

**BOSTON PARTNERS GLOBAL INVESTORS, INC.**

**Proxy Voting Policies and Procedures**

**March 2021**

## **PROXY VOTING POLICIES AND PROCEDURES**

Boston Partners Global Investors, Inc. (“Boston Partners”) is an Investment Adviser comprised of two divisions, Boston Partners and Weiss, Peck & Greer Partners (“WPG”). Boston Partners’ Governance Committee (the “Committee”) is comprised of representatives from portfolio management, securities analyst, portfolio research, quantitative research, investor relations, sustainability and engagement, and legal/compliance teams. The Committee is responsible for administering and overseeing Boston Partners’ proxy voting process. The Committee makes decisions on proxy policy, establishes formal Boston Partners’ Proxy Voting Policies (the “Proxy Voting Policies”) and updates the Proxy Voting Policies as necessary, but no less frequently than annually. In addition, the Committee, in its sole discretion, delegates certain functions to internal departments and/or engages third-party vendors to assist in the proxy voting process. Finally, members of the Committee are responsible for evaluating and resolving conflicts of interest relating to Boston Partners’ proxy voting process.

To assist Boston Partners in carrying out our responsibilities with respect to proxy activities, Boston Partners has engaged Institutional Shareholder Services Inc. (“ISS”), a third-party corporate governance research service, which is registered as an investment adviser. ISS receives all proxy-related materials for securities held in client accounts and votes the proposals in accordance with Boston Partners’ Proxy Voting Policies. ISS assists Boston Partners with voting execution through an electronic vote management system that allows ISS to pre-populate and automatically submit vote in accordance with Boston Partners’ Proxy Voting Policies. While Boston Partners may consider ISS’s recommendations on proxy issues, Boston Partners bears ultimate responsibility for proxy voting decisions and can change votes via ISS’ electronic voting platform at any time before a meeting’s cut-off date. ISS also provides recordkeeping and vote-reporting services.

### **How Boston Partners Votes**

For those clients who delegate proxy voting authority to Boston Partners, Boston Partners has full discretion over votes cast on behalf of clients. All proxy votes on behalf of clients are voted the same way; however, Boston Partners may refrain from voting proxies for certain clients in certain markets. These arrangements are outlined in respective client investment management agreements. Boston Partners may also refrain from voting proxies on behalf of clients when shares are out on loan; when share blocking is required to vote; where it is not possible to vote shares; where there are legal or operational difficulties; where Boston Partners believes the administrative burden and/ or associated cost exceeds the expected benefit to a client; or where not voting or abstaining produces the desired outcome.

Boston Partners meets with ISS at least annually to review ISS policy changes, themes, methodology, and to review the Proxy Voting Policies. The information is taken to the Committee to discuss and decide what changes, if any, need to be made to the Proxy Voting Policies for the upcoming year.

The Proxy Voting Policies provide standard positions on likely issues for the upcoming proxy season. In determining how proxies should be voted, including those proxies the Proxy Voting Policies do not address or where the Proxy Voting Policies’ application is ambiguous, Boston Partners primarily focuses on maximizing the economic value of its clients’ investments. This is accomplished through engagements with Boston Partners’ analysts and issuers, as well as independent research conducted by Boston Partners’ Sustainability and Engagement Team. In the case of social and political responsibility issues that, in its view, do not primarily involve financial considerations, it is Boston Partners’ objective to support shareholder proposals that it believes promote good corporate citizenship. If Boston Partners believes that any research provided by ISS or other sources is incorrect, that research is ignored in the proxy voting decision, which is escalated to the Committee so that all relevant facts can be discussed, and a final vote determination can be made. Boston Partners is alerted to proposals that may require more detailed analysis via daily system generated refer notification emails. These emails prompt the Committee Secretary to call a Committee meeting to discuss the items in question.

Although Boston Partners has instructed ISS to vote in accordance with the Proxy Voting Policies, Boston Partners retains the right to deviate from the Proxy Voting Policies if, in its estimation, doing so would be in the best interest of clients.

### **Conflicts**

Boston Partners believes clients are sufficiently insulated from any actual or perceived conflicts Boston Partners may encounter between its interests and those of its clients because Boston Partners votes proxies based on the predetermined Proxy Voting Policies. However, as noted, Boston Partners may deviate from the Proxy Voting Policies in certain circumstances or the Proxy Voting Policies may not address certain proxy voting proposals. If a member of Boston Partners’ research or portfolio management team recommends that it vote a particular proxy proposal in a manner inconsistent with the Proxy Voting Policies or if the Proxy Voting Policies do not

address a particular proposal, Boston Partners will adhere to certain procedures designed to ensure that the decision to vote the particular proxy proposal is based on the best interest of Boston Partners' clients. In summary, these procedures require the individual requesting a deviation from the Proxy Voting Policies to complete a Conflicts Questionnaire (the "Questionnaire") along with written document of the economic rationale supporting the request. The Questionnaire seeks to identify possible relationships with the parties involved in the proxy that may not be readily apparent. Based on the responses to the Questionnaire, the Committee (or a subset of the Committee) will determine whether it believes a material conflict of interest is present. If a material conflict of interest is found to exist, Boston Partners will vote in accordance with client instructions, seek the recommendation of an independent third-party or resolve the conflict in such other manner as Boston Partners believes is appropriate, including by making its own determination that a particular vote is, notwithstanding the conflict, in the best interest of clients.

### **Oversight**

Meetings and upcoming votes are reviewed by the Committee Secretary. Votes on behalf of Boston Partners' clients are reviewed and compared against ISS' recommendations. When auditing vote instructions, which Boston Partners does at least annually, ballots voted for a specified period are requested from ISS, and a sample of those meetings are reviewed by Boston Partners' Operations Team. The information is then forwarded to compliance/ the Committee Secretary for review. Any perceived exceptions are reviewed with ISS and an analysis of what the potential vote impact would have been is conducted. ISS' most recent SOC-1 indicates they have their own control and audit personnel and procedures, and a sample of ballots are randomly selected on a quarterly basis. ISS compares ballots to applicable vote instructions recorded in their database. Due diligence meetings with ISS are conducted periodically.

### **Disclosures**

A copy of Boston Partners' Proxy Voting Policies and Procedures, as updated from time to time, as well as information regarding the voting of securities for a client account is available upon request from your Boston Partners relationship manager. A copy of Boston Partners' Proxy Voting Policies and Procedures are also available at <https://www.boston-partners.com/>. For general inquiries, contact (617) 832-8153.

**Boston Partners Proxy Policy contains a General Policy as well as country specific Policies. The information provided for each specific country cited should be viewed as supplemental to the General Policy**

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END

**Boston Partners**  
**Proxy Voting Policies**  
**As of February 2021**

**GENERAL POLICY**

**I. The Board of Directors**

**Voting on Director Nominees in Uncontested Elections**

Votes for director nominees on a CASE-BY-CASE basis. Boston Partners will generally vote FOR director nominees when names of the nominee(s) and adequate disclosure have been provided in a timely manner, except under the following circumstances:

***Independence***

Vote AGAINST or WITHHOLD from non-independent directors (Executive Directors and Non-Independent Non-Executive Directors) when:

1. Independent directors comprise less than one-third of the board (Boston Partners will support higher thresholds required by local law or regulation);
2. A non-independent director, not including employee/ labor representatives required to sit on a board committee(s) by law, serves on the audit, compensation, or nominating committee;
3. The company lacks an audit, compensation or nominating committee so that the full board functions as that committee; or
4. The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee.

Vote AGAINST individual directors, members of a committee, or the entire board due to a conflict of interest that raises significant potential risk, in the absence of mitigating measures and/or procedures.

Except in Japanese markets where no numerical threshold is used, Boston Partners uses a three-year cooling-off period in determining whether a nominee is or is not independent. However, Boston Partners will vote in accordance with specific country or region thresholds required by law.

***Composition***

**Attendance at Board and Committee Meetings**

Generally, vote AGAINST or WITHHOLD from directors (except nominees who served only part of the fiscal year) who attend less than 75 percent of the of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another filing. Acceptable reasons for director absences are generally limited to the following:

1. Medical issues/illness;
2. Family emergencies; and

3. Missing only one meeting (when the total of all meetings is three or fewer).

In cases of chronic poor attendance without reasonable justification, in addition to voting against the director(s) with poor attendance, generally vote AGAINST or WITHHOLD from appropriate members of the nominating/governance committees or the full board.

If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote AGAINST or WITHHOLD from the director(s) in question.

### **Overboarded Directors (Executive and Non-Executive)**

Vote AGAINST non-CEO nominees sitting on more than four (4) total public company boards and AGAINST or WITHHOLD votes from CEOs sitting on more than three (3) total public company boards. Additionally, vote AGAINST nominees if they exceed lesser thresholds mandated by local country or regional laws.

### **Gender Diversity**

Vote AGAINST majority gender board representatives of the nominating committee or majority gender nominees of the full board when no nominating committee exists (except nominees who served only part of the fiscal year) if there is not at least one (1) board member that is not of the majority board gender for boards with six (6) or fewer total members or at least two (2) board members that are not of the majority board gender for boards with seven (7) or greater board members.

### **Underrepresented<sup>1</sup> Directors (U.S. Only)**

Vote AGAINST board representatives of the nominating committee from represented communities or nominees of the full board from represented communities when no nominating committee exists (except nominees who served only part of the fiscal year) if: there is not at least one (1) board member from an underrepresented community on the board.

### **More Candidates than Seats**

Where the number of candidates exceeds the number of board seats, vote FOR all or a limited number of the independent director nominees considering factors including, but not limited to, the following:

1. Past composition of the board, including proportion of the independent directors vis-a-vis the size of the board;
2. Nominee(s) qualification, knowledge, and experience;
3. Attendance record of the director nominees;

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<sup>1</sup> A director from an underrepresented community is classified as an individual who is American Indian or Alaskan Native (a person having origins in any of the original peoples of North America, and who maintains cultural identification through tribal affiliation or community recognition); Asian or Pacific Islander (Native Hawaiian/ Other Pacific Islander); Black (a person having origins in any of the black racial groups of Africa); or Hispanic or Latino (speaking Spanish or descending from Spanish-speaking populations or people descending from Latin America including Brazil). If this policy is in conflict with Boston Partners' Gender Diversity Policy, the matter will be referred to the Governance Committee for discussion and final determination on votes cast.

4. Company's free float.

Vote AGAINST shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

### ***Responsiveness***

Vote CASE-BY-CASE on individual directors, committee members, or the entire board of directors as appropriate if:

1. The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year or acted on a management proposal that was opposed by a majority of the shares cast in the previous year. Factors considered will be:
  - a. Disclosed outreach efforts by the board to shareholders in the wake of the vote;
  - b. Rationale provided in the proxy statement for the level of implementation;
  - c. The subject matter of the proposal;
  - d. The level of support for and opposition to the resolution in past meetings;
  - e. Actions taken by the board in response to the majority vote and its engagement with shareholders;
  - f. The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
  - g. Other factors as appropriate.
2. The board failed to act on takeover offers where the majority of shares are tendered;
3. At the previous board election, any director received more than 50 percent AGAINST or WITHHOLD votes of the shares cast and the company has failed to address the issue(s) that caused the high AGAINST or WITHHOLD vote.

Vote CASE-BY-CASE on Compensation Committee members (or, in exceptional cases, the full board) and the Say on Pay proposal if:

1. The company failed to respond to majority-supported shareholder proposals on executive pay topics.
2. The company failed to adequately respond to the company's previous say-on-pay proposal that received the support of less than 70 percent of votes cast, taking into account:
  - a. The company's response, including:
    - i. Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated);
    - ii. Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;
    - iii. Disclosure of specific and meaningful actions taken to address shareholders' concerns;
  - b. Other recent compensation actions taken by the company;

- c. Whether the issues raised are recurring or isolated;
  - d. The company's ownership structure; and
  - e. Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.
3. The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

### ***Accountability***

Vote AGAINST or WITHHOLD from the entire board of directors (except nominees being presented on a ballot for the first time or having served on a board less than a year, who should be considered CASE-BY-CASE depending on the timing of their appointment and the problematic governance issue in question) for the following:

### **Problematic Takeover Defenses/Governance Structure**

#### ***Mandatory Takeover Bid Waivers***

Vote proposals to waive mandatory takeover bid requirements on a CASE-BY-CASE basis.

#### ***Poison Pills***

Vote AGAINST or WITHHOLD from all nominees (except new nominees, who should be considered CASE-BY-CASE) if:

1. The company has a poison pill that was not approved by shareholders. However, vote CASE-BY-CASE on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote).
2. The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or
3. The pill, whether short-term<sup>2</sup> or long-term, has a dead-hand or slow-hand feature.

#### ***Classified Board Structure***

The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a WITHHOLD or AGAINST vote is not up for election. All appropriate nominees (except new) may be held accountable.

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<sup>2</sup> If the short-term pill with a dead-hand or slow-hand feature is enacted but expires before the next shareholder vote, Boston Partners will generally still vote AGAINST or WITHHOLD from nominees at the next shareholder meeting following its adoption.

### *Removal of Shareholder Discretion on Classified Boards*

The company has opted into, or failed to opt out of, state laws requiring a classified board structure.

### *Director Performance Evaluation*

The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one-, three-, and five-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's operational metrics and other factors as warranted. Problematic provisions include but are not limited to:

1. A classified board structure;
2. A supermajority vote requirement;
3. Either a plurality vote standard in uncontested director elections, or a majority vote standard in contested elections;
4. The inability of shareholders to call special meetings;
5. The inability of shareholders to act by written consent;
6. A multi-class capital structure; and/or
7. A non-shareholder-approved poison pill.

### *Unilateral By-law/Charter Amendments and Problematic Capital Structures*

Generally, vote AGAINST or WITHHOLD from directors individually, committee members, or the entire board (except new nominees, who should be considered CASE-BY-CASE) if the board amends the company's by-laws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors:

1. The board's rationale for adopting the by-law/charter amendment without shareholder ratification;
2. Disclosure by the company of any significant engagement with shareholders regarding the amendment;
3. The level of impairment of shareholders' rights caused by the board's unilateral amendment to the by-laws/charter;
4. The board's track record with regard to unilateral board action on by-law/charter amendments or other entrenchment provisions;
5. Whether the amendment was made prior to or in connection with the company's initial public offering;
6. The company's ownership structure;
7. The company's existing governance provisions;
8. The timing of the board's amendment to the by-laws/charter in connection with a significant business development; and
9. Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.



Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote CASE-BY-CASE on director nominees. Generally, vote AGAINST (except new nominees, who should be considered CASE-BY-CASE) if the directors:

1. Classified the board;
2. Adopted supermajority vote requirements to amend the by-laws or charter; or
3. Eliminated shareholders' ability to amend by-laws.

#### *Problematic Governance Structure - Newly public companies*

For newly public companies (generally defined as companies that emerge from bankruptcy, spin-offs, direct listings, and those who complete a traditional initial public offering), generally vote AGAINST or WITHHOLD from directors individually, committee members, or the entire board (except new nominees, who should be considered CASE-BY-CASE) if, prior to or in connection with the company's public offering, the company or its board adopted the following by-law or charter provisions that are considered materially adverse to shareholder rights:

1. Supermajority vote requirements to amend the by-laws or charter;
2. A classified board structure; or
3. Other egregious provisions.

A reasonable sunset provision will be considered a mitigating factor.

Unless the adverse provision is reversed or removed, vote CASE-BY-CASE on director nominees in subsequent years.

For newly public companies, generally vote AGAINST or WITHHOLD from the entire board (except new nominees, who should be considered CASE-BY-CASE) if, prior to or in connection with the company's public offering, the company or its board implemented a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered reasonable.

Continue to vote AGAINST or WITHHOLD from incumbent directors in subsequent years, unless the problematic capital structure is reversed or removed.

### **Restrictions on Shareholders' Rights**

#### *Restricting Binding Shareholder Proposals*

Generally, vote AGAINST or WITHHOLD from the members of the governance committee if the company's governing documents impose undue restrictions on shareholders' ability to amend the by-laws. Such restrictions include but are not limited to outright prohibition on the submission of binding shareholder proposals or share ownership requirements, subject matter restrictions, or time holding requirements in excess of SEC Rule 14a-8. Vote AGAINST or WITHHOLD on an ongoing basis.

Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding by-law amendments will generally be viewed as an insufficient restoration of

shareholder' rights. Generally, continue to vote AGAINST or WITHHOLD on an ongoing basis until shareholders are provided with an unfretted ability to amend the by-laws or a proposal providing for such unfretted right is submitted for shareholder approval.

### **Problematic Audit-Related Practices**

Generally, vote AGAINST or WITHHOLD from the members of the Audit Committee if:

1. The non-audit fees paid to the auditor are excessive (greater than 50 percent);
2. The company receives an adverse opinion on the company's financial statements from its auditor;
3. There is persuasive evidence that the Audit Committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm;
4. The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or
5. There are clear concerns over questionable finances or restatements.

Vote CASE-BY-CASE on members of the Audit Committee and potentially the full board if poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP or other acceptable accounting practices; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether AGAINST or WITHHOLD votes are warranted.

### **Problematic Compensation Practices**

In the absence of an Advisory Vote on Executive Compensation (Say on Pay) ballot item or in egregious situations, vote AGAINST or WITHHOLD from the members of the Compensation Committee and potentially the full board if:

1. There is an unmitigated misalignment between CEO pay and company performance (pay for performance);
2. The company maintains significant problematic pay practices; or
3. The board exhibits a significant level of poor communication and responsiveness to shareholders.

