family Solutions Inc. (ticker symbol BFAM):** BFAM provides child care and early education, dependent care, and workforce education services. The Team emailed BFAM following research on BFAM. The Team noted the section on Corporate Responsibility in the 2019 Proxy statement but encouraged BFAM to develop a CRR report in accordance with recognized standards such as GRI and/or SASB and inquired about sustainability oversight. The Team also encouraged BFAM to disclose information related to energy use, waste and recycling, as well as data on

the diversity of the workforce. Further, the Team inquired about the employee vetting and background check process as well as supplier due diligence.

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

1. **AmerisourceBergen Corporation (ticker symbol ABC):** ABC is a global pharmaceutical sourcing and distribution services company. Following an engagement call in February, the Senior Vice President, Investor Relations sent the Team a copy of the newly released 2019 Corporate Citizenship Report, which includes SASB mapping.
2. **KeyCorp (ticker symbol KEY):** KEY is a bank holding company. KEY reached out to Boston Partners as part of its shareholder engagement efforts. KEY described the composition of the Board. There is a combined CEO and Chairman, though KEY has a strong Lead Independent Director. The Team indicated Boston Partners' preference for an independent Chairman. KEY explained they believe having the CEO and Chairman roles combined is the best model for a regulated industry. KEY wanted to discuss the right to call special meetings. KEY is an Ohio corporation; in Ohio, 25% is the default threshold. KEY believes this is the appropriate threshold. The Team expressed Boston Partners supports lowering the threshold down to 10% to maximize the shareholder right. KEY noted pay parity and expressed performance, tenure, and geography present challenges for analyzing true equity. KEY is expecting to release its next CSR report in May. The Team suggested including whistleblower report information. The Team also noted KEY is in coal and fracking country and recommended including information about KEY's policies surrounding fossil fuels. The Team also discussed the emerging prevalence of TCFD reports and the SASB standards.
3. **Yamana Gold Inc. (ticker symbol AUY):** AUY is a Canadian-based precious metals producer. AUY reached out to Boston Partners to engage ahead of proxy season and discuss executive compensation. AUY described the compensation plan. Health, safety, environment & community (HSEC) is a factor in compensation. AUY highlighted the TSR modifier, which is new for 2019. AUY added this component to ensure compensation is aligned with the shareholder experience. The modifier can only result in a downward adjustment, not an upward adjustment. The Team inquired about some other areas of interest. The Team asked about tailing dam compliance in light of the Vale incident. AUY reported they are in compliance. The Team asked whether AUY has considered operating in Indonesia. AUY responded they are focused on the Americas. AUY operates in jurisdictions where there are established codes of conduct for mining (health & safety, environment, employee and indigenous relations). AUY operates in jurisdictions where the rule of law is established. The Team inquired about private security forces. AUY responded they do not rely on armed guards or private security forces. There is some level of security; however, the objective is to protect people rather than assets. AUY also noted they are putting more effort into their ESG disclosure and marketing.
4. **Bank of America Corporation (ticker symbol BAC):** BAC provides banking and financial products and services. BAC reached out for a shareholder engagement call ahead of the annual meeting. The ballot includes the election of 17 directors, approving say-on-pay, ratifying the appointment of the auditor, and four shareholder proposals. One proposal is to make shareholder proxy access more accessible and remove the 20-shareholder aggregation standard. Boston Partners supported a similar proposal last year. Another proposal calls for permitting written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting. The Team noted we support the right to act by written consent in addition to the right to call special meetings. There is also a proposal calling for the pay gap ratio. BAC published a Human Capital Management report in November 2019 that discusses the company's year-over-year diversity and inclusion progress. BAC believes this information is more useful than the pay gap ratio. The fourth shareholder proposal calls for BAC to review the Business Roundtable's Statement of the Purpose of a Corporation and report on changes to governance documents, policies, and practices. BAC believes the company is aligned with the Statement and doesn't feel a review is needed. Boston Partners will review its positions on these proposals.
5. **Valero Energy Corporation (ticker symbol VLO):** VLO is an independent petroleum refining and ethanol producing company. VLO contacted Boston Partners to discuss the proxy and ESG disclosure initiatives. VLO has a new director on the ballot and added CEO succession planning and director education disclosures to the proxy. VLO indicated there

