

# 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 August 2020:

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

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

1. **Arrow Electronics, Inc. (ticker symbol ARW):** ARW distributes electronic components and computer products to industrial and commercial customers. ARW reached out to discuss the executive compensation program, and Boston Partners set up an additional call to discuss ESG initiatives and disclosure. The Team described Boston Partners’ process and the type of disclosure we typically seek. The Team also provided feedback on ARW’s ESG profile. The Team noted ARW’s diversity data was good, and ARW has a whistleblower line run by a third party. The Team communicated Boston Partners’ preference for an independent chairman and shareholder rights. The Team noted ARW’s disclosure did not reference SASB, GRI, or TCFD, and while ARW discloses via CDP, the report was not publicly available. Finally, ARW’s Glassdoor rating was low. ARW highlighted information about safety certifications in the proxy, though rates were not included.
  2. **C.H. Robinson Worldwide, Inc. (ticker symbol CHRW):** CHRW is a third-party logistics company that provides freight transportation services and logistics solutions. The Team emailed CHRW seeking an update on the progress of the company’s ESG disclosure. CHRW responded and the Director of Corporate Responsibility communicated they intend to publish the upcoming sustainability report in September and explained COVID and an increased focus on diversity and inclusion contributed to delays.
  3. **Altra Industrial Motion Corp. (ticker symbol AIMC):** AIMC designs, produces, and markets a range of mechanical power transmission and motion control products. The Team emailed AIMC following research on AIMC. The Team was unable to find substantive disclosure regarding AIMC’s sustainability programs or efforts including environmental conservation efforts, workforce diversity, training and safety statistics, or supplier oversight and requested more information about AIMC’s current or proposed sustainability program.
  4. **Analog Devices, Inc. (ticker symbol ADI):** ADI designs, manufactures, and markets integrated circuits used in analog and digital signal processing. The Team emailed ADI following research on ADI. The Team found ADI’s disclosure to be good though noticed several omissions of information. The Team inquired about whistleblower claims and their resolution, training hours, and supplier audits. The Team also noted ADI provides shareholders the right to call a special meeting, but only upon request from 80% of shareholders and shareholders may act only by unanimous written consent. The Team encouraged ADI to consider the right to call a special meeting based on the request of between 10 and 25% of shareholders and the ability to act by written consent by the number of shareholders that
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would be required to take action at a meeting.

5. **Zimmer Biomet Holdings, Inc. (ticker symbol ZBH):** ZBH designs, manufactures, and markets musculoskeletal healthcare products and solutions. The Team emailed ZBH after updating our research on ZBH. The Team suggested ZBH disclose the number of whistleblower claims and their categories and resolution, data on supplier audits, diversity and training data, and a fuller description of ZBH's quality control process. The Team also encouraged ZBH to provide shareholders the right to call a special meeting and the right to act by written consent. Additionally, the Team inquired about Board oversight of sustainability matters and noted ZBH should prepare the sustainability report in formal compliance with a recognized standard.
6. **LKQ Corporation (ticker symbol LKQ):** LKQ distributes replacement parts, components, and systems used in the repair and maintenance of vehicles. The Team emailed LKQ following research on LKQ. The Team expressed LKQ's ESG disclosure is lacking and inquired about LKQ's status in the sustainability disclosure process. The Team encouraged LKQ to publish a report that includes data such as GHG emissions statistics, amount of energy used, waste disposal, recycling, water usage, extent of renewable energy sourced, diversity, training and safety statistics, supplier oversight and a general description of the company's sustainability structure. The Vice President, Investor Relations replied and communicated LKQ is undertaking a formal ESG materiality assessment effort that will consider SASB, MSCI, and other relevant standards and influential raters. LKQ will enhance its disclosure on material ESG topics. LKQ expects to publish a report in the fourth quarter of this year. The representative also highlighted current sustainability disclosure in the Code of Ethics and recent Form 10-K.
7. **Invitation Homes Inc. (ticker symbol INVH):** INVH provides real estate services. The Team emailed INVH following research on INVH. The Team noted INVH's information on sustainability was limited and most companies publish a comprehensive sustainability report providing details about material topics such as GHG emissions, energy usage, water usage, waste disposal, recycling, renewable energy usage, diversity of the workforce and leadership, training opportunities and usage for employees, safety statistics for employees and contractors, vendor oversight including audits and whistleblower claims, as well as quality control processes. The Team inquired if INVH is working on improving its disclosure through a full sustainability report.
8. **American Homes 4 Rent (ticker symbol AMH):** AMH is a real estate investment trust. The Team emailed AMH following research on AMH. The Team noted AMH's inaugural sustainability report was encouraging but lacked some information that is typically provided. The Team sought AMH's consideration of providing additional disclosure about the company's environmental profile; safety statistics; number of audits of suppliers and the results of the audits; number, type and resolution of whistleblower complaints; and quality control and client service infrastructure, number of complaints, and the resolution of those complaints. The Investor Relations Manager responded and communicated AMH is working to convey ESG information and data more fully and effectively.
9. **CenterPoint Energy, Inc. (ticker symbol CNP):** CNP is a public utility holding company. The Team emailed CNP following research on CNP. The Team expressed Boston Partners' position on chairman independence and the shareholder right to call a special meeting at a 10% threshold and the shareholder right to act by written consent with the support required to approve the matter at a shareholders' meeting. The Team also suggested disclosing EEO-1 type information about diversity, Scope 2 GHG emissions and third-party verification of GHG emissions, and the number of supplier audits and the results of those audits. The Team noted CNP has good plans for reducing GHG emissions from its gas distribution and inquired about incorporating wind and solar into the product mix. The Director, Investor Relations responded and communicated plans to publish a sustainability report this fall, which will include many of the items the Team highlighted. The Director communicated Boston Partners' governance preferences to the governance team and will share them with the Board. The Director also noted the company's plans for solar and energy storage.
10. **IQVIA Holdings Inc. (ticker symbol IQV):** IQV provides integrated information and technology-enabled healthcare services. The Team emailed IQV following research on IQV. The Team suggested IQV provide for an independent Board