Generally, vote AGAINST or WITHHOLD from the Compensation Committee chair, other committee members, or potentially the full board if:

1. The company fails to include a Say on Pay ballot item when required under SEC provisions, or under the company's declared frequency of say on pay; or
2. The company fails to include a Frequency of Say on Pay ballot item when required under SEC provisions.

Generally, vote AGAINST members of the board committee responsible for approving/setting non-executive director compensation if there is a pattern (i.e. two or more years) of awarding excessive non-executive director compensation without disclosing a compelling rationale or other mitigating factors.

## **Problematic Pledging of Company Stock**

Vote AGAINST the members of the committee that oversees risks related to pledging, or the full board, where a significant level of pledged company stock by executives or directors raises concerns. The following factors will be considered:

1. The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity;
2. The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value, and trading volume;
3. Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time;
4. Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and
5. Any other relevant factors.

## **Governance Failures**

Vote AGAINST or WITHHOLD from directors individually, committee members, or the entire board at any company whose board the director serves, due to:

1. Criminal wrongdoing or material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at any company including, but not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; significant adverse legal judgments or settlement; or hedging of company stock;
2. Failure to replace management or directors as appropriate; or
3. Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

## **Voting on Director Nominees in Contested Elections**

For contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, Boston Partners will vote on a CASE-BY-CASE basis, determining which directors are best suited to add value for shareholders.

The analysis will generally be based on, but not limited to, the following major decision factors:

1. Company performance relative to its peers;
2. Strategy of the incumbents versus the dissidents;
3. Independence of directors/nominees;
4. Experience and skills of board candidates;

5. Governance profile of the company;
6. Evidence of management entrenchment;
7. Responsiveness to shareholders;
8. Whether a takeover offer has been rebuffed;
9. Whether minority or majority representation is being sought.

When analyzing a contested election of directors, Boston Partners will generally focus on two central questions: (1) Have the dissidents proved that board change is warranted? And (2) if so, are the dissident board nominees likely to affect positive change? (i.e., maximize long-term shareholder value).

### ***Vote-No Campaigns***

In cases where companies are targeted in connection with public “vote-no” campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

### ***Proxy Contests/Proxy Access — Voting for Director Nominees in Contested Elections***

Vote CASE-BY-CASE on the election of directors in contested elections, considering the following factors:

1. Long-term financial performance of the company relative to its industry;
2. Management’s track record;
3. Background to the contested election;
4. Nominee qualifications (both slates) and any compensatory arrangements;
5. Strategic plan of dissident slate and quality of the critique against management;
6. Likelihood that the proposed goals and objectives can be achieved (both slates); and
7. Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, vote CASE-BY-CASE considering any applicable factors listed above or additional factors which may be relevant, including those that are specific to the company, to the nominee(s) and/or to the nature of the election (such as whether there are more candidates than board seats).

### **Bundled and Unbundled Elections**

Vote FOR the bundled election of nominees unless:

1. Adequate disclosure has not been provided in a timely manner, including nominee name(s);
2. There are clear concerns over questionable finances or restatements;
3. There have been questionable transactions with conflicts of interest (;

4. There are any records of abuses against minority shareholder interests;
5. The board fails to meet minimum corporate governance standards;
6. There are specific concerns about individual nominees, such as criminal wrongdoing or breach of fiduciary responsibilities;
7. The company does not comply with market legal requirements for minimum board independence or the board is not at least one-third independent, whichever is higher; or
8. Repeated absences at board and key committee meetings (less than 75 percent attendance) have not been explained (in countries where this information is disclosed).

In an unbundled election, generally vote FOR all director nominees, unless:

1. The company has not provided adequate disclosure of the proposed nominees;
2. There are concerns regarding the candidate(s) and/or the company; or
3. The board does not meet a one-third independence threshold, or the threshold required by local regulations. If the proposed board falls below one-third independence or market regulation requirements, vote FOR the independent nominees presented individually, and vote AGAINST the non-independent candidates.

## **Other Board-Related Proposals**

### ***Adopt Anti-Hedging/Pledging/Speculative Investments Policy***

Generally, vote FOR proposals seeking a policy that prohibits named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan. However, the company's existing policies regarding responsible use of company stock will be considered.

### ***Age/Term Limits***

Vote AGAINST management and shareholder proposals to limit the tenure of outside directors through mandatory retirement ages.

Vote AGAINST management proposals to limit the tenure of outside directors through term limits.

Boston Partners follows respective market thresholds for independence determinations.

### ***Board Size***

Vote FOR proposals seeking to fix the size of the board. Vote AGAINST if the proposal would result in the board size being fewer than five (5) or more than fifteen (15) seats.

Vote AGAINST proposals that give management the ability to alter the size of the board without shareholder approval.

Vote AGAINST proposals to alter board structure or size in the context of a fight for control of the company or the board.

### ***Classification/Declassification of the Board***

Vote AGAINST proposals to classify (stagger) the board.

Vote FOR proposals to repeal classified boards and to elect all directors annually.

### ***CEO Succession Planning***

Generally, vote FOR proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

1. The reasonableness/scope of the request; and
2. The company's existing disclosure on its current CEO succession planning process.

### ***Cumulative Voting***

Generally, vote AGAINST management proposals to eliminate cumulative voting unless:

1. The company has proxy access, thereby allowing shareholders to nominate directors to the company's ballot; and
2. The company has adopted a majority vote standard, with a carve-out for plurality voting in situations where there are more nominees than seats, and a director resignation policy to address failed elections.

Vote FOR proposals for cumulative voting at controlled companies (insider voting power > 50%).

Vote FOR shareholder proposals that restore or introduce cumulative voting.

### ***Director and Officer Indemnification and Liability Protection***

Vote CASE-BY-CASE on proposals concerning director and officer indemnification and liability protection taking into account the following:

1. Safeguards to prevent potential conflict of interests, including the independence of the decision-making process for approval of indemnification coverage;
2. The disclosure of a publicly available, board approved indemnification policy;
3. Clear description of acts and events that can and cannot be covered by the indemnity policy or contract;
4. Information regarding potential financial impact of the indemnity policy or contracts to the company;
5. Eligible beneficiaries of the policy, including the length of the post-employment period that will be covered by the policy or contract;
6. Treatment of indemnity payments already made in the event of a final irreversible court ruling has determined that associated actions were outside the scope of indemnification coverage.

Vote AGAINST proposals that would:

1. Limit or eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care;

2. Expand coverage beyond just legal expenses to liability for acts that are more serious violations of fiduciary obligation than mere carelessness;
3. Expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board (i.e., "permissive indemnification"), but that previously the company was not required to indemnify;
4. Allow indemnity coverage for current and/or former director, officers, and/or fiscal council members who have entered into leniency agreements with the country's authorities in the context of corruption investigations; and
5. Allow indemnity coverage of acts committed outside the normal exercise of duties of the administrator, acts performed in bad faith, malice, or fraud, or acts committed in detriment of the company's best interest.

Vote FOR only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

1. If the director was found to have acted in good faith and in a manner that s/he reasonably believed was in the best interests of the company; and
2. If only the director's legal expenses would be covered.

### ***Establish/Amend Nominee Qualifications***

Vote CASE-BY-CASE on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and the degree to which they may preclude dissident nominees from joining the board.

Vote CASE-BY-CASE on shareholder resolutions seeking a director nominee who possesses a particular subject matter expertise, considering:

1. The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
2. The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;
3. The company's disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
4. The scope and structure of the proposal.

### ***Establish Other Board Committee Proposals***

Generally, vote AGAINST shareholder proposals to establish a new board committee, as such proposals seek a specific oversight mechanism/structure that potentially limits a company's flexibility to determine an appropriate oversight mechanism for itself. However, the following factors will be considered:

1. Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought;
2. Level of disclosure regarding the issue for which board oversight is sought;
3. Company performance related to the issue for which board oversight is sought;

4. Board committee structure compared to that of other companies in its industry sector; and
5. The scope and structure of the proposal.

### ***Filling Vacancies/Removal of Directors***

Vote CASE-BY-CASE when a company proposes to dismiss directors, paying particular attention, but not limited, to:

1. Whether the company has presented a compelling rationale for the request, and
2. Whether the newly proposed board is one-third independent.

Generally, vote FOR the discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies as to whether the board is fulfilling its fiduciary duties, as evidenced by:

1. A lack of oversight or actions by board members that invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest; or
2. Any legal proceedings (either civil or criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions; or
3. Other egregious governance issues where shareholders will bring legal action against the company or its directors.

For markets that do not routinely request discharge resolutions (e.g. common law countries or markets where discharge is not mandatory), analysts may voice concern in other appropriate agenda items, such as approval of the annual accounts or other relevant resolutions, to enable shareholders to express discontent with the board.

Vote AGAINST proposals that provide that directors may be removed only for cause.

Vote FOR proposals to restore shareholders' ability to remove directors with or without cause.

Vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

### ***Independent Chair (Separate Chair/CEO)***

Vote FOR shareholder proposals requiring that the chairman's position be filled by an independent director and FOR the separation of the offices of CEO and chair.

### ***Majority of Independent Directors/Establishment of Independent Committees***

Vote FOR shareholder proposals asking that a majority or more of directors be independent.



Vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors.

### ***Majority Vote Standard for the Election of Directors***

Vote for proposals requiring a majority vote standard.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

### ***Proxy Access***

Generally, vote FOR management and shareholder proposals for proxy access with the following provisions:

1. Ownership threshold: maximum requirement not more than three percent (3%) of the voting power;
2. Ownership duration: maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
3. Aggregation: minimal or no limits on the number of shareholders permitted to form a nominating group;
4. Cap: cap on nominees of generally twenty-five percent (25%) of the board.

Review for reasonableness any other restrictions on the right of proxy access.

Generally, vote AGAINST proposals that are more restrictive than these guidelines.

### ***Shareholder Engagement Policy (Shareholder Advisory Committee)***

Generally, vote FOR shareholder proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

1. Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board;
2. Effectively disclosed information with respect to this structure to its shareholders;
3. Company has not ignored majority-supported shareholder proposals or a majority WITHHOLD vote on a director nominee; and
4. The company has an independent chairman or a lead director. This individual must be made available for periodic consultation and direct communication with major shareholders.

## **II. Audit-Related**

### **Auditor Indemnification and Limitation of Liability**

Vote CASE-BY-CASE on the issue of auditor indemnification and limitation of liability. Factors to be assessed include, but are not limited to:

1. The terms of the auditor agreement—the degree to which these agreements impact shareholders' rights;
2. The motivation and rationale for establishing the agreements;
3. The quality of the company's disclosure; and
4. The company's historical practices in the audit area.

Vote AGAINST or WITHHOLD from members of an audit committee in situations where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote AGAINST proposals that would indemnify external auditors.

### **Auditor Ratification/Reelection**

Vote AGAINST incumbent audit committee members if the ratification of auditors is not up for shareholder vote. (U.S. only)

Vote FOR proposals to ratify/reelect auditors and/or proposals authorizing the board to fix auditor fees, unless:

1. The name(s) of the proposed auditors has not been published;
2. The auditors are being changed without explanation;
3. An auditor has a financial interest in or association with the company, for example, external auditors have previously served the company in an executive capacity and is therefore not independent;
4. There is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position;
5. There are serious concerns about the accounts presented or the procedures used by the auditor or poor accounting practices are identified that rise to a serious level of concern, such as fraud or misapplication of GAAP or other acceptable accounting standards;
6. The profile of the new audit firm being appointed is not disclosed or not available in the public domain; or
7. Fees for non-audit services ("Other" fees) are excessive (greater than 50 percent).

Non-audit fees are excessive if Non-audit (“other”) fees > audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns and refund claims, and tax payment planning. All other services in the tax category, such as tax advice, planning, or consulting, should be added to “Other” fees. If the breakout of tax fees cannot be determined, add all tax fees to “Other” fees.

In circumstances where "Other" fees include fees related to significant one-time capital structure events (such as initial public offerings, bankruptcy emergence, and spin-offs) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

For concerns related to the audit procedures, independence of auditors, and/or name of auditors, Boston Partners may vote AGAINST the auditor's (re)election. For concerns related to fees paid to the auditors, Boston Partners may vote AGAINST remuneration of auditors if this is a separate voting item; otherwise Boston Partners may vote AGAINST the auditor election.

### **Appointment of Internal Statutory Auditors**

Vote FOR the appointment or (re)election of statutory auditors, unless:

1. There are serious concerns about the statutory reports presented or the audit procedures used;
2. Questions exist concerning any of the statutory auditors being appointed; or
3. The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

### **Shareholder Proposals Limiting Non-Audit Services**

Vote CASE-BY-CASE on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

### **Shareholder Proposals on Audit Firm Rotation**

Vote CASE-BY-CASE on shareholder proposals asking for audit firm rotation, taking into account:

1. The tenure of the audit firm;
2. The length of rotation specified in the proposal;
3. Any significant audit-related issues at the company;
4. The number of Audit Committee meetings held each year;
5. The number of financial experts serving on the committee; and

6. Whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

### **III. Shareholder Rights and Defenses**

#### **Shareholder Proposals**

Vote all shareholder proposals on a CASE-BY-CASE basis.

Vote FOR proposals that would improve the company's corporate governance or business profile at a reasonable cost.

Vote AGAINST proposals that limit the company's business activities or capabilities or result in significant costs being incurred with little or no benefit.

#### **Advance Notice Requirements for Shareholder Proposals/Nominations**

Vote CASE-BY-CASE on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review.

To be reasonable, the company's deadline for shareholder notice of a proposal/nominations must not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline. The submittal window is the period under which a shareholder must file his proposal/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

#### **Amend By-laws without Shareholder Consent**

Vote AGAINST proposals giving the board exclusive authority to amend the by-laws.

Vote CASE-BY-CASE on proposals giving the board the ability to amend the by-laws in addition to shareholders, taking into account the following:

1. Any impediments to shareholders' ability to amend the by-laws (i.e. supermajority voting requirements);
2. The company's ownership structure and historical voting turnout;
3. Whether the board could amend by-laws adopted by shareholders; and
4. Whether shareholders would retain the ability to ratify any board-initiated amendments.

### **Control Share Acquisition Provisions**

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareholder vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares.

Vote FOR proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote AGAINST proposals to amend the charter to include control share acquisition provisions.

Vote FOR proposals to restore voting rights to the control shares.

### **Control Share Cash-Out Provisions**

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position. In other words, when an investor crosses a preset threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price.

Vote FOR proposals to opt out of control share cash-out statutes.

### **Disgorgement Provisions**

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company's stock to disgorge, or pay back, to the company any profits realized from the sale of that company's stock purchased 24 months before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor's gaining control status are subject to these recapture-of-profits provisions.

Vote FOR proposals to opt out of state disgorgement provisions.

### **Fair Price Provisions**

Vote CASE-BY-CASE on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally, vote AGAINST fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

### **Freeze-Out Provisions**

Vote FOR proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

## **Greenmail**

Greenmail payments are targeted share repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders.

Vote FOR proposals to adopt anti-greenmail charter or by-law amendments or otherwise restrict a company's ability to make greenmail payments.

Vote CASE-BY-CASE on anti-greenmail proposals when they are bundled with other charter or by-law amendments.

## **Litigation Rights (including Exclusive Venue and Fee-Shifting By-law Provisions) (U.S. only)**

Generally, vote FOR federal selection provisions in the charter or bylaws that specify "the district courts of the United States" as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

Vote AGAINST provisions that restrict the forum to a particular federal district court; unilateral adoption (without shareholder vote) of such a provision will generally be considered a one-time failure under our Unilateral By-law/Charter Amendments policy.

Generally, vote FOR charter or by-law provisions that specify courts located within the state of Delaware as the exclusive for corporate law matters for Delaware corporations, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

For states other than Delaware, vote CASE-BY-CASE on exclusive forum provisions, taking into consideration:

1. The company's stated rationale for adopting such a provision;
2. Disclosure of past harm from duplicative shareholder lawsuits in more than one forum;
3. The breadth of application of the charter or by-law provision, including the types of lawsuits to which it would apply and the definition of key terms; and
4. Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or by-laws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections.

Generally, vote AGAINST provisions that specify a state other than the state of incorporation as the exclusive forum of corporate law matters, or that specify a particular local court within the state; unilateral adoption of such a provision will generally be considered a one-time failure under our Unilateral By-law/Charter Amendments policy.

Generally, vote AGAINST provisions that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., including cases where the plaintiffs are partially successful).

Unilateral adoption of a fee-shifting provision will generally be considered an ongoing failure under our Unilateral By-law/Charter Amendments policy.

## **Poison Pills (Shareholder Rights Plans)**

Generally, vote AGAINST all antitakeover proposals, unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

### **Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy**

Vote FOR shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it unless the company has: (1) A shareholder approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

1. Shareholders have approved the adoption of the plan; or
2. The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking stockholder approval (i.e., the “fiduciary out” provision). A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote FOR the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

### **Management Proposals to Ratify a Poison Pill**

Vote CASE-BY-CASE on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

1. No lower than a 20 percent trigger, flip-in or flip-over;
2. A term of no more than three years;
3. No dead-hand, slow-hand, no-hand, or similar feature that limits the ability of a future board to redeem the pill;
4. Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

In addition, the rationale for adopting the pill should be thoroughly explained by the company. In examining the request for the pill, take into consideration the company’s existing governance structure, including: board independence, existing takeover defenses, and any problematic governance concerns.