are no shareholder proposals, but there will be a proposal for VLO's new stock incentive plan because the current one is expiring. VLO also noted they have talked to ISS and modeled their incentive plan against ISS standards. VLO explained there are no material changes to the 2019 compensation plan but noted some enhancements, such as the strategic portion of the bonus is being expanded to include ESG factors. The Team inquired about COVID-19 and if VLO believes it will affect their compensation practices. VLO does not feel their compensation practices and structure will have to change as VLO's business is innately volatile regardless. VLO is continuing to engage with third-party ESG agencies. VLO indicated that some of their scores may be lower because they have found that nomenclature differs. VLO is working on this and aims to have updated disclosures and ESG initiatives available by the end of April or May. A notable initiative is the Goal Zero—VLO is trying to achieve zero safety incidents. Based on Boston Partners' last engagement with VLO, VLO is taking a closer look at their supply chain and suppliers.

6. **Cigna Corporation (ticker symbol CI):** CI is a health service organization that provides insurance and related products. Boston Partners replied to an email from CI regarding the proxy. The Team indicated we intended to vote in favor of the shareholder proposal for the right to call a special meeting at 10%, as that is our standard position, and will likely vote against the gender pay gap report.
7. **Hewlett Packard Enterprise Company (ticker symbol HPE):** HPE provides information technology solutions. HPE reached out ahead of the annual meeting to discuss the proxy. The Team communicated that Boston Partners intended to vote in line with management recommendation for all items except one—against a director who sits on more than four public company Boards. The Team explained Boston Partners' overboarding policy. HPE indicated they would communicate our position.
8. **Whirlpool Corporation (ticker symbol WHR):** WHR manufactures and markets home appliances and related products. WHR reached out to Boston Partners ahead of the annual meeting. The Team communicated Boston Partners intends to vote in line with management on all proposals. However, the Team highlighted three areas of concern in WHR's otherwise strong ESG profile: lack of an independent Chairman, lack of the shareholder right to act by written consent, and product quality due to the fire issue with dryers in the UK. WHR pointed to the Lead Independent Director and that shareholders can call a special meeting. WHR also stated safety is the top priority and all products meet third-party and internal standards. WHR explained the acquisition of Indesit and the thorough investigation of two legacy Indesit dryer platforms. WHR also provided an overview of the ESG program; WHR focuses on sustainable plants, products, and practices.
9. **DTE Energy Company (ticker symbol DTE):** DTE is a utilities company. DTE contacted Boston Partners as part of its spring shareholder engagement conference calls with top institutional investors. DTE gave an overview of how it is managing the COVID-19 crisis. DTE described its social initiatives, including the new Tree Trim programs. These entail partnerships with the Parnall Correctional Facility - Vocational Village Program and the Detroit Tree Trim Academy. DTE also discussed its D&I initiatives for the Board, internal leaders, and employees. The Corporate Governance committee seeks diverse candidates. There is one diverse director retiring from the Board, though DTE noted it will take its time to replace this director as there will still be 12 directors. There are three women (25%), including the Lead Independent Director. DTE has had a push in the last two years to identify strong diverse candidates in the internal and external talent pipeline and has been recognized externally for diversity. DTE also noted a change to the overboarding policy so that it is more aligned with investor interests. DTE provided an update on its decarbonization efforts. DTE aims to achieve net zero by 2050, and it is on track to do so. DTE will replace its coal generation with natural gas, supplemented by wind and solar. The Team asked how the coal plant retirements will affect the workforce, and DTE explained natural attrition and retirement will play a role. Human Resources is involved with operational leaders on redeployment and training strategies for those workers that remain beyond natural attrition. DTE is expecting a shareholder proposal at the annual meeting that is similar to previous ones presented and calls for additional disclosure of political contributions. Finally, DTE expects to publish the next ESG report in June.