Chairman, eliminate the classified board structure, provide shareholders with a right to call a special meeting based upon the request of holders of at least 10% of the shares outstanding, and provide shareholders with a right to act by the written consent of shareholders holding the shares requisite to take action at a meeting. The Team encouraged IQV to disclose the number, type, and resolution of whistleblower line claims, EEO-1 diversity data, and statistics on supplier oversight audits. The Team also inquired about a regulatory matter.

11. **Boston Scientific Corporation (ticker symbol BSX):** BSX develops, manufactures, and markets medical devices for use in various interventional medical specialties. The Team emailed BSX following research on BSX. The Team suggested BSX have an independent Board Chairman and provide shareholders with the right to call a special meeting at a 10% threshold and the right to act by the written consent of the shareholders holding sufficient votes to take action at a meeting. Additionally, the Team suggested disclosing the number, type, and resolution of whistleblower line calls. A representative from BSX Investor Relations responded explaining the company's position regarding the Chairman and shareholder rights. She also indicated that she shared the Team's request regarding whistleblower calls with the Compliance team for consideration.
12. **AMETEK, Inc. (ticker symbol AME):** AME manufactures and sells electronic instruments and electromechanical devices. The Team emailed AME following research on AME. The Team expressed Boston Partners' preferences regarding chairman independence, shareholder rights, and the classified board. The Team also encouraged AME to disclose the number of whistleblower claims, a description of the internal sustainability structure, EEO-1 type data, training data, supplier audit information, and environmental statistics.
13. **Steel Dynamics, Inc. (ticker symbol STLD):** STLD engages in the steel products manufacturing and metals recycling businesses. The Team emailed STLD following research on STLD. The Team expressed Boston Partners' position regarding chairman independence and shareholder rights. The Team suggested SLTD disclose whistleblower claims data, diversity data, training data, and supplier oversight information. The Team also inquired about the company's internal sustainability structure.
14. **Discover Financial Services (ticker symbol DFS):** DFS operates as a credit card issuer and electronic payment services company. The Team emailed DFS following research on DFS. The Team communicated Boston Partners' position regarding shareholder rights. The Team encouraged DFS to disclose whistleblower claim information, training data, supplier oversight information, and environmental data. The Team also inquired about the internal sustainability structure.
15. **NVR, Inc. (ticker symbol NVR):** NVR operates as a homebuilder in the United States. The Team emailed NVR following research on NVR. The Team communicated Boston Partners' preferences regarding chairman independence and shareholder rights. The Team also encouraged NVR to provide a sustainability report prepared in accordance with either GRI or SASB standards that discloses information including gender diversity of the workforce and management, training opportunities and training hours taken annually, OSHA safety statistics, GHG emissions, energy usage, energy and GHG intensities, water usage, waste to landfill and recycling, supplier oversight audits and the results, the internal sustainability structure such as committees and responsible staff, and a description of quality control procedures and a report of annual complaints and their resolution.
16. **KLA Corporation (ticker symbol KLAC):** KLAC designs, manufactures, and markets process control and yield management solutions for the semiconductor and related nanoelectronics industries. The Team emailed KLAC following research on KLAC. The Team expressed Boston Partners' position on shareholder rights. The Team encouraged KLAC to disclose whistleblower data and diversity information. The Team also noted the sustainability report was based on GRI standards although it did not seem to be in complete compliance with GRI standards and inquired if KLAC will publish a report in accordance with a recognized standard, either GRI or SASB. Finally, the Team noticed data in many cases was stated to be just for the California headquarters and inquired if KLAC will provide full global data.