### **Net Operating Losses (NOLs) Protective Amendments and Management Proposals to Ratify a Pill to Preserve NOLs**

Vote AGAINST proposals to adopt a protective amendment or poison pill for the stated purpose of protecting a company's net operating losses (NOL) if the term of the protective amendment or pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote CASE-BY-CASE on management proposals for protective amendments or poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

1. The ownership threshold to transfer (NOL protective amendments and pills generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
2. The value of the NOLs;
3. Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);
4. The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
5. Any other factors that may be applicable.

### **Proxy Voting Disclosure, Confidentiality, and Tabulation**

Vote CASE-BY-CASE on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered under the policy include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

While a variety of factors may be considered in each analysis, the guiding principles are: transparency, consistency, and fairness in the proxy voting process. The factors considered, as applicable to the proposal, may include:

1. The scope and structure of the proposal;
2. The company's stated confidential voting policy (or other relevant policies) and whether it ensures a "level playing field" by providing shareholder proponents with equal access to vote information prior to the annual meeting;
3. The company's vote standard for management and shareholder proposals and whether it ensures consistency and fairness in the proxy voting process and maintains the integrity of vote results;
4. Whether the company's disclosure regarding its vote counting method and other relevant voting policies with respect to management and shareholder proposals are consistent and clear;
5. Any recent controversies or concerns related to the company's proxy voting mechanics;
6. Any unintended consequences resulting from implementation of the proposal; and
7. Any other factors that may be relevant.

### **Ratification Proposals: Management Proposals to Ratify Existing Charter or By-law Provisions**

Generally, vote AGAINST management proposals to ratify provisions of the company's existing charter or by-laws, unless these governance provisions align with best practice.



In addition, voting AGAINST or WITHHOLD from individual directors, members of the governance committee, or the full board may be warranted, considering:

1. The presence of a shareholder proposal addressing the same issue on the same ballot;
2. The board's rationale for seeking ratification;
3. Disclosure of actions to be taken by the board should the ratification proposal fail;
4. Disclosure of shareholder engagement regarding the board's ratification request;
5. The level of impairment to shareholders' rights caused by the existing provision;
6. The history of management and shareholder proposals on the provision at the company's past meetings;
7. Whether the current provision was adopted in response to the shareholder proposal;
8. The company's ownership structure; and
9. Previous use of ratification proposals to exclude shareholder proposals.

### **Reimbursing Proxy Solicitation Expenses**

Vote CASE-BY-CASE on proposals to reimburse proxy solicitation expenses.

When voting in conjunction with support of a dissident slate, vote FOR the reimbursement of all appropriate proxy solicitation expenses associated with the election.

Generally, vote FOR shareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

1. The election of fewer than 50 percent of the directors to be elected is contested in the election;
2. One or more of the dissident's candidates is elected;
3. Shareholders are not permitted to cumulate their votes for directors; and
4. The election occurred, and the expenses were incurred, after the adoption of this by-law.

### **Reincorporation Proposals**

Management or shareholder proposals to change a company's state of incorporation should be evaluated CASE-BY-CASE, giving consideration to both financial and corporate governance concerns including the following:

1. Reasons for reincorporation;
2. Comparison of company's governance practices and provisions prior to and following the reincorporation; and
3. Comparison of corporation laws of original state and destination state.
4. Vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

**Shareholder Ability to Act by Written Consent**

Vote AGAINST management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

**Shareholder Ability to Call Special Meetings**

Vote AGAINST management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings.

Vote FOR management or shareholder proposals that provide shareholders with the ability to call special meetings as long as the proposed minimum threshold is 10 percent or higher, with 10 percent being the preferred percentage.

**Stakeholder Provisions**

Vote AGAINST proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

**State Antitakeover Statutes**

Vote CASE-BY-CASE on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

**Supermajority Vote Requirements**

Vote AGAINST proposals to require a supermajority shareholder vote.

Vote FOR management or shareholder proposals to reduce supermajority vote requirements.

**IV. Capital/ Restructuring****Adjustments to Par Value of Common Stock**

In the U.S. and Korea, vote FOR proposals to reduce/adjust the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.

Vote FOR management proposals to eliminate par value.

For countries and regions outside the U.S., vote FOR requests to capitalize reserves for bonus issues of shares or to increase par value.

## **Share Issuance Requests**

### ***General Issuances***

Vote FOR issuance requests with preemptive rights to a maximum of 50 percent over currently issued capital.

Vote FOR issuance requests without preemptive rights to a maximum of 10 percent of currently issued capital.

In Malaysia, for real estate investment trusts (REITs), vote FOR issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital.

### ***Specific Issuances***

Vote on a CASE-BY-CASE basis on all requests, with or without preemptive rights.

## **Shelf Registration Program**

Vote on a CASE-BY-CASE basis on all requests, with or without preemptive rights.

Approval of a multi-year authority for the issuance of securities under Shelf Registration Programs will be considered on a CASE-BY-CASE basis, taking into consideration, but not limited to, the following:

1. Whether the company has provided adequate and timely disclosure including detailed information regarding the rationale for the proposed program;
2. Whether the proposed amount to be approved under such authority, the use of the resources, the length of the authorization, the nature of the securities to be issued under such authority, including any potential risk of dilution to shareholders is disclosed; and
3. Whether there are concerns regarding questionable finances, the use of the proceeds, or other governance concerns

## **Common Stock Authorization**

Vote FOR proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote AGAINST proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.

Vote AGAINST proposals to increase the number of authorized common shares if a vote FOR a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Vote CASE-BY-CASE on all other proposals to increase the number of shares of common stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

1. Past Board Performance:

- a. The company's use of authorized shares during the last three years;
2. The Current Request:
  - a. Disclosure in the proxy statement of the specific purposes of the proposed increase;
  - b. Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and
  - c. The dilutive impact of the request as determined relative to an allowable increase (typically 100 percent of existing authorized shares for a specific purpose and no more than 50 percent if for a non-specific purpose) that reflects the company's need for shares and total shareholder returns. Regarding a specific purpose, Boston Partners would generally not support a proposal where the increase would leave the company with less than 30 percent of its new authorization outstanding after adjusting for all proposed issuances.

If there is an acquisition, private placement, or similar transaction on the ballot (not including equity incentive plans) where Boston Partners is voting FOR, the allowable increase will be the greater of (i) twice the amount needed to support the transactions on the ballot, and (ii) the allowable increase as calculated above.

Vote AGAINST proposals to adopt unlimited capital authorizations.

### **Reduction of Capital**

Vote FOR proposals to reduce capital for routine accounting purposes unless the terms are unfavorable to shareholders.

Vote proposals to reduce capital in connection with corporate restructuring on a CASE-BY-CASE basis

### **Dual Class Structure**

Generally, vote AGAINST proposals to create or maintain a new class of common stock unless:

1. The company discloses a compelling rationale for the dual-class capital structure, such as:
  - a. The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or
  - b. The new class of shares will be transitory;
2. The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
3. The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

### **Issue Stock for Use with Rights Plan**

Vote AGAINST proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder-approved shareholder rights plan (poison pill).

## **Preemptive Rights**

We vote FOR proposals to create preemptive rights and AGAINST proposals to eliminate preemptive rights.

## **Preferred Stock Authorization**

Vote FOR the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.

Vote FOR proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote AGAINST proposals at companies with more than one class or series of preferred stock to increase the number of authorized shares of the class or series of preferred stock that has superior voting rights.

Vote CASE-BY-CASE on all other proposals to increase the number of shares of preferred stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

1. Past Board Performance:
  - a. The company's use of authorized preferred shares during the last three years;
2. The Current Request:
  - a. Disclosure in the proxy statement of the specific purposes for the proposed increase;
  - b. Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request;
  - c. In cases where the company has existing authorized preferred stock, the dilutive impact of the request as determined by an allowable increase (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns; and
  - d. Whether the shares requested are blank check preferred shares that can be used for antitakeover purposes. If they are, vote AGAINST. If not, vote CASE-BY-CASE.

Vote FOR the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets guidelines on equity issue requests.

## **Recapitalization Plans**

Vote CASE-BY-CASE on recapitalizations (reclassifications of securities), taking into account the following:

1. More simplified capital structure;
2. Enhanced liquidity;
3. Fairness of conversion terms;
4. Impact on voting power and dividends;
5. Reasons for the reclassification;

6. Conflicts of interest; and
7. Other alternatives considered.

### **Reverse Stock Splits**

Vote FOR management proposals to implement a reverse stock split if:

1. The number of authorized shares will be proportionately reduced; or
2. The effective increase in authorized shares is equal to or less than the allowable increase.

Vote CASE-BY-CASE on proposals that do not meet either of the above conditions, taking into consideration the following factors:

1. Stock exchange notification to the company of a potential delisting;
2. Disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing;
3. The company's rationale; or
4. Other factors as applicable.

### **Share Repurchase Programs**

For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding:

1. Greenmail,
2. The use of buybacks to inappropriately manipulate incentive compensation metrics,
3. Threats to the company's long-term viability, or
4. Other company-specific factors as warranted.

Vote CASE-BY-CASE on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.

Generally, vote FOR market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:

1. A repurchase limit of up to 10 percent of outstanding issued share capital;
2. A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
3. A duration that does not exceed market practice. In Asian markets, a duration of no more than five years, or such lower threshold as may be set by applicable law, regulation or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a CASE-BY-CASE basis. Boston Partners may support such share repurchase authorities under special

circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:

1. A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
2. A duration of no more than 18 months.

In markets where it is normal practice not to provide a repurchase limit, Boston Partners will evaluate the proposal based on the company's historical practice. However, Boston Partners expects companies to disclose such limits and, in the future, may vote AGAINST companies that fail to do so. In such cases, the authority must comply with the following criteria:

1. A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
2. A duration of no more than 18 months.

In addition, Boston Partners will vote AGAINST any proposal where:

1. The repurchase can be used for takeover defenses;
2. There is clear evidence of abuse;
3. There is no safeguard against selective buybacks; and/or
4. Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

### **Reissuance of Repurchased Shares**

Vote FOR requests to reissue any repurchased shares unless there is clear evidence of abuse of this authority in the past.

### **Stock Distributions: Splits and Dividends**

Generally, vote FOR management proposals to increase the common share authorization for stock split or stock dividend, provided that the effective increase in authorized shares is equal to or is less than the allowable increase(s).

### **Tracking Stock**

Vote CASE-BY-CASE on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

1. Adverse governance changes;
2. Excessive increases in authorized capital stock;
3. Unfair method of distribution;
4. Diminution of voting rights;

5. Adverse conversion features;
6. Negative impact on stock option plans; and
7. Alternatives such as spin-off.

### **Appraisal Rights**

Vote FOR proposals to restore or provide shareholders with rights of appraisal.

### **Asset Purchases**

Vote CASE-BY-CASE on asset purchase proposals, considering the following factors:

1. Purchase price;
2. Fairness opinion;
3. Financial and strategic benefits;
4. How the deal was negotiated;
5. Conflicts of interest;
6. Other alternatives for the business;
7. Non-completion risk.

### **Asset Sales**

Vote CASE-BY-CASE on asset sales, considering the following factors:

1. Impact on the balance sheet/working capital;
2. Potential elimination of diseconomies;
3. Anticipated financial and operating benefits;
4. Anticipated use of funds;
5. Value received for the asset;
6. Fairness opinion;
7. How the deal was negotiated;
8. Conflicts of interest.

### **Pledging of Assets for Debt**

Vote proposals to approve the pledging of assets for debt on a CASE-BY-CASE basis.



### **Increase in Borrowing Powers**

Vote proposals to approve increases in a company's borrowing powers on a CASE-BY-CASE basis.

### **Bundled Proposals**

Vote CASE-BY-CASE on bundled or "conditional" proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, vote AGAINST the proposals. If the combined effect is positive, support such proposals.

### **Conversion of Securities**

Vote CASE-BY-CASE on proposals regarding conversion of securities. When evaluating these proposals, the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

Vote FOR the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

Vote FOR the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets guidelines on equity issuance requests.

### **Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans**

Vote CASE-BY-CASE on proposals to increase common and/or preferred shares, with or without preemptive rights, and to issue shares as part of a debt restructuring plan, after evaluating:

1. Dilution to existing shareholders' positions;
2. Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
3. Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
4. Management's efforts to pursue other alternatives;
5. Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
6. Conflict of interest - arm's length transaction, managerial incentives.

Vote FOR the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

### **Formation of Holding Company**

Vote CASE-BY-CASE on proposals regarding the formation of a holding company, taking into consideration the following:

1. The reasons for the change;
2. Any financial or tax benefits;
3. Regulatory benefits;
4. Increases in capital structure; and
5. Changes to the articles of incorporation or by-laws of the company.

Absent compelling financial reasons for the transaction, vote AGAINST the formation of a holding company if the transaction would include either of the following:

1. Increases in common or preferred stock in excess of the allowable maximum (see discussion under “Capital”); or
2. Adverse changes in shareholder rights.

### **Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)**

Vote CASE-BY-CASE on going private transactions, taking into account the following:

1. Offer price/premium;
2. Fairness opinion;
3. How the deal was negotiated;
4. Conflicts of interest;
5. Other alternatives/offers considered; and
6. Non-completion risk.

Vote CASE-BY-CASE on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

1. Whether the company has attained benefits from being publicly traded (examination of trading volume, liquidity, and market research of the stock);
2. Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:
  - a. Are all shareholders able to participate in the transaction?
  - b. Will there be a liquid market for remaining shareholders following the transaction?
  - c. Does the company have strong corporate governance?
  - d. Will insiders reap the gains of control following the proposed transaction?
  - e. Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

## **Joint Ventures**

Vote CASE-BY-CASE on proposals to form joint ventures, taking into account the following:

1. Percentage of assets/business contributed;
2. Percentage ownership;
3. Financial and strategic benefits;
4. Governance structure;
5. Conflicts of interest;
6. Other alternatives; and
7. Non-completion risk.

## **Liquidations**

Vote CASE-BY-CASE on liquidations, taking into account the following:

1. Management's efforts to pursue other alternatives;
2. Appraisal value of assets; and
3. The compensation plan for executives managing the liquidation.

Vote FOR the liquidation if the company will file for bankruptcy if the proposal is not approved.

## **Mergers and Acquisitions**

Vote CASE-BY-CASE on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

1. Valuation - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction, and strategic rationale.
2. Market reaction - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
3. Strategic rationale - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
4. Negotiations and process - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.
5. Conflicts of interest - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they

did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger.

6. Governance - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Vote AGAINST if the companies do not provide sufficient information upon request to make an informed voting decision.

### **Private Placements/Warrants/Convertible Debentures**

Vote CASE-BY-CASE on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

1. Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances, from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.
2. Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):
  - a. The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.
  - b. When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry, and anticipation of future performance.
3. Financial issues:
  - a. The company's financial condition;
  - b. Degree of need for capital;
  - c. Use of proceeds;
  - d. Effect of the financing on the company's cost of capital;
  - e. Current and proposed cash burn rate;
  - f. Going concern viability and the state of the capital and credit markets.
4. Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger, or sale of part or all of the company.
5. Control issues:

- a. Change in management;
  - b. Change in control;
  - c. Guaranteed board and committee seats;
  - d. Standstill provisions;
  - e. Voting agreements;
  - f. Veto power over certain corporate actions; and
  - g. Minority versus majority ownership and corresponding minority discount or majority control premium.
6. Conflicts of interest:
- a. Conflicts of interest should be viewed from the perspective of the company and the investor.
  - b. Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?
7. Market reaction: The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one day impact on the unaffected stock price.

Vote FOR the private placement, or for the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

### **Reorganization/Restructuring Plan (Bankruptcy)**

Vote CASE-BY-CASE on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

- 1. Estimated value and financial prospects of the reorganized company;
- 2. Percentage ownership of current shareholders in the reorganized company;
- 3. Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an Official Equity Committee);
- 4. The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- 5. Existence of a superior alternative to the plan of reorganization; and
- 6. Governance of the reorganized company.

### **Special Purpose Acquisition Corporations (SPACs)**

Vote CASE-BY-CASE on SPAC mergers and acquisitions taking into account the following:

- 1. Valuation
- 2. Market reaction
- 3. Deal timing

4. Negotiations and process.
5. Conflicts of interest
6. Voting agreements
7. Governance

### **Special Purpose Acquisition Corporations (SPACs) - Proposals for Extensions**

Vote CASE-BY-CASE on SPAC extension proposals taking into account the length of the requested extension, the status of any pending transaction(s) or progression of the acquisition process, any added incentive for non-redeeming shareholders, and any prior extension requests.

### **Spin-offs**

Vote CASE-BY-CASE on spin-offs, considering:

1. Tax and regulatory advantages;
2. Planned use of the sale proceeds;
3. Valuation of spinoff;
4. Fairness opinion;
5. Benefits to the parent company;
6. Conflicts of interest;
7. Managerial incentives;
8. Corporate governance changes;
9. Changes in the capital structure.

### **Value Maximization Shareholder Proposals**

Vote CASE-BY-CASE on shareholder proposals seeking to maximize shareholder value by:

1. Hiring a financial advisor to explore strategic alternatives;
2. Selling the company; or
3. Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

1. Prolonged poor performance with no turnaround in sight;
2. Signs of entrenched board and management (such as the adoption of takeover defenses);
3. Strategic plan in place for improving value;
4. Likelihood of receiving reasonable value in a sale or dissolution; and
5. The company actively exploring its strategic options, including retaining a financial advisor.