10. **PACCAR Inc (ticker symbol PCAR):** PCAR is a manufacturer of heavy-duty trucks. PCAR reached out to Boston Partners ahead of the annual meeting to discuss the proposals in this year's proxy statement. The Team communicated that Boston Partners intends to vote against four directors because the nominees are incumbent members of the audit committee and the ratification of auditors is not on the ballot for shareholder vote. PCAR does not have annual approval of the auditors. The Team communicated that Boston Partners intends to vote in favor of the proposal to provide the right to act by written consent. PCAR indicated they prefer the special meeting right, and the Team expressed we like to see both. The Team also mentioned some sustainability/ESG matters. The Team communicated our preference for an independent Chairman. Additionally, the sustainability report is lacking some information, such as training statistics, diversity data, supplier oversight information, and whistleblower complaint data. PCAR explained they continuously review and enhance the disclosure. The Team also noted female representation on the Board is low. PCAR noted they recently changed the guidelines so that every slate will include gender and ethnic diverse candidates, a change they expect will help increase diversity. Finally, the Team inquired about emissions goals, and PCAR indicated they are working to develop science-based targets.

### Proxy Voting:

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

1. **ABM Industries Incorporated (ticker symbol ABM):** Voted against one director nominee due to board and committee attendance concerns. Directors who do not attend their board and committee meetings cannot be effective shareholder representatives.
2. **AECOM (ticker symbol ACM):** Voted for a proposal that would provide shareholders the right to act by written consent because the right would afford an additional means of acting in between annual meetings. Voted against ACM's omnibus stock plan because their three-year average burn rate exceeds 3.5%, which Boston Partners deems excessive.
3. **AmerisourceBergen Corporation (ticker symbol ABC):** Voted for a proposal that would provide shareholders the right to act by written consent because the right would afford an additional means of acting in between annual meetings. Voted for a policy on bonus banking that implemented holding requirements.
4. **AUTECH Corp. (ticker symbol 067170 KS):** Voted against one director nominee because he is an incumbent member of the board, and the board has six or fewer total members and does not have at least one board member that is not of the majority board gender. Boston Partners supports diversity in leadership.
5. **Berry Global Group, Inc. (ticker symbol BERY):** Voted for a proposal that would provide shareholders the right to act by written consent because the right would afford an additional means of acting in between annual meetings.
6. **Broadcom Inc. (ticker symbol AVGO):** Voted against the ratification of named executive officers' compensation. Concerns were raised regarding the multi-year equity grants to certain NEOs that are intended to equate to four years of annual equity awards. While the grants are half performance-based, they include multiple vesting opportunities and the goals are not particularly rigorous. Multi-year grants can limit the compensation committee's ability to adjust pay levels over the period.
7. **CEMEX SAB de CV (ticker symbol CX):** Voted against director nominees because the board has seven or more members and does not have at least two board members that are not of the majority board gender.
8. **Concentradora Fibra Danhos SA de CV (ticker symbol DANHOS13 MM):** Voted against the election and ratification of members to a board committee due to independence and diversity concerns. Voted against amendments to a trust agreement because unrelated amendments to the trust agreement were bundled and the company failed to provide a rationale for the proposed changes to trustee fees.
9. **Credicorp Ltd. (ticker symbol BAP):** Voted against three director nominees due to overboarding concerns. Voted against one director nominee due to governance practices concerning potential conflict of interests involving political

cash donations made with the company's resources that had neither been previously approved by the board nor disclosed to the board and the company's shareholders.