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

1. **Lam Research Corporation (ticker symbol LRCX):** LRCX manufactures, markets, and services semiconductor processing equipment used in the making of integrated circuits. LRCX reached out to Boston Partners for a shareholder engagement call. LRCX described recent additions to the Board, bringing the total number of female directors to three. The Team noted Boston Partners withheld votes from three directors in 2019 due to overboarding but has since updated the policy. LRCX indicated they also recently updated the overboarding policy for executives. The Team commended LRCX for having an independent Board Chairman and inquired about shareholder rights. LRCX discussed the compensation program. LRCX heard concerns from stockholders about the CEO and CFO 2019 compensation, though they don't expect it to be an issue this year. LRCX highlighted the CSR program. LRCX expects to release 2025 goals next year. The Team also inquired about supplier due diligence data, external assurance of environmental data, and operations in China.
2. **Arrow Electronics, Inc. (ticker symbol ARW):** ARW distributes electronic components and computer products to industrial and commercial customers. ARW reached out to discuss the executive compensation program and solicit feedback and recommendations. Boston Partners has supported ARW's say-on-pay proposal for the last couple of years. The Team explained Boston Partners' approach and preferences regarding executive compensation. ARW discussed the peer group. ARW is trying to find 10 to 15 reasonably comparable peers, including companies with similar financial and cyclical characteristics, and expects the Compensation Committee to approve a new peer group for 2021.

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

1. **The TJX Companies, Inc. (ticker symbol TJX):** TJX operates as an off-price apparel and home fashions retailer. A TJX representative responded to Boston Partners' letter of June 16, 2020 regarding votes against management recommendation at the annual meeting. TJX scheduled a call in September to discuss.
2. **Industrial and Commercial Bank of China Limited (ticker symbol 1398 HK):** Industrial and Commercial Bank of China Limited provides banking services. An ICBC representative responded to Boston Partners' letter of June 16, 2020 regarding votes against management recommendation at the annual meeting. Boston Partners voted against a proposal to Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights. ICBC provided more information about the reason for submitting the General Mandate, the contents of the General Mandate, and the range of application of the General Mandate.
3. **Novo Nordisk A/S (ticker symbol NOVOB DC):** NOVOB is a healthcare company. The CVP & Head of Investor Relations responded to Boston Partners' letter of March 12, 2020 regarding votes against management recommendation at the annual meeting. Boston Partners voted against the proposal to Approve Creation of Pool of Capital for the Benefit of Employees because the shares are offered at market discount, for which no maximum discount level had been disclosed. NOVOB provided more context around the proposal.
4. **Graham Corporation (ticker symbol GHM):** GHM designs and builds vacuum and heat transfer equipment for process industries around the world. The Corporate Secretary responded to Boston Partners' letter of July 30, 2020 regarding votes against management recommendation at the annual meeting. GHM offered to have a call to discuss. GHM addressed the matters in Boston Partners' letter: executive compensation and board diversity. GHM renegotiated a term in the CFO's agreement to lock him down, which they felt was important due to the complexity of the business. It was a unique, one-off event regarding a legacy matter that the Board felt needed to be addressed. Moving forward, future contracts would not contain similar provisions or will not have employment contracts that contain language that is problematic. GHM turned to Boston Partners' position on board diversity. GHM's board includes one female director. The Team noted the classified board is also problematic. GHM explained the directors have discussed the

classified board structure and diversity. GHM communicated diversity is important to the Board. The Team also discussed ESG reporting and recommended GHM publish a comprehensive report. Further, GHM described their response to the COVID-19 crisis.