## V. Compensation

### **Advisory Votes on Executive Compensation—Management Proposals (Management Say-on-Pay)**

Vote CASE-BY-CASE on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation.

Vote AGAINST Advisory Votes on Executive Compensation (Say-on-Pay or “SOP”) if:

1. There is an unmitigated misalignment between CEO pay and company performance (pay for performance);
2. The company maintains significant problematic pay practices;
3. The board exhibits a significant level of poor communication and responsiveness to shareholders.

Vote AGAINST or WITHHOLD from the members of the Compensation Committee and potentially the full board if:

1. There is no SOP on the ballot, and an AGAINST vote on SOP would otherwise be warranted due to pay-for-performance misalignment, problematic pay practices, or the lack of adequate responsiveness on compensation issues raised previously, or a combination thereof;
2. The board fails to respond adequately to a previous SOP proposal that received less than 70 percent support of votes cast;
3. The company has recently practiced or approved problematic pay practices, such as option repricing or option backdating; or
4. The situation is egregious.

### **Primary Evaluation Factors for Executive Pay**

#### **Pay-for-Performance Evaluation**

Analysis considers the following:

1. Peer Group Alignment:
  - a. The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
  - b. The rankings of CEO total pay and company financial performance within a peer group, each measured over a three-year period.
  - c. The multiple of the CEO's total pay relative to the peer group median in the most recent fiscal year.
2. Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, misaligned pay and performance are otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to evaluating how

various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

1. The ratio of performance- to time-based incentive awards;
2. The overall ratio of performance-based compensation;
3. The completeness of disclosure and rigor of performance goals;
4. The company's peer group benchmarking practices;
5. Actual results of financial/operational metrics, both absolute and relative to peers;
6. Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);
7. Realizable pay compared to grant pay; and
8. Any other factors deemed relevant.

### **Problematic Pay Practices**

The focus is on executive compensation practices that contravene the global pay principles, including:

1. Problematic practices related to non-performance-based compensation elements;
2. Incentives that may motivate excessive risk-taking or present a windfall risk; and
3. Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

### **Problematic Pay Practices related to Non-Performance-Based Compensation Elements**

Pay elements that are not directly based on performance are generally evaluated CASE-BY-CASE considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in an adverse vote:

1. Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
2. Extraordinary perquisites or tax gross-ups;
3. New or materially amended agreements that provide for:
  - a. Excessive termination or CIC severance payments (generally exceeding 3 times base salary and average/target/most recent bonus);
  - b. CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers) or in connection with a problematic Good Reason definition;
  - c. CIC excise tax gross-up entitlements (including "modified" gross-ups);
  - d. Multi-year guaranteed awards that are not at risk due to rigorous performance conditions;
  - e. Liberal CIC definition combined with any single-trigger CIC benefits;



4. Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible;
5. Any other provision or practice deemed to be egregious and present a significant risk to investors.

### **Options Backdating**

The following factors should be examined CASE-BY-CASE to allow for distinctions to be made between “sloppy” plan administration versus deliberate action or fraud:

1. Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;
2. Duration of options backdating;
3. Size of restatement due to options backdating;
4. Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and
5. Adoption of a grant policy that prohibits backdating and creates a fixed grant schedule or window period for equity grants in the future.

### **Frequency of Advisory Vote on Executive Compensation ("Say When on Pay")**

Vote FOR annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

### **Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale**

Vote CASE-BY-CASE on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive and non-executive officers rather than focusing primarily on new or extended arrangements.

Features that may result in an AGAINST vote include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

1. Single- or modified-single-trigger cash severance;
2. Single-trigger acceleration of unvested equity awards;
3. Full acceleration of equity awards granted shortly before the change in control;
4. Acceleration of performance awards above the target level of performance without compelling rationale;
5. Excessive cash severance (generally >3x base salary and bonus);
6. Excise tax gross-ups triggered and payable;
7. Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or

8. Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
9. The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis. However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), evaluate the say-on-pay proposal in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

### **Equity-Based and Other Incentive Plans**

Vote CASE-BY-CASE on certain equity-based compensation plans depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:

1. Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - a. SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - b. SVT based only on new shares requested plus shares remaining for future grants.
2. Plan Features:
  - a. General quality of disclosure, especially around vesting upon a change in control (CIC);
  - b. Discretionary vesting authority;
  - c. Liberal share recycling on various award types;
  - d. Lack of minimum vesting period for grants made under the plan;
  - e. Dividends payable prior to award vesting.
3. Grant Practices:
  - a. The company's three-year burn rate relative to its industry/market cap peers (shouldn't exceed 3.5%);
  - b. Vesting requirements in CEO's recent equity grants (3-year look-back);
  - c. The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
  - d. The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
  - e. Whether the company maintains a sufficient claw-back policy;
  - f. Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

Generally, vote AGAINST the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors ("overriding factors") apply:

1. Awards may vest in connection with a liberal change-of-control definition;
2. The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
3. The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
4. The plan is excessively dilutive to shareholders' holdings;
5. The plan contains an evergreen (automatic share replenishment) feature; or
6. Any other plan features are determined to have a significant negative impact on shareholder interests.

### ***Further Information on certain EPSC Factors***

#### **SVT**

The cost of the equity plans is expressed as SVT, which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full-value awards), the assumption is made that all awards to be granted will be the most expensive types. See discussion of specific types of awards.

Except for proposals subject to Equity Plan Scorecard evaluation, SVT is reasonable if it falls below a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company's benchmark.

Three-Year Burn Rate Burn-rate benchmarks (utilized in Equity Plan Scorecard evaluations) are calculated as the greater of: (1) the mean ( $\mu$ ) plus one standard deviation ( $\sigma$ ) of the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding. In addition, year-over-year burn-rate benchmark changes will be limited to a maximum of two (2) percentage points plus or minus the prior year's burn-rate benchmark. Boston Partners will vote AGAINST plans if the three-year average burn rate exceeds 3.5 percent.

## **Egregious Factors**

### *Liberal Change in Control Definition*

Generally, vote AGAINST equity plans if the plan has a liberal definition of change in control and the equity awards could vest upon such liberal definition of change in control, even though an actual change in control may not occur. Examples of such a definition include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a “potential” takeover, shareholder approval of a merger or other transactions, or similar language.

### *Repricing Provisions*

Vote AGAINST plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval. "Repricing" typically includes the ability to do any of the following:

1. Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
2. Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs;
3. The cancellation of underwater options in exchange for stock awards; or
4. Cash buyouts of underwater options.

While the above cover most types of repricing, Boston Partners may view other provisions as akin to repricing depending on the facts and circumstances.

Also, vote AGAINST or WITHHOLD from members of the Compensation Committee who approved repricing (as defined above or otherwise determined by Boston Partners), without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote AGAINST plans that do not expressly prohibit repricing or cash buyout of underwater options without shareholder approval if the company has a history of repricing/buyouts without shareholder approval, and the applicable listing standards would not preclude them from doing so.

### *Problematic Pay Practices or Significant Pay-for-Performance Disconnect*

If the equity plan on the ballot is a vehicle for problematic pay practices, vote AGAINST the plan.

May vote AGAINST the equity plan if the plan is determined to be a vehicle for pay-for-performance misalignment. Considerations in voting AGAINST the equity plan may include, but are not limited to:

1. Severity of the pay-for-performance misalignment;
2. Whether problematic equity grant practices are driving the misalignment; and/or
3. Whether equity plan awards have been heavily concentrated to the CEO and/or the other NEOs.

### *Amending Cash and Equity Plans*

Vote CASE-BY-CASE on amendments to cash and equity incentive plans.

Generally, vote FOR proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal addresses administrative features only. Vote CASE-BY-CASE on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company's IPO and/or proposals that bundle material amendment(s).

Vote CASE-BY-CASE on all other proposals to amend equity incentive plans, considering the following:

1. If the proposal requests additional shares and/or the amendments include a term extension or addition of full value awards as an award type, the vote will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of the amendments.
2. If the plan is being presented to shareholders for the first time (including after the company's IPO), whether or not additional shares are being requested, the vote will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of any amendments.
3. If there is no request for additional shares and the amendments do not include a term extension or addition of full value awards as an award type, then the vote will be based entirely on an analysis of the overall impact of the amendments, and the EPSC evaluation will be shown only for informational purposes.

In the first two CASE-BY-CASE evaluation scenarios, the EPSC evaluation/score is the more heavily weighted consideration.

### *Specific Treatment of Certain Award Types in Equity Plan Evaluations: Dividend Equivalent Rights*

Options that have Dividend Equivalent Rights (DERs) associated with them will have a higher calculated award value than those without DERs under the binomial model, based on the value of these dividend streams. The higher value will be applied to new shares, shares available under existing plans, and shares awarded but not exercised per the plan specifications. DERS transfer more shareholder equity to employees and non- executive directors and this cost should be captured.

### *Operating Partnership (OP) Units in Equity Plan Analysis of Real Estate Investment Trusts (REITs)*

For Real Estate Investment Trusts (REITS), include the common shares issuable upon conversion of outstanding Operating Partnership (OP) units in the share count for the purposes of determining: (1) market capitalization in the SVT analysis and (2) shares outstanding in the burn rate analysis.

## **Other Compensation Plans**

### ***401(k) Employee Benefit Plans***

Vote FOR proposals to implement a 401(k) savings plan for employees.

### ***Employee Stock Ownership Plans (ESOPs)***

Vote FOR proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

### ***Employee Stock Purchase Plans—Qualified Plans***

Vote CASE-BY-CASE on qualified employee stock purchase plans. Vote FOR employee stock purchase plans where all of the following apply:

1. Purchase price is at least 85 percent of fair market value;
2. Offering period is 27 months or less; and
3. The number of shares allocated to the plan is 10 percent or less of the outstanding shares.

Vote AGAINST qualified employee stock purchase plans where any of the following apply:

1. Purchase price is less than 85 percent of fair market value; or
2. Offering period is greater than 27 months; or
3. The number of shares allocated to the plan is more than 10 percent of the outstanding shares.

### ***Employee Stock Purchase Plans—Non-Qualified Plans***

Vote CASE-BY-CASE on nonqualified employee stock purchase plans. Vote FOR nonqualified employee stock purchase plans with all the following features:

1. Broad-based participation (i.e., all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);
2. Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
3. Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value; and
4. No discount on the stock price on the date of purchase when there is a company matching contribution.

Vote AGAINST nonqualified employee stock purchase plans when the plan features do not meet all of the above criteria. If the matching contribution or effective discount exceeds the above, may evaluate the SVT cost of the plan as part of the assessment.

### ***Option Exchange Programs/Repricing Options***

Vote CASE-BY-CASE on management proposals seeking approval to exchange/reprice options taking into consideration:

1. Historic trading patterns--the stock price should not be so volatile that the options are likely to be back "in-the-money" over the near term;
2. Rationale for the re-pricing--was the stock price decline beyond management's control?;
3. Is this a value-for-value exchange?;

4. Are surrendered stock options added back to the plan reserve?;
5. Timing--repricing should occur at least one year out from any precipitous drop in company's stock price;
6. Option vesting--does the new option vest immediately or is there a black-out period?;
7. Term of the option--the term should remain the same as that of the replaced option;
8. Exercise price--should be set at fair market or a premium to market;
9. Participants--executive officers and directors must be excluded.

If the surrendered options are added back to the equity plans for re-issuance, then also take into consideration the company's total cost of equity plans and its three-year average burn rate (shouldn't exceed 3.5%).

In addition to the above considerations, evaluate the intent, rationale, and timing of the repricing proposal. The proposal should clearly articulate why the board is choosing to conduct an exchange program at this point in time. Repricing underwater options after a recent precipitous drop in the company's stock price demonstrates poor timing and warrants additional scrutiny. Also, consider the terms of the surrendered options, such as the grant date, exercise price and vesting schedule. Grant dates of surrendered options should be far enough back (two to three years) so as not to suggest that repricings are being done to take advantage of short-term downward price movements. Similarly, the exercise price of surrendered options should be above the 52-week high for the stock price.

Vote FOR shareholder proposals to put option repricings to a shareholder vote.

### ***Stock Plans in Lieu of Cash***

Vote CASE-BY-CASE on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock.

Vote non- executive director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote CASE-BY-CASE on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, no adjustments will be made to carve out the in-lieu-of cash compensation.

### ***Transfer Stock Option (TSO) Programs***

One-time Transfers: Vote AGAINST or WITHHOLD from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

Vote CASE-BY-CASE on one-time transfers. Vote FOR if:

1. Executive officers and non- executive directors are excluded from participating;
2. Stock options are purchased by third-party financial institutions at a discount to their fair value using option pricing models such as Black-Scholes or a Binomial Option Valuation or other appropriate financial models; and
3. There is a two-year minimum holding period for sale proceeds (cash or stock) for all participants.

Additionally, management should provide a clear explanation of why options are being transferred to a third-party institution and whether the events leading up to a decline in stock price were beyond management's control. A review of the company's historic stock price volatility should indicate if the options are likely to be back "in-the-money" over the near term.

Ongoing TSO program: Vote AGAINST equity plan proposals if the details of ongoing TSO programs are not provided to shareholders. Since TSOs will be one of the award types under a stock plan, the ongoing TSO program, structure and mechanics must be disclosed to shareholders. The specific criteria to be considered in evaluating these proposals include, but not limited, to the following:

1. Eligibility;
2. Vesting;
3. Bid-price;
4. Term of options;
5. Cost of the program and impact of the TSOs on company's total option expense; and
6. Option repricing policy.

Amendments to existing plans that allow for introduction of transferability of stock options should make clear that only options granted post-amendment shall be transferable.

## **Director Compensation**

### ***Non- Executive Directors***

Vote FOR proposals to award cash fees to non-executive directors unless the amounts are excessive relative to other companies in the country or industry.

Vote CASE-BY-CASE on management proposals seeking ratification of non- executive director compensation, based on the following factors:

1. If the equity plan under which non- executive director grants are made is bundled into a single resolution or is on the ballot, whether or not it warrants support; and
2. An assessment of the following qualitative factors:
  - a. The relative magnitude of director compensation as compared to companies of a similar profile;
  - b. The presence of problematic pay practices relating to director compensation;
  - c. Director stock ownership guidelines and holding requirements;
  - d. Equity award vesting schedules;
  - e. The mix of cash and equity-based compensation;
  - f. Meaningful limits on director compensation;
  - g. The availability of retirement benefits or perquisites; and
  - h. The quality of disclosure surrounding director compensation.



### ***Equity Plans for Non- Executive Directors***

Vote CASE-BY-CASE on compensation plans for non- executive directors, based on:

1. The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants;
2. The company's three-year burn rate relative to its industry/market cap peers (in certain circumstances) (shouldn't exceed 3.5%); and
3. The presence of any egregious plan features (such as an option repricing provision or liberal CIC vesting risk).

On occasion, non- executive director stock plans will exceed the plan cost or burn-rate benchmarks when combined with employee or executive stock plans. In such cases, vote CASE-BY-CASE on the plan taking into consideration the following qualitative factors:

1. The relative magnitude of director compensation as compared to companies of a similar profile;
2. The presence of problematic pay practices relating to director compensation;
3. Director stock ownership guidelines and holding requirements;
4. Equity award vesting schedules;
5. The mix of cash and equity-based compensation;
6. Meaningful limits on director compensation;
7. The availability of retirement benefits or perquisites; and
8. The quality of disclosure surrounding director compensation.

### ***Non- Executive Director Retirement Plans***

Vote AGAINST retirement plans for non- executive directors. Vote FOR shareholder proposals to eliminate retirement plans for non- executive directors.

### ***Shareholder Proposals on Compensation***

Bonus Banking/Bonus Banking "Plus"

Vote CASE-BY-CASE on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

1. The company's past practices regarding equity and cash compensation;
2. Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
3. Whether the company has a rigorous claw-back policy in place.

### ***Compensation Consultants—Disclosure of Board or Company's Utilization***

Generally, vote FOR shareholder proposals seeking disclosure regarding the Company, Board, or Compensation Committee's use of compensation consultants, such as company name, business relationship(s), and fees paid.

#### **Disclosure/Setting Levels or Types of Compensation for Executives and Directors**

Generally, vote FOR shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Generally, vote AGAINST shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation (such as types of compensation elements or specific metrics) to be used for executive or directors.

Generally, vote AGAINST shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Vote CASE-BY-CASE on all other shareholder proposals regarding executive and director pay, taking into account relevant factors, including but not limited to: company performance, pay level and design versus peers, history of compensation concerns or pay-for-performance disconnect, and/or the scope and prescriptive nature of the proposal.

### ***Golden Coffins/Executive Death Benefits***

Generally, vote FOR proposals calling for companies to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, perquisites and other payments or awards made in lieu of compensation. This would not apply to any benefit programs or equity plan proposals for which the broad-based employee population is eligible.

### ***Hold Equity Past Retirement or for a Significant Period of Time***

Vote CASE-BY-CASE on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain a portion of net shares acquired through compensation plans. The following factors will be taken into account:

1. The percentage/ratio of net shares required to be retained;
2. The time period required to retain the shares;
3. Whether the company has equity retention, holding period, and/or stock ownership requirements in place and the robustness of such requirements;
4. Whether the company has any other policies aimed at mitigating risk taking by executives;
5. Executives' actual stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's existing requirements; and
6. Problematic pay practices, current and past, which may demonstrate a short-term versus long-term focus.