10. **DBS Group Holdings Ltd. (ticker symbol DBS SP):** Voted against two director nominees because they serve on the nomination committee, and the company, under the leadership of a non-independent Chairman, does not have independent directors representing a majority of the board.
11. **Enerjisa Enerji AS (ticker symbol ENJSA TI):** Voted against the approval of director remuneration because the company did not disclose the proposed board fees, which prevented shareholders from making an informed voting decision. Voted against the ratification of director appointments due to independence concerns. Voted against limits to donations due to lack of disclosure.
12. **Gazit-Globe Ltd. (ticker symbol GZT IT):** Voted against amendments to the employment terms of the VP of Investments. The proposed terms allowed for substantial change-in-control payments upon voluntary resignation, and the VP is the CEO's son-in-law.
13. **GS Retail Co., Ltd. (ticker symbol 007070 KS):** Voted against two director nominees because the board lacks a formal nominating committee, has seven or more members, and does not have at least two board members that are not of the majority board gender. Voted against one director nominee due to independence concerns.
14. **Hana Financial Group, Inc. (ticker symbol 086790 KS):** Voted against four director nominees because they are incumbent members of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.
15. **Innocean Worldwide, Inc. (ticker symbol 214320 KS):** Voted against two director nominees because they are incumbent members of the board, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.
16. **Kia Motors Corp. (ticker symbol 000270 KS):** Voted against three director nominees due to independence concerns. Voted against one director nominee because he is an incumbent member of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.
17. **KT Corp. (ticker symbol KT):** Voted against one director nominee because they are an incumbent member of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.
18. **Novo Nordisk AS (ticker symbol NOVOB DC):** Voted against the creation of pool capital for the benefit of employees because the shares are offered at market discount, for which no maximum discount level was disclosed.
19. **Oceana Group Ltd. (ticker symbol OCE SJ):** Voted against a proposal for financial assistance because of its general authority.
20. **Petroleo Brasileiro SA (ticker symbol PETR4 BZ):** Voted against amendments to company Articles and the consolidation of By-Laws because unrelated proposals were bundled precluding shareholders from voting separately on amendments for which they may have differing views. Further, one of the proposed amendments sought to remove representative ineligibility criteria, which could negatively impact the company's governance and nomination practices.
21. **SK Hynix, Inc. (ticker symbol 000660 KS):** Voted against one director nominee because he is an incumbent member of the nominating committee, the board has seven or more members, and does not have at least two board members that are not of the majority board gender.
22. **Spigen Korea Co., Ltd. (ticker symbol 192440 KS):** Voted against one director nominee because he is an incumbent member of the nominating committee, the board has six or fewer total members, and does not have at least one board member that is not of the majority board gender.

23. **SYNNEX Corp. (ticker symbol SNX):** Voted against one director due to overboarding concerns. Voted against SNX's omnibus stock plan because the estimated plan cost and plan duration are excessive, the plan permits cash buyout awards without shareholder approval, allows liberal recycling of shares, and allows broad discretion to accelerate vesting.
24. **TE Connectivity Ltd. (ticker symbol TEL):** Voted against amendments to TEL's Articles of Association related to authorized capital because the stock that could be used represented an increase of 50%, which exceeds Boston Partners' threshold of 10%. Issuance authorities larger than 10% could lead to excessive cash calls on shareholders, requiring them to provide the funds to maintain their relative positions or accept substantial dilution. Voted not to adjourn the meeting.
25. **Ulker Biskuvi Sanayi AS (ticker symbol ULKER TI):** Voted against the election of director nominees due to independence and diversity concerns. Further, director proposals were bundled. Bundling together significant proposals that could be presented as separate voting items gives shareholders only an all-or-nothing choice, skewing power toward the board and away from shareholders. Voted against limits to donations due to lack of disclosure.
26. **Woori Financial Group, Inc. (ticker symbol 316140 KS):** Voted against one director nominee due to the Financial Supervisory Service's imposed reprimand of the director for dereliction of duty in failing to prevent major investor losses caused by the mis-selling of high-risk derivative linked funds.

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

Number of meetings: 38

Number of issues: 398

**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.