5. **ChampionX Corporation (ticker symbol CHX):** CHX provides energy solutions. The Senior Vice President and General Counsel responded to Boston Partners' letter of April 29, 2020 regarding votes against management recommendation at the annual meeting. CHX was previously Apergy Corporation. Boston Partners withheld votes from various directors due to lack of gender diversity on the Board. The representative provided more information about factors the Governance and Nominating Committee considers and noted the Board appointed two new directors, including a woman, upon the completion of the strategic transaction. Furthermore, she communicated CHX appointed a Vice President - ESG and Investor Relations.

### Proxy Voting:

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

1. **Qorvo, Inc. (ticker symbol QRVO):** Withheld votes from four male 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. Boston Partners supports diversity in leadership.
2. **Electronic Arts Inc. (ticker symbol EA):** Voted against one director nominee due to overboarding concerns. Voted against the ratification of named executive officers' compensation. The compensation committee granted special equity awards to nonexecutive officers in FY20 that at least doubled their equity award amounts, based on company valuation. Non-executive officers were also granted special awards for the FY18-FY21 performance period, resulting in an overlap between the performance periods. Voted for a proposal to provide shareholders the right to act by written consent.
3. **Flex Ltd. (ticker symbol FLEX):** Voted against the issuance of shares without preemptive rights because the stock that could be issued represented an increase of 20 percent or more, which exceeds Boston Partners' threshold of 10 percent.
4. **Graham Corporation (ticker symbol GHM):** Withheld votes from two 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. Voted against the ratification of named executive officers' compensation. The CFO's amended employment agreement provides for excessive severance following a change in control.
5. **DXC Technology Company (ticker symbol DXC):** Voted against the company's omnibus stock plan because the estimated plan cost is excessive, the available and proposed shares exceed six years, and the plan allows broad discretion to accelerate vesting.
6. **U.S. Physical Therapy, Inc. (ticker symbol USPH):** Withheld votes from three 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. Voted against other business because the details of other business were not disclosed, preventing shareholders from making informed decisions.
7. **Bandhan Bank Limited (ticker symbol BANDHAN IN):** 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. Additionally, he failed to attend at least seventy-five percent of board and committee meetings in the most recent fiscal year, as well as the previous year, without a satisfactory explanation.
8. **Naspers Ltd. (ticker symbol NPN SJ):** Voted against the remuneration policy and the implementation of the remuneration policy. A portion of the long-term incentive award, in the form of share options and stock appreciation

rights, are not subject to pre-determined performance conditions, and the “at-risk” element of the CFO’s pay mix may have been reduced due to a change in policy structure. There are also concerns regarding the performance period of vested awards; a proportion of stock appreciation rights and share options vest as early as one year from the date of grant. Voted against placing unissued shares under the control of directors and against authorizing the board to issue shares for cash because the stock that could be issued represented an increase of 30 percent or more, which exceeds Boston Partners’ threshold of 10 percent. Further, the authority could involve the issues of new A ordinary shares, which have multiple voting rights, and therefore perpetuate the Company’s dual-class share structure. Voted against repurchasing N Ordinary Shares from N Ordinary Shareholders because the accelerated repurchase authority was in addition to the general authority to repurchase up to 20% of the issued N share capital. No obvious benefits or details of the repurchase were provided. Voted against the repurchase of ordinary A Shares because the Company did not specify how the purchase price for A ordinary shares would be determined or whether any limits applied to repurchases. There were also conflicts of interest.

9. **PT Indah Kiat Pulp & Paper Tbk (ticker symbol INKP IJ):** Voted against changes to the board and amendments to the articles of association due to lack of disclosure. Lack of disclosure adversely affects the ability of shareholders to make informed voting decisions.
10. **e.l.f. Beauty, Inc. (ticker symbol ELF):** Withheld votes from three incumbent director nominees because the board failed to remove, or subject to a sunset requirement, the supermajority vote requirement to enact certain changes to the governing documents and the classified board, each of which adversely impacts shareholder rights. Voted against the ratification of named executive officers’ compensation. Performance share units were introduced to the CEO’s equity award; however, there was no disclosed deadline by which the share-price goals must be achieved. The lack of a performance period reduces the at-risk nature of the performance share units. Also, grant magnitudes are high, and equity award arrangements provide for automatic accelerated vesting upon a change-in-control. The company did not disclose a compensation clawback policy, stock ownership guidelines, or holding period requirements for executives.
11. **PT Gudang Garam Tbk (ticker symbol GGRM IJ):** Voted against changes to the board and amendments to the articles of association due to lack of disclosure. Lack of disclosure adversely affects the ability of shareholders to make informed voting decisions.

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

Number of meetings: 24

Number of issues: 191

#### **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

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