### ***Non-Deductible Compensation (U.S.)***

Generally, vote FOR proposals seeking disclosure of the extent to which the company paid non-deductible compensation to senior executives under U.S. Internal Revenue Code Section 162(m), while considering the company's existing disclosure practices. Section 162(m) imposes a \$1 million annual limit on the amount of compensation that a publicly held corporation can deduct with respect to certain executives.

### ***Pay Disparity***

Vote CASE-BY-CASE on proposals calling for an analysis of the pay disparity between corporate executives and other non-executive employees. The following factors will be considered:

1. The company's current level of disclosure of its executive compensation setting process, including how the company considers pay disparity;
2. If any problematic pay practices or pay-for-performance concerns have been identified at the company; and
3. The level of shareholder support for the company's pay programs.

Generally, vote AGAINST proposals calling for the company to use the pay disparity analysis or pay ratio in a specific way to set or limit executive pay.

### ***Pay for Performance/Performance-Based Awards***

Vote CASE-BY-CASE on shareholder proposals requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

1. First, vote FOR shareholder proposals advocating the use of performance-based equity awards, such as performance contingent options or restricted stock, indexed options or premium-priced options, unless the proposal is overly restrictive or if the company has demonstrated that it is using a "substantial" portion of performance-based awards for its top executives. Standard stock options and performance-accelerated awards do not meet the criteria to be considered as performance-based awards. Further, premium-priced options should have a meaningful premium to be considered performance-based awards.
2. Second, assess the rigor of the company's performance-based equity program. If the bar set for the performance-based program is too low based on the company's historical or peer group comparison, generally vote FOR the proposal. Furthermore, if target performance results in an above target payout, vote FOR the shareholder proposal due to program's poor design. If the company does not disclose the performance metric of the performance-based equity program, vote FOR the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote FOR the shareholder proposal if the company does not meet both of the above two steps.

### ***Pay for Superior Performance***

Vote CASE-BY-CASE on shareholder proposals that request the board establish a pay-for-superior performance standard in the company's executive compensation plan for senior executives. These proposals generally include the following principles:

1. Set compensation targets for the plan's annual and long-term incentive pay components at or below the peer group median;
2. Deliver a majority of the plan's target long-term compensation through performance-vested, not simply time-vested, equity awards;
3. Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;
4. Establish performance targets for each plan financial metric relative to the performance of the company's peer companies;
5. Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company's performance on its selected financial performance metrics exceeds peer group median performance.

Consider the following factors in evaluating this proposal:

1. What aspects of the company's annual and long-term equity incentive programs are performance driven?
2. If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?
3. Can shareholders assess the correlation between pay and performance based on the current disclosure?
4. What type of industry and stage of business cycle does the company belong to?

### ***Pre-Arranged Trading Plans (10b5-1 Plans)***

Generally, vote FOR shareholder proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

1. Adoption, amendment, or termination of a 10b5-1 Plan must be disclosed within two business days in a Form 8-K;
2. Amendment or early termination of a 10b5-1 Plan is allowed only under extraordinary circumstances, as determined by the board;
3. Ninety days must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;
4. Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;
5. An executive may not trade in company stock outside the 10b5-1 Plan;
6. Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

### ***Prohibit Outside CEOs from Serving on Compensation Committees***

Generally, vote AGAINST proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

### ***Recoupment of Incentive or Stock Compensation in Specified Circumstances***

Vote CASE-BY-CASE on proposals to recoup incentive cash or stock compensation made to senior executives if it is later determined that the figures upon which incentive compensation is earned turn out to have been in error, or if the senior executive has breached company policy or has engaged in misconduct that may be significantly detrimental to the company's financial position or reputation, or if the senior executive failed to manage or monitor risks that subsequently led to significant financial or reputational harm to the company. Many companies have adopted policies that permit recoupment in cases where an executive's fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. However, such policies may be narrow given that not all misconduct or negligence may result in significant financial restatements. Misconduct, negligence or lack of sufficient oversight by senior executives may lead to significant financial loss or reputational damage that may have long-lasting impact.

In considering whether to support such shareholder proposals, Boston Partners will consider the following factors:

1. If the company has adopted a formal recoupment policy;
2. The rigor of the recoupment policy focusing on how and under what circumstances the company may recoup incentive or stock compensation;
3. Whether the company has chronic restatement history or material financial problems;
4. Whether the company's policy substantially addresses the concerns raised by the proponent;
5. Disclosure of recoupment of incentive or stock compensation from senior executives or lack thereof; or
6. Any other relevant factors.

### ***Severance Agreements for Executives/Golden Parachutes***

Vote FOR shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval prior to entering into employment contracts.

Vote CASE-BY-CASE on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:

1. The triggering mechanism should be beyond the control of management;
2. The amount should not exceed 2.99 times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);
3. Change-in-control payments should be double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.

### ***Share Buyback Proposals***

Generally, vote AGAINST shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. Vote FOR the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Vote CASE-BY-CASE on proposals requesting the company exclude the impact of share buybacks from the calculation of incentive program metrics, considering the following factors:

1. The frequency and timing of the company's share buybacks;
2. The use of per-share metrics in incentive plans;
3. The effect of recent buybacks on incentive metric results and payouts; and
4. Whether there is any indication of metric result manipulation.

### ***Supplemental Executive Retirement Plans (SERPs)***

Generally, vote FOR shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

Generally, vote FOR shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary or those pay elements covered for the general employee population.

### ***Tax Gross-Up Proposals***

Generally, vote FOR proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

### ***Termination of Employment Prior to Severance Payment/Eliminating Accelerated Vesting of Unvested Equity***

Vote CASE-BY-CASE on shareholder proposals seeking a policy requiring termination of employment prior to severance payment and/or eliminating accelerated vesting of unvested equity.

The following factors will be considered:

1. The company's current treatment of equity upon employment termination and/or in change-in-control situations (i.e., vesting is double triggered and/or pro rata, does it allow for the assumption of equity by acquiring company, the treatment of performance shares, etc.);
2. Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally, vote FOR proposals seeking a policy that prohibits automatic acceleration of the vesting of equity awards to senior executives upon a voluntary termination of employment or in the event of a

change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).

## **VI. Routine/ Miscellaneous/ Operational**

### **Adjourn Meeting**

Generally, vote AGAINST proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote FOR proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction.

Vote AGAINST proposals if the wording is too vague or if the proposal includes "other business."

### **Amend Quorum Requirements**

Vote AGAINST proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal. Otherwise, vote CASE-BY-CASE.

### **Amend Minor By-laws**

Vote FOR by-law or charter changes that are of a housekeeping nature (updates or corrections).

### **Change Company Name**

Vote FOR proposals to change the corporate name unless there is compelling evidence that the change would adversely impact shareholder value.

### **Change Date, Time, or Location of Annual Meeting**

Vote FOR management proposals to change the date, time, or location of the annual meeting unless the proposed change is unreasonable.

Vote AGAINST shareholder proposals to change the date, time, or location of the annual meeting unless the current scheduling or location is unreasonable.

### **Other Business**

Vote AGAINST proposals to approve other business when it appears as a voting item.

### **Management Supported Shareholder Proposals: Reporting**

Vote FOR shareholder proposals for additional reporting beyond what is regulatorily required when the proposal is supported by management.

### **Allocation of Income**

Vote FOR approval of the allocation of income, unless:

1. The dividend payout ratio has been consistently below 30 percent (consistently low in Korea) without adequate explanation or in the absence of positive shareholder returns; or
2. The payout is excessive given the company's financial position.

### **Stock (Scrip) Dividend Alternative**

Vote FOR most stock (scrip) dividend proposals considering whether the proposal is in line with market standards.

Vote AGAINST proposals that do not allow for a cash option unless management demonstrates that the cash option is harmful to shareholder value.

### **Amendments to Articles of Association**

Vote amendments to the articles of association on a CASE-BY-CASE basis.

Generally, vote AGAINST if the draft of the new articles of association is not disclosed; if the proposed changes are not adequately highlighted in the shareholder notice; or the proposed amendments are not in shareholders' interest.

Generally, vote FOR proposals where the changes are driven by regulatory or compliance considerations.

This policy applies to both bundled and unbundled proposals to amend by-laws.

### **Change in Company Fiscal Term**

Vote FOR resolutions to change a company's fiscal term unless a company's motivation for the change is to postpone its annual general meeting.

### **Lower Disclosure Threshold for Stock Ownership**

Vote AGAINST resolutions to lower the stock ownership disclosure threshold below 5 percent unless specific reasons exist to implement a lower threshold.

### **Expansion of Business Activities**

Vote FOR resolutions to expand business activities unless a company has performed poorly for several years and the new business takes the company into risky areas and enterprises unrelated to its core business.



## **Related-Party Transactions**

In evaluating resolutions that seek shareholder approval on related-party transactions (RPTs), vote on a CASE-BY-CASE basis, considering long-term shareholder value for the company's existing shareholders and such factors including, but not limited to, the following:

1. The parties on either side of the transaction;
2. The nature of the asset to be transferred/service to be provided;
3. The pricing of the transaction (and any associated professional valuation);
4. The views of independent directors (where provided);
5. The views of an independent financial adviser (where appointed);
6. Whether any entities party to the transaction (including advisers) is conflicted; and
7. The stated rationale for the transaction, including discussions of timing.

If there is a transaction that Boston Partners deemed problematic and that was not put to a shareholder vote, Boston Partners may vote AGAINST the election of the director involved in the related-party transaction or the full board.

Generally, vote AGAINST perpetual arrangements where the transactions will not be subjected to further shareholder review going forward.

For proposals on royalty payments, vote on a CASE-BY-CASE basis based on disclosures provided.

## **Charitable Donations**

Vote proposals seeking the approval of donations on a CASE-BY-CASE basis, considering factors including, but not limited to, the following:

1. Size of the proposed donation request;
2. The destination of the proposed allocation of funds; and
3. The company's historical donations practices, including allocations approved at prior shareholder meetings.

## **Virtual Meetings**

Generally, vote FOR proposals allowing for the convening of hybrid shareholder meetings if it is clear that it is not the intention to hold virtual-only annual general meetings.

Generally, vote AGAINST proposals allowing for the convening of virtual-only shareholder meetings.

## **VII. Social and Environmental**

Generally, vote CASE-BY-CASE, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:

1. If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
2. If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
3. Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
4. The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
5. Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
6. If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
7. If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

### **Endorsement of Principles**

Generally, vote AGAINST proposals seeking a company's endorsement of principles that support a particular public policy position. Endorsing a set of principles may require a company to take a stand on an issue that is beyond its own control and may limit its flexibility with respect to future developments. Management and the board should be afforded the flexibility to make decisions on specific public policy positions based on their own assessment of the most beneficial strategies for the company.

### **Animal Welfare**

#### ***Animal Welfare Policies***

Generally, vote FOR proposals seeking a report on a company's animal welfare standards, or animal welfare-related risks, unless:

1. The company has already published a set of animal welfare standards and monitors compliance;
2. The company's standards are comparable to industry peers; and
3. There are no recent significant fines, litigation, or controversies related to the company's and/or its suppliers' treatment of animals.

### ***Animal Testing***

Generally, vote AGAINST proposals to phase out the use of animals in product testing, unless:

1. The company is conducting animal testing programs that are unnecessary or not required by regulation;
2. The company is conducting animal testing when suitable alternatives are commonly accepted and used by industry peers; or
3. There are recent, significant fines or litigation related to the company's treatment of animals.

### ***Animal Slaughter***

Generally, vote AGAINST proposals requesting the implementation of Controlled Atmosphere Killing (CAK) methods at company and/or supplier operations unless such methods are required by legislation or generally accepted as the industry standard.

Vote CASE-BY-CASE on proposals requesting a report on the feasibility of implementing CAK methods at company and/or supplier operations considering the availability of existing research conducted by the company or industry groups on this topic and any fines or litigation related to current animal processing procedures at the company.

## **Consumer Issues**

### ***Genetically Modified Ingredients***

Generally, vote AGAINST proposals requesting that a company voluntarily label genetically engineered (GE) ingredients in its products. The labeling of products with GE ingredients is best left to the appropriate regulatory authorities.

Vote CASE-BY-CASE on proposals asking for a report on the feasibility of labeling products containing GE ingredients, taking into account:

1. The potential impact of such labeling on the company's business;
2. The quality of the company's disclosure on GE product labeling, related voluntary initiatives, and how this disclosure compares with industry peer disclosure; and
3. Company's current disclosure on the feasibility of GE product labeling.

Generally, vote AGAINST proposals seeking a report on the social, health, and environmental effects of genetically modified organisms (GMOs). Studies of this sort are better undertaken by regulators and the scientific community.

Generally, vote AGAINST proposals to eliminate GE ingredients from the company's products, or proposals asking for reports outlining the steps necessary to eliminate GE ingredients from the company's products. Such decisions are more appropriately made by management with consideration of current regulations.

### ***Reports on Potentially Controversial Business/Financial Practices***

Vote CASE-BY-CASE on requests for reports on a company's potentially controversial business or financial practices or products, taking into account:

1. Whether the company has adequately disclosed mechanisms in place to prevent abuses;
2. Whether the company has adequately disclosed the financial risks of the products/practices in question;
3. Whether the company has been subject to violations of related laws or serious controversies; and
4. Peer companies' policies/practices in this area.

### ***Pharmaceutical Pricing, Access to Medicines, and Prescription Drug Reimportation***

Generally, vote AGAINST proposals requesting that companies implement specific price restraints on pharmaceutical products unless the company fails to adhere to legislative guidelines or industry norms in its product pricing practices.

Vote CASE-BY-CASE on proposals requesting that a company report on its product pricing or access to medicine policies, considering:

1. The potential for reputational, market, and regulatory risk exposure;
2. Existing disclosure of relevant policies;
3. Deviation from established industry norms;
4. Relevant company initiatives to provide research and/or products to disadvantaged consumers;
5. Whether the proposal focuses on specific products or geographic regions;
6. The potential burden and scope of the requested report;
7. Recent significant controversies, litigation, or fines at the company.

Generally, vote FOR proposals requesting that a company report on the financial and legal impact of its prescription drug reimportation policies unless such information is already publicly disclosed.

Generally, vote AGAINST proposals requesting that companies adopt specific policies to encourage or constrain prescription drug reimportation. Such matters are more appropriately the province of legislative activity and may place the company at a competitive disadvantage relative to its peers.

### ***Product Safety and Toxic/Hazardous Materials***

Generally, vote FOR proposals requesting that a company report on its policies, initiatives/procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain, unless:

1. The company already discloses similar information through existing reports such as a supplier code of conduct and/or a sustainability report;
2. The company has formally committed to the implementation of a toxic/hazardous materials and/or product safety and supply chain reporting and monitoring program based on industry norms or similar standards within a specified time frame; and

3. The company has not been recently involved in relevant significant controversies, fines, or litigation.

Vote CASE-BY-CASE on resolutions requesting that companies develop a feasibility assessment to phase-out of certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials, considering:

1. The company's current level of disclosure regarding its product safety policies, initiatives, and oversight mechanisms;
2. Current regulations in the markets in which the company operates; and
3. Recent significant controversies, litigation, or fines stemming from toxic/hazardous materials at the company.

Generally, vote AGAINST resolutions requiring that a company reformulate its products.

### ***Tobacco-Related Proposals***

Vote CASE-BY-CASE on resolutions regarding the advertisement of tobacco products, considering:

1. Recent related fines, controversies, or significant litigation;
2. Whether the company complies with relevant laws and regulations on the marketing of tobacco;
3. Whether the company's advertising restrictions deviate from those of industry peers;
4. Whether the company entered into the Master Settlement Agreement, which restricts marketing of tobacco to youth; and
5. Whether restrictions on marketing to youth extend to foreign countries.

Vote CASE-BY-CASE on proposals regarding second-hand smoke, considering:

1. Whether the company complies with all laws and regulations;
2. The degree that voluntary restrictions beyond those mandated by law might hurt the company's competitiveness; and
3. The risk of any health-related liabilities.

Generally, vote AGAINST resolutions to cease production of tobacco-related products, to avoid selling products to tobacco companies, to spin-off tobacco-related businesses, or prohibit investment in tobacco equities. Such business decisions are better left to company management or portfolio managers.

Generally, vote AGAINST proposals regarding tobacco product warnings. Such decisions are better left to public health authorities.

## **Climate Change**

### ***Climate Change/Greenhouse Gas (GHG) Emissions***

Generally, vote FOR resolutions requesting that a company disclose information on the financial, physical, or regulatory risks it faces related to climate change on its operations and investments or on how the company identifies, measures, and manages such risks, considering:

1. Whether the company already provides current, publicly-available information on the impact that climate change may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
2. The company's level of disclosure compared to industry peers; and
3. Whether there are significant controversies, fines, penalties, or litigation associated with the company's climate change-related performance.

Generally, vote FOR proposals requesting a report on greenhouse gas (GHG) emissions from company operations and/or products and operations, unless:

1. The company already discloses current, publicly-available information on the impacts that GHG emissions may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
2. The company's level of disclosure is comparable to that of industry peers; and
3. There are no significant, controversies, fines, penalties, or litigation associated with the company's GHG emissions.

Vote CASE-BY-CASE on proposals that call for the adoption of GHG reduction goals from products and operations, taking into account:

1. Whether the company provides disclosure of year-over-year GHG emissions performance data;
2. Whether company disclosure lags behind industry peers;
3. The company's actual GHG emissions performance;
4. The company's current GHG emission policies, oversight mechanisms, and related initiatives; and
5. Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to GHG emissions.

### ***Energy Efficiency***

Generally, vote FOR proposals requesting that a company report on its energy efficiency policies, unless:

1. The company complies with applicable energy efficiency regulations and laws, and discloses its participation in energy efficiency policies and programs, including disclosure of benchmark data, targets, and performance measures; or
2. The proponent requests adoption of specific energy efficiency goals within specific timelines.

### ***Renewable Energy***

Generally, vote FOR requests for reports on the feasibility of developing renewable energy resources unless the report would be duplicative of existing disclosure or irrelevant to the company's line of business.

Generally, vote AGAINST proposals requesting that the company invest in renewable energy resources. Such decisions are best left to management's evaluation of the feasibility and financial impact that such programs may have on the company.

Generally, vote AGAINST proposals that call for the adoption of renewable energy goals, taking into account:

1. The scope and structure of the proposal;
2. The company's current level of disclosure on renewable energy use and GHG emissions; and
3. The company's disclosure of policies, practices, and oversight implemented to manage GHG emissions and mitigate climate change risks.

## **Diversity**

### ***Board Diversity***

Generally, vote FOR requests for reports on a company's efforts to diversify the board, unless:

1. The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and
2. The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.

Vote CASE-BY-CASE on proposals asking a company to increase the gender and racial minority representation on its board, taking into account:

1. The degree of existing gender and racial minority diversity on the company's board and among its executive officers;
2. The level of gender and racial minority representation that exists at the company's industry peers;
3. The company's established process for addressing gender and racial minority board representation;
4. Whether the proposal includes an overly prescriptive request to amend nominating committee charter language;
5. The independence of the company's nominating committee;
6. Whether the company uses an outside search firm to identify potential director nominees; and
7. Whether the company has had recent controversies, fines, or litigation regarding equal employment practices.

### ***Equality of Opportunity***

Generally, vote FOR proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data, including requests for EEO-1 data, unless:

1. The company publicly discloses equal opportunity policies and initiatives in a comprehensive manner;
2. The company already publicly discloses comprehensive workforce diversity data; and
3. The company has no recent significant EEO-related violations or litigation.

Generally, vote AGAINST proposals seeking information on the diversity efforts of suppliers and service providers. Such requests may pose a significant burden on the company.

### ***Gender Identity, Sexual Orientation, and Domestic Partner Benefits***

Generally, vote FOR proposals seeking to amend a company's EEO statement or diversity policies to prohibit discrimination based on sexual orientation and/or gender identity, unless the change would be unduly burdensome.

Generally, vote AGAINST proposals to extend company benefits to, or eliminate benefits from, domestic partners. Decisions regarding benefits should be left to the discretion of the company.

### **Gender Pay Gap**

Generally, vote CASE-BY-CASE on requests for reports on a company's pay data by gender, race, ethnicity, or a report on a company's policies and goals to reduce any gender, race, or ethnicity pay gap, taking into account:

1. The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices;
2. Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; and
3. The company's disclosure regarding gender, race, or ethnicity pay gap policies or initiatives compared to its industry peers; and
4. Local laws regarding categorization of race and/or ethnicity and definitions of ethnic and/or racial minorities.

## **Environment and Sustainability**

### ***Facility and Workplace Safety***

Vote CASE-BY-CASE on requests for workplace safety reports, including reports on accident risk reduction efforts, taking into account:

1. The company's current level of disclosure of its workplace health and safety performance data, health and safety management policies, initiatives, and oversight mechanisms;
2. The nature of the company's business, specifically regarding company and employee exposure to health and safety risks;
3. Recent significant controversies, fines, or violations related to workplace health and safety; and
4. The company's workplace health and safety performance relative to industry peers.

Vote CASE-BY-CASE on resolutions requesting that a company report on safety and/or security risks associated with its operations and/or facilities, considering:

1. The company's compliance with applicable regulations and guidelines;
2. The company's current level of disclosure regarding its security and safety policies, procedures, and compliance monitoring; and
3. The existence of recent, significant violations, fines, or controversy regarding the safety and security of the company's operations and/or facilities.



### ***General Environmental Proposals and Community Impact Assessments***

Vote CASE-BY-CASE on requests for reports on policies and/or the potential (community) social and/or environmental impact of company operations, considering:

1. Current disclosure of applicable policies and risk assessment report(s) and risk management procedures;
2. The impact of regulatory non-compliance, litigation, remediation, or reputational loss that may be associated with failure to manage the company's operations in question, including the management of relevant community and stakeholder relations;
3. The nature, purpose, and scope of the company's operations in the specific region(s);
4. The degree to which company policies and procedures are consistent with industry norms; and
5. The scope of the resolution.

### ***Hydraulic Fracturing***

Generally, vote FOR proposals requesting greater disclosure of a company's (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations, considering:

1. The company's current level of disclosure of relevant policies and oversight mechanisms;
2. The company's current level of such disclosure relative to its industry peers;
3. Potential relevant local, state, or national regulatory developments; and
4. Controversies, fines, or litigation related to the company's hydraulic fracturing operations.

### ***Operations in Protected Areas***

Generally, vote FOR requests for reports on potential environmental damage as a result of company operations in protected regions, unless:

1. Operations in the specified regions are not permitted by current laws or regulations;
2. The company does not currently have operations or plans to develop operations in these protected regions; or
3. The company's disclosure of its operations and environmental policies in these regions is comparable to industry peers.

### ***Recycling***

Vote CASE-BY-CASE on proposals to report on an existing recycling program, or adopt a new recycling program, taking into account:

1. The nature of the company's business;
2. The current level of disclosure of the company's existing related programs;
3. The timetable and methods of program implementation prescribed by the proposal;

4. The company's ability to address the issues raised in the proposal; and
5. How the company's recycling programs compare to similar programs of its industry peers.

### ***Sustainability Reporting***

Generally, vote FOR proposals requesting that a company report on its policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability, unless:

1. The company already discloses similar information through existing reports or policies such as an environment, health, and safety (EHS) report; a comprehensive code of corporate conduct; and/or a diversity report; or
2. The company has formally committed to the implementation of a reporting program based on Global Reporting Initiative (GRI) guidelines or a similar standard within a specified time frame.

### ***Water Issues***

Vote CASE-BY-CASE on proposals requesting a company report on, or adopt a new policy on, water-related risks and concerns, taking into account:

1. The company's current disclosure of relevant policies, initiatives, oversight mechanisms, and water usage metrics;
2. Whether or not the company's existing water-related policies and practices are consistent with relevant internationally recognized standards and national/local regulations;
3. The potential financial impact or risk to the company associated with water-related concerns or issues; and
4. Recent, significant company controversies, fines, or litigation regarding water use by the company and its suppliers.

### **General Corporate Issues**

#### ***Charitable Contributions***

Vote AGAINST proposals restricting a company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which, and if, contributions are in the best interests of the company.

#### ***Data Security, Privacy, and Internet Issues***

Vote CASE-BY-CASE on proposals requesting the disclosure or implementation of data security, privacy, or information access and management policies and procedures, considering:

1. The level of disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship;

2. Engagement in dialogue with governments or relevant groups with respect to data security, privacy, or the free flow of information on the Internet;
3. The scope of business involvement and of investment in countries whose governments censor or monitor the Internet and other telecommunications;
4. Applicable market-specific laws or regulations that may be imposed on the company; and
5. Controversies, fines, or litigation related to data security, privacy, freedom of speech, or Internet censorship.

### ***Environmental, Social, and Governance (ESG) Compensation-Related Proposals***

Vote CASE-BY-CASE on proposals to link, or report on linking, executive compensation to sustainability (environmental and social) criteria, considering:

1. The scope and prescriptive nature of the proposal;
2. Whether the company has significant and/or persistent controversies or regulatory violations regarding social and/or environmental issues;
3. Whether the company has management systems and oversight mechanisms in place regarding its social and environmental performance;
4. The degree to which industry peers have incorporated similar non-financial performance criteria in their executive compensation practices; and
5. The company's current level of disclosure regarding its environmental and social performance.

### ***Human Rights, Labor Issues, and International Operations***

#### **Human Rights Proposals**

Generally, vote FOR proposals requesting a report on company or company supplier labor and/or human rights standards and policies unless such information is already publicly disclosed.

Vote CASE-BY-CASE on proposals to implement company or company supplier labor and/or human rights standards and policies, considering:

1. The degree to which existing relevant policies and practices are disclosed;
2. Whether or not existing relevant policies are consistent with internationally recognized standards;
3. Whether company facilities and those of its suppliers are monitored and how;
4. Company participation in fair labor organizations or other internationally recognized human rights initiatives;
5. Scope and nature of business conducted in markets known to have higher risk of workplace labor/human rights abuse;
6. Recent, significant company controversies, fines, or litigation regarding human rights at the company or its suppliers;
7. The scope of the request; and

8. Deviation from industry sector peer company standards and practices.

Vote CASE-BY-CASE on proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process, considering:

1. The degree to which existing relevant policies and practices are disclosed, including information on the implementation of these policies and any related oversight mechanisms;
2. The company's industry and whether the company or its suppliers operate in countries or areas where there is a history of human rights concerns;
3. Recent significant controversies, fines, or litigation regarding human rights involving the company or its suppliers, and whether the company has taken remedial steps; and
4. Whether the proposal is unduly burdensome or overly prescriptive.

### **Operations in High Risk Markets**

Vote CASE-BY-CASE on requests for a report on a company's potential financial and reputational risks associated with operations in "high-risk" markets, such as a terrorism-sponsoring state or politically/socially unstable region, taking into account:

1. The nature, purpose, and scope of the operations and business involved that could be affected by social or political disruption;
2. Current disclosure of applicable risk assessment(s) and risk management procedures;
3. Compliance with U.S. sanctions and laws;
4. Consideration of other international policies, standards, and laws; and
5. Whether the company has been recently involved in recent, significant controversies, fines, or litigation related to its operations in "high-risk" markets.

### **Outsourcing/Offshoring**

Vote CASE-BY-CASE on proposals calling for companies to report on the risks associated with outsourcing/plant closures, considering:

1. Controversies surrounding operations in the relevant market(s);
2. The value of the requested report to shareholders;
3. The company's current level of disclosure of relevant information on outsourcing and plant closure procedures; and
4. The company's existing human rights standards relative to industry peers.

### **Weapons and Military Sales**

Vote AGAINST reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

Generally, vote AGAINST proposals asking a company to cease production or report on the risks associated with the use of depleted uranium munitions or nuclear weapons components and delivery systems, including disengaging from current and proposed contracts. Such contracts are monitored by government agencies, serve multiple military and non-military uses, and withdrawal from these contracts could have a negative impact on the company's business.

### ***Mandatory Arbitration***

Vote CASE-BY-CASE on requests for a report on a company's use of mandatory arbitration on employment-related claims, taking into account:

1. The company's current policies and practices related to the use of mandatory arbitration agreements on workplace claims;
2. Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to the use of mandatory arbitration agreements on workplace claims; and
3. The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers.

### ***Sexual Harassment***

Vote CASE-BY-CASE on requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, or a report on risks posed by a company's failure to prevent workplace sexual harassment, taking into account:

1. The company's current policies, practices, oversight mechanisms related to preventing workplace sexual harassment;
2. Whether the company has been the subject of recent controversy, litigation or regulatory actions related to workplace sexual harassment issues; and
3. The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers.

### **Political Activities**

#### ***Lobbying***

Vote CASE-BY-CASE on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:

1. The company's current disclosure of relevant lobbying policies, and management and board oversight;
2. The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and
3. Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

Boston Partners will vote AGAINST proposals that impose significantly higher standards of reporting and oversight than required by legislation and-or industry standard and that would put the firm at a competitive disadvantage.

### ***Political Contributions***

Generally, vote CASE-BY-CASE on proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:

1. The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;
2. The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and
3. Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Boston Partners will vote AGAINST proposals that impose significantly higher standards of reporting and oversight than required by legislation and-or industry standard and that would put the firm at a competitive disadvantage.

Vote AGAINST proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.

Vote AGAINST proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

### ***Political Ties***

Generally, vote AGAINST proposals asking a company to affirm political nonpartisanship in the workplace, so long as:

1. There are no recent, significant controversies, fines, or litigation regarding the company's political contributions or trade association spending; and
2. The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and prohibit coercion.

Vote AGAINST proposals asking for a list of company executives, directors, consultants, legal counsels, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders.

## **VIII. Mutual Fund Proxies**

### **Election of Directors**

Vote CASE-BY-CASE on the election of directors and trustees, following the same guidelines for uncontested directors for public company shareholder meetings. However, mutual fund boards do not usually have compensation committees, so do not withhold for the lack of this committee.

### **Converting Closed-end Fund to Open-end Fund**

Vote CASE-BY-CASE on conversion proposals, considering the following factors:

1. Past performance as a closed-end fund;
2. Market in which the fund invests;
3. Measures taken by the board to address the discount; and
4. Past shareholder activism, board activity, and votes on related proposals.

### **Proxy Contests**

Vote CASE-BY-CASE on proxy contests, considering the following factors:

1. Past performance relative to its peers;
2. Market in which the fund invests;
3. Measures taken by the board to address the issues;
4. Past shareholder activism, board activity, and votes on related proposals;
5. Strategy of the incumbents versus the dissidents;
6. Independence of directors;
7. Experience and skills of director candidates;
8. Governance profile of the company;
9. Evidence of management entrenchment.

### **Investment Advisory Agreements**

Vote CASE-BY-CASE on investment advisory agreements, considering the following factors:

1. Proposed and current fee schedules;
2. Fund category/investment objective;
3. Performance benchmarks;
4. Share price performance as compared with peers;
5. Resulting fees relative to peers;
6. Assignments (where the advisor undergoes a change of control).

### **Approving New Classes or Series of Shares**

Vote FOR the establishment of new classes or series of shares.

### **Preferred Stock Proposals**

Vote CASE-BY-CASE on the authorization for or increase in preferred shares, considering the following factors:

1. Stated specific financing purpose;
2. Possible dilution for common shares;
3. Whether the shares can be used for antitakeover purposes.

### **1940 Act Policies (U.S.)**

Vote CASE-BY-CASE on policies under the Investment Advisor Act of 1940, considering the following factors:

1. Potential competitiveness;
2. Regulatory developments;
3. Current and potential returns; and
4. Current and potential risk.

Generally, vote FOR these amendments as long as the proposed changes do not fundamentally alter the investment focus of the fund and do comply with the current SEC interpretation.

### **Changing a Fundamental Restriction to a Nonfundamental Restriction**

Vote CASE-BY-CASE on proposals to change a fundamental restriction to a non-fundamental restriction, considering the following factors:

1. The fund's target investments;
2. The reasons given by the fund for the change; and
3. The projected impact of the change on the portfolio.

### **Change Fundamental Investment Objective to Nonfundamental**

Vote AGAINST proposals to change a fund's fundamental investment objective to non-fundamental.

### **Name Change Proposals**

Vote CASE-BY-CASE on name change proposals, considering the following factors:

1. Political/economic changes in the target market;
2. Consolidation in the target market; and
3. Current asset composition.



### **Change in Fund's Subclassification**

Vote CASE-BY-CASE on changes in a fund's sub-classification, considering the following factors:

1. Potential competitiveness;
2. Current and potential returns;
3. Risk of concentration;
4. Consolidation in target industry.

### **Business Development Companies—Authorization to Sell Shares of Common Stock at a Price below Net Asset Value**

Vote FOR proposals authorizing the board to issue shares below Net Asset Value (NAV) if:

1. The proposal to allow share issuances below NAV has an expiration date no more than one year from the date shareholders approve the underlying proposal, as required under the Investment Company Act of 1940;
2. The sale is deemed to be in the best interests of shareholders by (1) a majority of the company's independent directors and (2) a majority of the company's directors who have no financial interest in the issuance; and
3. The company has demonstrated responsible past use of share issuances by either:
  - a. Outperforming peers in its 8-digit GICS group as measured by one- and three-year median TSRs; or
  - b. Providing disclosure that its past share issuances were priced at levels that resulted in only small or moderate discounts to NAV and economic dilution to existing non-participating shareholders.

### **Disposition of Assets/Termination/Liquidation**

Vote CASE-BY-CASE on proposals to dispose of assets, to terminate or liquidate, considering the following factors:

1. Strategies employed to salvage the company;
2. The fund's past performance;
3. The terms of the liquidation.

### **Changes to the Charter Document**

Vote CASE-BY-CASE on changes to the charter document, considering the following factors:

1. The degree of change implied by the proposal;
2. The efficiencies that could result;
3. The state of incorporation;
4. Regulatory standards and implications.

Vote AGAINST any of the following changes:

1. Removal of shareholder approval requirement to reorganize or terminate the trust or any of its series;
2. Removal of shareholder approval requirement for amendments to the new declaration of trust;
3. Removal of shareholder approval requirement to amend the fund's management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
4. Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund's shares;
5. Removal of shareholder approval requirement to engage in and terminate sub-advisory arrangements;
6. Removal of shareholder approval requirement to change the domicile of the fund.

### **Changing the Domicile of a Fund**

Vote CASE-BY-CASE on re-incorporations, considering the following factors:

1. Regulations of both states;
2. Required fundamental policies of both states;
3. The increased flexibility available.

### **Authorizing the Board to Hire and Terminate Sub-advisers Without Shareholder Approval**

Vote AGAINST proposals authorizing the board to hire or terminate sub-advisers without shareholder approval if the investment adviser currently employs only one sub-adviser.

### **Distribution Agreements**

Vote CASE-BY-CASE on distribution agreement proposals, considering the following factors:

1. Fees charged to comparably sized funds with similar objectives;
2. The proposed distributor's reputation and past performance;
3. The competitiveness of the fund in the industry;
4. The terms of the agreement.

### **Master-Feeder Structure**

Vote FOR the establishment of a master-feeder structure.

## **Mergers**

Vote CASE-BY-CASE on merger proposals, considering the following factors:

1. Resulting fee structure;
2. Performance of both funds;
3. Continuity of management personnel;
4. Changes in corporate governance and their impact on shareholder rights.

## **Closed End Funds-Unilateral Opt-in to Control Share Acquisition Statutes**

For closed-end management investment companies (“CEFs”), vote AGAINST or WITHHOLD from nominating/governance committee members (or other directors on a CASE-BY-CASE basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.

## **Shareholder Proposals for Mutual Funds**

Establish Director Ownership Requirement

Generally, vote AGAINST shareholder proposals that mandate a specific minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

## **Reimburse Shareholder for Expenses Incurred**

Vote CASE-BY-CASE on shareholder proposals to reimburse proxy solicitation expenses. When supporting the dissidents, vote FOR the reimbursement of the proxy solicitation expenses.

## **Terminate the Investment Advisor**

Vote CASE-BY-CASE on proposals to terminate the investment advisor, considering the following factors:

1. Performance of the fund’s Net Asset Value (NAV);
2. The fund’s history of shareholder relations;
3. The performance of other funds under the advisor’s management.

## **AUSTRALIA AND NEW ZEALAND**

### **I. General**

#### **Constitutional Amendment**

Vote case-by case on proposals to amend the company's constitution.

Any proposals to amend the company's constitution, including updating of various clauses to reflect changes in corporate law, to complete replacement of an existing constitution with a new "plain language," and updated, version, are required to be approved by a special resolution (with a 75 percent super majority of votes cast requirement).

#### **Renewal of "Proportional Takeover" Clause in Constitution**

Vote FOR the renewal of the proportional takeover clause in the company's constitution.

#### **Significant Change in Activities**

Vote FOR resolutions to change the nature or scale of business activities provided the notice of meeting and explanatory statement provide a sound business case for the proposed change.

### **II. Share Capital**

#### **Non-Voting Shares**

Vote AGAINST proposals to create a new class of non-voting or sub-voting shares. Only vote FOR if:

1. It is intended for financing purposes with minimal or no dilution to current shareholders;
2. It is not designed to preserve the voting power of an insider or significant shareholder.

Generally, vote FOR the cancellation of classes of non-voting or sub-voting shares.

#### **Reduction of Share Capital: Cash Consideration Payable to Shareholders**

Generally, vote FOR the reduction of share capital with the accompanying return of cash to shareholders.

### **Reduction of Share Capital: Absorption of Losses**

Vote FOR reduction of share capital proposals, with absorption of losses as they represent routine accounting measures.

### **Buybacks/Repurchases**

Generally, vote FOR requests to repurchase shares, unless:

1. There is clear evidence available of past abuse of this authority; or
2. It is a selective buyback, and the notice of meeting and explanatory statement does not provide a sound business case for it.

Consider the following conditions in buyback plans:

1. Limitations on a company's ability to use the plan to repurchase shares from third parties at a premium;
2. Limitations on the exercise of the authority to thwart takeover threats; and
3. A requirement that repurchases be made at arms-length through independent third parties.

Some shareholders object to companies repurchasing shares, preferring to see extra cash invested in new businesses or paid out as dividends. However, when timed correctly, buybacks are a legitimate use of corporate funds and can add to long-term shareholder returns.

## **III. Board of Directors**

### **Voting on Director Nominees in Uncontested Elections**

#### ***Attendance (Australia)***

Vote AGAINST director nominees that attended less than 75 percent of board and committee meetings over the fiscal year without a satisfactory explanation.

Generally, vote AGAINST the chairman or deputy chairman if no disclosure of board and/or committee attendance is provided. Subject to section 300(10) of the Corporations Act, an Australian listed company must include in its annual report information about each director's attendance at board and committee meetings.

#### ***Independence (Australia)***

Vote AGAINST a director nominee(s) in the following circumstances:

1. The director nominee is an executive or board chair, and no "lead director" has been appointed from among the independent directors or other control mechanisms are in place. Exceptions may be made for company founders who are integral to the company or if other exceptional circumstances apply;

2. The director nominee is an executive and a member of the audit committee or remuneration committee. In these situations, also vote AGAINST the chairman of the board and/or the chairman of the relevant committee;
3. The director nominee is a former partner or employee of the company's auditor who serves on the audit committee; and
4. The director nominee is a former partner of the company's audit firm and receives post-employment benefits.

If the board is not a majority (over 50 percent) independent, generally vote AGAINST nominees who are:

1. Executive directors (except the CEO and founders integral to the company); or
2. A non-independent NED whose presence causes the board not to be majority independent without sufficient justification, except if the non-independent director represents a substantial shareholder owning at least 15 percent of the company's shares and whose percentage board representation is proportionate to its ownership interest in the company.

### ***Combined Chair and CEO (Australia)***

Generally, vote AGAINST a director who combines the CEO and chairman roles, unless the company provides strong justification as to why this non-standard governance arrangement is appropriate for the specific situation of the company. Exceptional circumstances may include a limited timeframe for the combined role upon departure of the CEO, or a non-operating, research, development or exploration company. In some circumstances an executive chair may be considered to effectively combine the chair and CEO roles, notwithstanding the presence of another director on the board with the title of CEO. In assessing this situation, Boston Partners will assess the disclosure surrounding the split of responsibilities and their comparative pay levels.

### ***Problematic Remuneration Practices (Australia)***

Generally, vote AGAINST members of the remuneration committee if the remuneration resolution at the previous general meeting (usually the previous year) received support of less than 75 percent of votes cast, taking into account:

1. The company's response in addressing specific concerns, engagement with institutional investors, and other compensation practices;
2. The company's ownership structure;
3. Whether the issues are considered to be recurring or isolated;
4. Whether the director has served on a remuneration committee of a non-associated company which has also demonstrated problematic remuneration practices; and
5. Whether the level of support was less than 50 percent.

### ***Shareholder Nominees***

Generally, vote AGAINST shareholder-nominated candidates who lack board endorsement and do not present conclusive rationale to justify their nomination, including unmatched skills and experience, or other reason. Vote FOR such candidates if they demonstrate a clear ability to contribute positively to board deliberations.

### **Removal of Directors (New Zealand)**

Vote CASE-BY-CASE on resolutions for the removal of directors, taking into consideration:

1. Company performance relative to its peers;
2. Strategy of the incumbents versus the dissidents;
3. Independence of directors/nominees;
4. Experience and skills of board candidates;
5. Governance profile of the company;
6. Evidence of management entrenchment;
7. Responsiveness to shareholders; and,
8. Level of disclosure by company to shareholders.

## **IV. Remuneration**

### **Remuneration Report (Australia)**

Vote CASE-BY-CASE on the remuneration report, taking into account the pay of executives and non-executive directors, including where applicable:

1. The quantum of total fixed remuneration and short-term incentive payments relative to peers;
2. Whether any increases, either to fixed or variable remuneration, for the year under review or the upcoming year were well-explained and not excessive;
3. The listed entity's workforce;
4. Financial performance and alignment with shareholder returns;
5. The adequacy and quality of the company's disclosure generally;
6. The appropriateness and quality of the company's disclosure linking identified material business risks and pre-determined key performance indicators (KPIs) that determine annual variable executive compensation outcomes;
7. The existence of appropriate performance criteria against which vesting and the quantum of cash and equity bonuses are assessed prior to any payment being made;
8. Whether appropriate targets for incentives, including in the STI or LTI, are in place and are disclosed with an appropriate level of detail;
9. Whether performance measures and targets for incentives, including in the STI and LTI, are measured over an appropriate period and are sufficiently stretching;
10. Any special arrangements for new joiners were in line with good market practice;
11. The remuneration committee exercised discretion appropriately, and such discretion is appropriately explained; and
12. The alignment of CEO and executive pay with the company's financial performance and returns for shareholders.

Where a remuneration report contains multiple areas of non-compliance with good practice, the vote will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall qualified FOR vote whereas a single, serious deviation may be sufficient to justify an AGAINST vote.

In cases where a serious breach of good practice, or departure from accepted market standards and shareholder requirements, is identified and typically where issues have been raised by shareholders over one or more years, the chair of the remuneration committee (or, where relevant, another member of the remuneration committee) may also receive a negative vote.

Elements of the remuneration report include:

1. Base Pay;
2. Superannuation, pension contributions and benefits;
3. Short term incentive (STI);
4. Long-term incentive (LTI);
5. Dilution Limits;
6. Malus/ clawback;
7. Good leavers;
8. Change in control;
9. Shareholding requirement;
10. Executive' service contracts, including exit payments;
11. Arrangements for new joiners;
12. Discretion;
13. Non-executive director fees;
14. All-employee schemes.

### **Remuneration of Executive Directors: Share Incentive Schemes (Australia)**

Vote CASE-BY-CASE on share-based incentives for executive directors.

### **Remuneration of Executives: Options and Other Long-Term Incentives**

Vote CASE-BY-CASE on options and long-term incentives for executives. Vote AGAINST plans and proposed grants under plans if:

1. The company failed to disclose adequate information regarding any element of the scheme;
2. The performance hurdles are not sufficiently demanding;
3. The plan permits retesting of grants based on rolling performance;
4. The plan allows for excessive dilution.



Evaluate long-term incentive plans (and proposed grants of equity awards to particular directors) according to the following criteria:

#### Exercise Price

1. Option exercise prices should not be at a discount to market price at the grant date (in the absence of demanding performance hurdles).
2. Plans should not allow the repricing of underwater options.

Vesting Period: Appropriate time restrictions before options can be exercised (if 50 percent or more of securities can vest in two to three years or less, this is generally considered too short).

#### Performance Hurdles

1. Generally, a hurdle that relates to total shareholder return (TSR) is preferable to a hurdle that specifies an absolute share price target or an accounting measure of performance (such as earnings per share (EPS)).
2. Where a relative hurdle is used (comparing the company's performance against a group of peers or against an index), no vesting should occur for sub-median performance.
3. The use of 'indexed options' – where the exercise price of an option is increased by the movement in a suitable index of peer companies – is generally considered a sufficiently demanding hurdle.
4. A sliding-scale hurdle – under which the percentage of rights that vest increases according to a sliding scale of performance (whether absolute or relative) – is generally preferable to a hurdle under which 100 percent of the award vests once a single target is achieved (i.e. no "cliff vesting").
5. In the absence of relative performance hurdles, absolute share price hurdles may be appropriate so long as they are sufficiently stretching. Where an absolute share-price target is used, executives can be rewarded by a rising market even if their company does relatively poorly. In addition, even if a share price hurdle is set at a significantly higher level than the prevailing share price, if the option has a long life then the hurdle may not be particularly stretching.
6. In determining whether an absolute share price target is sufficiently stretching, take into consideration the company's explanation of how the target share price has been calculated. ISS will be more likely to consider an absolute share price target as sufficiently stretching when the target price is reflected in the option exercise price.
7. The issue of options with no performance conditions other than continued service and the exercise price (set as being equal to the share price on date of issue) is not generally considered to be a sufficiently demanding hurdle.
8. Support incentive schemes with accounting-based hurdles if they are sufficiently demanding. An accounting-based hurdle does not necessarily require that shareholder value be improved before the incentive vests as it is possible for incentives to vest – and executives to be rewarded – without any medium- to long-term improvement in returns to shareholders. Growth in EPS may, but does not always, translate into a material increase in share price and dividends over the medium to long-term.
9. Hurdles which relate option vesting to share price performance against a company's cost of capital may be considered acceptable if the exercise price is adjusted to reflect the cost of capital over the vesting period. Shareholders must also be given sufficient information to determine if the cost of capital will be calculated or reviewed independently of management.

10. Two different types of options should be distinguished: (1) grants of market-exercise-price options (traditional options), and (2) zero exercise price options (also called conditional awards, performance shares, and performance rights). Traditional options have an in-built share price appreciation hurdle, because the share price must increase above its level at grant date for the executive to have an incentive to exercise. Performance rights have no exercise price; the executive pays nothing to the company on exercising the rights. An EPS hurdle can lead to executive reward without any increase in shareholder return if the instruments are performance rights, but not if they are traditional options. Therefore, an EPS hurdle can more readily be supported if traditional options, rather than performance rights, are being granted.
11. For an EPS target to be sufficiently stretching, where a single target is used (with 100 percent of options/rights vesting on the target being achieved), the target should generally specify a challenging target that is at least in line with analyst and management earnings forecasts. For targets which see rewards vest based on a sliding scale, vesting should start at a level below consensus forecasts only if a substantial portion of the award vests for performance above consensus forecasts.

#### Retesting

1. Do not support excessive retesting of options grants against performance hurdles. Many NZ companies use performance hurdles such as cost of capital relative to share price that allow for continual retesting and the issue of retesting against performance hurdles does not appear to have been raised with companies in the past and many equity grants to executive directors have been modest in size. As such, it is not appropriate for Boston Partners to vote AGAINST a particular options grant on the basis of excessive retesting.
2. Generally, vote AGAINST incentive schemes that provide for retesting against performance hurdles on a rolling-basis. For retesting to be acceptable, at a minimum it should assess performance against the hurdle from the inception date to the date of vesting.

#### Transparency

1. The methodology for determining exercise price of options should be disclosed.
2. Shareholders should be presented with sufficient information to determine whether an incentive scheme will reward superior future performance.
3. The proposed volume of securities which may be issued under an incentive scheme should be disclosed to enable shareholders to assess dilution.
4. Time restrictions before options can be exercised should be disclosed, as should the expiry date of the options. Any restrictions on disposing of shares received on the exercise of options should be disclosed.
5. If a value has been assigned to the options, the method used to calculate cost of options should be disclosed.
6. The method of purchase or issue of shares on exercise of options should be disclosed.

#### Dilution of Existing Shareholders' Equity

Aggregate number of all shares and options issued under all employee and executive incentive schemes should not exceed 10 percent of issued capital.

#### Level of Reward

Value of options granted (assuming performance hurdles are met) should be consistent with comparable schemes operating in similar companies.

### Eligibility for Participation in the Scheme

1. Scheme should be open to all key executives.
2. Scheme should not be open to non-executive directors.

### Other

1. Incentive plans should include reasonable change-in-control provisions (i.e. pro-rata vesting based on the proportion of the vesting period expired and performance against the hurdles taking into account the size of awards).
2. Incentive plans should include 'good' leaver/'bad' leaver provisions to minimize excessive and unearned payouts.

### Non-Executive Director Perks/Fringe Benefits (Australia)

Where a company provides fringe benefits to non-executive directors in addition to directors' board and committee fees, vote CASE-BY-CASE on:

1. The remuneration report;
2. Proposals to increase the non-executive directors' aggregate fee cap; and/or
3. The election of the chairman of the board, chairman of the remuneration committee, or any member of the remuneration committee standing for re-election.

Vote AGAINST when post-employment fringe benefits are paid to non-executive directors, which are often represented as an entitlement per year of service on the board of the company.

### Remuneration of Non-Executive Directors: Increase in Aggregate Fee Cap

Vote CASE-BY-CASE on resolution that seeks shareholder approval for an increase in the maximum aggregate level of fees payable to the company's non-executive directors.

In assessing director remuneration, consider how remuneration relates to shareholders' interests, specifically:

1. The size of the proposed increase;
2. The level of fees compared to those at peer companies;
3. The explanation the board has given for the proposed increase;
4. Whether the company has discontinued retirement benefits;
5. Whether there is sufficient capacity within the previously approved aggregate fee cap to accommodate any proposed increases in director's fees;
6. The company's absolute and relative performance over (at least) the past three years based on measures such as (but not limited to) share price, earnings per share and return on capital employed;
7. The company's policy and practices on non-executive director remuneration, including equity ownership;
8. The number of directors presently on the board and any planned increases to the size of the board;

9. The level of board turnover.

Generally, vote FOR a fee cap resolution that also seeks to allow directors to receive part or all of their fees in shares.

In Australia, vote AGAINST the increase if the company has an active retirement benefits plan for non-executive directors. Vote AGAINST where a company is seeking an increase after a period of poor absolute and relative performance, where the same board (or largely the same board) has overseen this period of poor performance and where the fee cap increase is not sought for the purposes of board renewal.

**Remuneration of Non-Executive Directors: Issue of Options (New Zealand)**

Generally, vote AGAINST the issue of options to non-executive directors.

**Remuneration of Non-Executive Directors: Approval of Share Plan**

For New Zealand, generally vote AGAINST the issue of options to non-executive directors. For Australia, generally, vote FOR the approval of NED share plans which are essentially salary-sacrifice structures and have the effect of increasing directors' shareholdings and alignment with investors.

**Transparency of CEO Incentives (New Zealand)**

Vote AGAINST the re-election of members of the remuneration committee if:

1. The remuneration of the CEO is not subject to any shareholder approval or scrutiny; or
2. There is evidence that the CEO has been granted a substantial quantity of equity incentives; and,
3. There is no apparent credible explanation for the CEO not being a member of the board;

**Shareholder Resolutions (New Zealand)**

Generally, vote FOR appropriately-structured shareholder resolutions calling for increased disclosure of executive remuneration and/or the introduction of a non-binding shareholder vote on a company's remuneration policy.

## **BRAZIL**

### **I. Board of Directors**

#### **Minimum Independent Levels**

Vote AGAINST the bundled election of directors if the post-election board at Novo Mercado and Nivel 2 companies would be less than 50 percent.<sup>3</sup>

Vote AGAINST the bundled election of directors if the post-election board of Nivel 1 and traditional companies would not have at least one-third of the board or two directors, whichever is higher, classified as independent.

Boston Partners applies a five-year cooling off period to former executives when determining nominee independence in Brazil.

#### **Election of Minority Nominees (Separate Election)**

Vote FOR the election of minority board nominees (ordinary and preferred holders), as well as minority fiscal council nominees, presented under a separate election when timely disclosure is provided of their names and biographical information, in the absence of other concerns regarding the proposed nominees. If competing minority nominees are disclosed by different minority shareholders, the contested election policy will be applied.

When a separate election is presented for minority board and/or fiscal council nominees, prioritize the support for the election of minority representatives, if timely disclosure is provided, and a DO NOT VOTE or “ABSTAIN” vote may be issued for the management nominees, based on third-party requirements for the execution of the voting instructions.

On the other hand, in the absence of timely disclosure regarding minority nominees, a DO NOT VOTE or an ABSTAIN vote may be issued for the separate minority election proposal, and a vote would be presented for the management candidates in accordance with the aforementioned policy.

Vote on a best effort basis, whenever the names and biographical information of minority nominees are disclosed following the publication of the original report, up to a minimum of eight (8) days prior to the shareholder meeting, in which case priority will be given to allow minority shareholders to elect a representative to the board of directors and/or fiscal council.

#### **Combined Chairman/CEO**

Vote AGAINST the bundled election of directors of companies listed under the differentiated corporate governance segments of the Sao Paulo Stock Exchange (BM&Fbovespa)—Novo Mercado, Nivel 2, and Nivel 1—if the company maintains or proposes a combined chairman/CEO structure, after three (3) years from the date the company’s shares began trading on the respective differentiated corporate governance segment.

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<sup>3</sup> 2021 and 2022 are transitional periods. Vote AGAINST proposed board with overall independence below 40 percent during this period.

Vote AGAINST the election of the company's chairman, if the nominee is also the company's CEO, when it is presented as a separate election at companies listed under the differentiated corporate governance segments of the Sao Paulo Stock Exchange (BM&Fbovespa), Novo Mercado, Nivel 2, and Nivel 1—after three (3) years from the date the company's shares began trading on the respective differentiated corporate governance segment.

### **Board Structure**

Vote AGAINST proposals to increase board terms.

## **II. Capital Structure**

### **Share Repurchase Plans**

Boston Partners will generally vote AGAINST any proposal where:

1. The repurchase can be used for takeover defenses;
2. There is clear evidence of abuse;
3. There is no safeguard against selective buybacks; or

Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

## **III. Compensation**

### **Management Compensation**

Generally, vote FOR management compensation proposals that are presented in a timely manner and include all disclosure elements required by the Brazilian Securities Regulator (CVM).

Vote AGAINST management compensation proposals when:

1. The company fails to present a detailed remuneration proposal or the proposal lacks clarity;
2. The company does not disclose the total remuneration of its highest-paid executive; or
3. The figure provided by the company for the total compensation of its highest-paid administrator is not inclusive of all elements of the executive's pay.

Vote CASE-BY-CASE on global remuneration cap (or company's total remuneration estimate, as applicable) proposals that represent a significant increase of the amount approved at the previous annual general meeting (year-over-year increase). When further scrutinizing year-over-year significant remuneration increases, jointly consider some or all of the following factors, as relevant:

1. Whether there is a clearly stated and compelling rationale for the proposed increase;

2. Whether the remuneration increase is aligned with the company's long-term performance and/or operational performance targets disclosed by the company;
3. Whether the company has had positive TSR for the most recent one- and/or three-year periods;
4. Whether the relation between fixed and variable executive pay adequately aligns compensation with the company's future performance.

Vote on a CASE-BY-CASE basis when the company proposes to amend previously-approved compensation caps, paying particular attention as to whether the company has presented a compelling rationale for the request.

### **Compensation Plans**

Boston Partners will generally support reasonable equity pay plans that encourage long-term commitment and ownership by its recipients without posing significant risks to shareholder value. Things to be considered include the presence of discounted exercise prices (which are common in Brazil), particularly in the absence of specific performance criteria; the potential for conflict of interests when administrators are also beneficiaries of the plan; and whether there are sufficient safeguards to mitigate such concerns are considered.

Vote AGAINST a stock option plan and/or restricted share plan, or an amendment to the plan, if:

1. The plan lacks a minimum vesting cycle of three years;
2. The plan permits options to be issued with an exercise price at a discount to the current market price, or permits restricted shares to be awarded (essentially shares with a 100 percent discount to market price), in the absence of explicitly stated, challenging performance hurdles related to the company's historical financial performance or the industry benchmarks;
3. The maximum dilution exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. However, Boston Partners will support plans at mature companies with dilution levels up to 10 percent if the plan includes other positive features such as challenging performance criteria and meaningful vesting periods, as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value; or
4. Directors eligible to receive options or shares under the scheme are involved in the administration of the plan.

Vote on a CASE-BY-CASE basis if non-executive directors are among the plan's potential beneficiaries, paying special attention to:

1. Whether there are sufficient safeguards to ensure that beneficiaries do not participate in the plan's administration; and
2. The type of grant (if time-based, performance-based, or in lieu of cash), considering the long-term strategic role of boards of directors.

Specifically, for share matching plans, in addition to the abovementioned factors, vote AGAINST the plan, or an amendment to the plan, if:

1. The shares to be acquired by the participant to become eligible to the share matching plan lack a minimum three-year lock-up period.

Furthermore, for share matching plans with no disclosed performance criteria, Boston Partners will vote AGAINST the plan if:

1. The shares of the initial investment may be purchased by the participant at a discount to the market price;
2. The initial investment is made using resources other than the annual variable remuneration received by the participant; or
3. The plan lacks a reasonable ratio between the number of shares awarded by the company (matching) and each share acquired by the participant.

#### **IV. Other**

##### **Items Antitakeover Mechanisms**

Vote FOR mandatory bid provisions that are structured in line with the recommendations of the Sao Paulo Stock Exchange's Novo Mercado listing segment:

1. Ownership trigger of 30 percent or higher; and
2. Reasonable pricing provisions.



## **CANADA: TSX- LISTED AND VENTURE LISTED COMPANIES**

### **I. Board of Directors**

#### **Director Elections**

Generally, vote WITHHOLD for all directors nominated only by slate ballot at the annual/general or annual/special shareholders' meetings. This policy will not apply to contested director elections.

Individual director elections are required for companies listed on the Toronto Stock Exchange (TSX).

#### **Policy Considerations for Majority Owned Companies**

Support a one-share, one-vote principle. In recognition of the substantial equity stake held by certain shareholders, on a CASE-BY-CASE basis, non-management director nominees who are or who represent a controlling shareholder of a majority owned company may be supported if the company meets all of the following independence and governance criteria:

1. The number of directors related to the controlling shareholder should not exceed the proportion of common shares controlled by the controlling shareholder. In no event, however, should the number of directors related to the controlling shareholder exceed two-thirds of the board;
2. In addition to the above, if the CEO is related to the controlling shareholder, no more than one-third of the board should be related to management (as distinct from the controlling shareholder);
3. If the CEO and chair roles are combined or the CEO is or is related to the controlling shareholder, then there should be an independent lead director and the board should have an effective and transparent process to deal with any conflicts of interest between the company, minority shareholders, and the controlling shareholder;
4. A majority of the audit and nominating committees should be either independent directors or in addition to at least one independent director, may be directors who are related to the controlling shareholder. All members of the compensation committee should be independent of management. If the CEO is related to the controlling shareholder, no more than one member of the compensation committee should be a director who is related to the controlling shareholder; and
5. Prompt disclosure of detailed vote results following each shareholder meeting.

If any of the above independence and governance criteria are not met, the policy exemption will not be applied. This policy will not be considered at dual class companies having common shares with unequal voting or unequal board representation rights.

#### **Gender Diversity**

WITHHOLD votes from the Chair of the Nominating Committee when the company has not disclosed a formal written gender diversity policy.

## **Audit Fee Disclosure**

For TSX-listed companies, vote WITHHOLD for the members of the audit committee as constituted in the most recently completed fiscal year if no audit fee information is disclosed by the company within a reasonable period of time prior to a shareholders' meeting at which ratification of auditors is a voting item.

For Canada Venture Listed companies, vote WITHHOLD for the members of the audit committee as constituted in the most recently completed fiscal year if no audit fee information is disclosed by the company within 120 days after its fiscal year end. In the event that the shareholders' meeting at which ratification of auditors is a voting item is scheduled prior to the end of the 120 day reporting deadline and the audit fees for the most recently completed fiscal year have not yet been provided, the vote will be based on the fee disclosure for the prior fiscal year.

## **Director Attendance**

Vote WITHHOLD for individual director nominees (except nominees who served for only part of the fiscal year or newly publicly listed companies or companies that have recently graduated to the TSX, should be considered CASE-BY-CASE) if the company has not adopted a majority voting director resignation policy and, if they have, a pattern of low attendance exists based on prior years' meeting attendance.

## **Board Responsiveness**

Vote WITHHOLD for continuing individual directors, nominating committee members, or the continuing members of the entire board of directors if at the previous board election, any director received more than 50 percent WITHHOLD votes of the votes cast under a majority voting director resignation policy and the nominating committee has not required that the director leave the board after 90 days, or has not provided another form of acceptable response to the shareholder vote which will be reviewed on a CASE-BY-CASE basis;

## **Unilateral Adoption of an Advance Notice Provision**

Vote WITHHOLD for individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting.

Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further WITHHOLD votes.

## **Externally-Managed Issuers (EMIs)**

Vote CASE-BY-CASE on say-on-pay resolutions where provided, or on individual directors, committee members, or the entire board as appropriate, when an issuer is externally managed and has provided

minimal or no disclosure about their management services agreements and how senior management is compensated. Factors taken into consideration may include but are not limited to:

The size and scope of the management services agreement;

1. Executive compensation in comparison to issuer peers and/or similarly structured issuers;
2. Overall performance;
3. Related party transactions;
4. Board and committee independence;
5. Conflicts of interest and process for managing conflicts effectively;
6. Disclosure and independence of the decision-making process involved in the selection of the management services provider;
7. Risk mitigating factors included within the management services agreement such as fee recoupment mechanisms;
8. Historical compensation concerns;
9. Executives' responsibilities; and
10. Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

## **Proxy Access**

### ***Proxy Contests – Voting for Director Nominees in Contested Elections***

In addition to the General Policy when a dissident seeks a majority of board seats, Boston Partners will require from the dissident a well-reasoned and detailed business plan, including the dissident's strategic initiatives, a transition plan and the identification of a qualified and credible new management team. The detailed dissident plan will be compared against the incumbent plan and the dissident director nominees and management team will be compared against the incumbent team in order to arrive at a vote decision.

When a dissident seeks a minority of board seats, the burden of proof imposed on the dissident is lower. In such cases, Boston Partners will not require from the dissident a detailed plan of action, nor is the dissident required to prove that its plan is preferable to the incumbent plan. Instead, the dissident will be required to prove that board change is preferable to the status quo and that the dissident director slate will add value to board deliberations including by, among other factors, considering issues from a viewpoint different from that of the current board members.

## II. Shareholder Rights & Defenses

### Advance Notice Requirements

Vote CASE-BY-CASE on proposals to adopt or amend an advance notice board policy or to adopt or amend articles or by-laws containing or adding an advance notice requirement. These provisions will be evaluated to ensure that all of the provisions included within the requirement solely support the stated purpose of the requirement. The purpose of advance notice requirements, as generally stated in the market, is:

1. To prevent stealth proxy contests;
2. To provide a reasonable framework for shareholders to nominate directors by allowing shareholders to submit director nominations within a reasonable timeframe; and
3. To provide all shareholders with sufficient information about potential nominees in order for them to make informed voting decisions on such nominees.

Features that may be considered problematic include but are not limited to:

1. For annual notice of meeting given not less than 50 days prior to the meeting date, the notification timeframe within the advance notice requirement should allow shareholders the ability to provide notice of director nominations at any time not less than 30 days prior to the shareholders' meeting. The notification timeframe should not be subject to any maximum notice period. If notice of annual meeting is given less than 50 days prior to the meeting date, a provision to require shareholder notice by close of business on the 10<sup>th</sup> day following first public announcement of the annual meeting is supportable. In the case of a special meeting, a requirement that a nominating shareholder must provide notice by close of business on the 15<sup>th</sup> day following first public announcement of the special shareholders' meeting is also acceptable;
2. The board's inability to waive all sections of the advance notice provision under the policy or by-law, in its sole discretion;
3. A requirement that any nominating shareholder provide representation that the nominating shareholder be present at the meeting in person or by proxy at which his or her nominee is standing for election for the nomination to be accepted, notwithstanding the number of votes obtained by such nominee;
4. A requirement that any proposed nominee deliver a written agreement wherein the proposed nominee acknowledges and agrees, in advance, to comply with all policies and guidelines of the company that are applicable to directors;
5. Any provision that restricts the notification period to that established for the originally scheduled meeting in the event that the meeting has been adjourned or postponed;
6. Any disclosure request within the advance notice requirement, or the company's ability to request additional disclosure of the nominating shareholder(s) or the shareholder nominee(s) that: exceeds what is required in a dissident proxy circular; goes beyond what is necessary to determine director nominee qualifications, relevant experience, shareholding or voting interest in

the company, or independence in the same manner as would be required for management nominees; or, goes beyond what is required under law or regulation;

7. Stipulations within the provision that the corporation will not be obligated to include any information provided by dissident director nominees or nominating shareholders in any shareholder communications, including the proxy statement; and
8. Any other feature or provision determined to have a negative impact on shareholders' interests and deemed outside the purview of the stated purpose of the advance notice requirement.

### **Enhanced Shareholder Meeting Quorum for Contested Director Elections**

Vote AGAINST new by-laws or amended by-laws that would establish two different quorum levels which would result in implementing a higher quorum solely for those shareholder meetings where common share investors seek to replace the majority of current board members ("Enhanced Quorum").

### **Appointment of Additional Directors Between Annual Meetings**

Vote FOR these resolutions where:

1. The company is incorporated under a statute (such as the Canada Business Corporations Act) that permits removal of directors by simple majority vote;
2. The number of directors to be appointed between meetings does not exceed one-third of the number of directors appointed at the previous annual meeting; and
3. Such appointments must be ratified by shareholders at the annual meeting immediately following the date of their appointment.

### **Article/By-law Amendments**

Vote FOR proposals to adopt or amend articles/by-laws unless the resulting document contains any of the following:

1. The quorum for a meeting of shareholders is set below two persons holding 25 percent of the eligible vote (this may be reduced to no less than 10 percent in the case of a small company that can demonstrate, based on publicly disclosed voting results, that it is unable to achieve a higher quorum and where there is no controlling shareholder);
2. The quorum for a meeting of directors is less than 50 percent of the number of directors;
3. The chair of the board has a casting vote in the event of a deadlock at a meeting of directors;
4. An alternate director provision that permits a director to appoint another person to serve as an alternate director to attend board or committee meetings in place of the duly elected director;
5. An advance notice requirement that includes one or more provisions which could have a negative impact on shareholders' interests and which are deemed outside the purview of the stated purpose of the requirement;

6. Authority is granted to the board with regard to altering future capital authorizations or alteration of the capital structure without further shareholder approval; or
7. Any other provisions that may adversely impact shareholders' rights or diminish independent effective board oversight.

In any event, proposals to adopt or amend articles or by-laws will generally be opposed if the complete article or by-law document is not included in the meeting materials for thorough review or referenced for ease of location on SEDAR, which is the equivalent to the U.S.'s EDGAR System.

Vote FOR proposals to adopt or amend articles/by-laws if the proposed amendment is limited to only that which is required by regulation or will simplify share registration.

### **Confidential Voting**

Vote FOR shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators, and use independent inspectors of election, as long as the proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived for that particular vote.

Generally, vote FOR management proposals to adopt confidential voting.

### **Poison Pills (Shareholder Rights Plans)**

As required by the TSX, the adoption of a shareholder rights plan must be ratified by shareholders within six months of adoption.

Vote CASE-BY-CASE on management proposals to ratify a shareholder rights plan (poison pill) taking into account whether it conforms to 'new generation' rights plan best practice guidelines and its scope is limited to the following two specific purposes:

1. To give the board more time to find an alternative value enhancing transaction; and
2. To ensure the equal treatment of all shareholders.

Vote AGAINST plans that go beyond these purposes if:

1. The plan gives discretion to the board to either:
  - a. Determine whether actions by shareholders constitute a change in control;
  - b. Amend material provisions without shareholder approval;
  - c. Interpret other provisions;
  - d. Redeem the rights or waive the plan's application without a shareholder vote; or

- e. Prevent a bid from going to shareholders.
2. The plan has any of the following characteristics:
- a. Unacceptable key definitions;
  - b. Reference to Derivatives Contracts within the definition of Beneficial Owner;
  - c. Flip over provision;
  - d. Permitted bid minimum period greater than 105 days;
  - e. Maximum triggering threshold set at less than 20 percent of outstanding shares;
  - f. Does not permit partial bids;
  - g. Includes a Shareholder Endorsed Insider Bid (SEIB) provision;
  - h. Bidder must frequently update holdings;
  - i. Requirement for a shareholder meeting to approve a bid; and
  - j. Requirement that the bidder provide evidence of financing.
3. The plan does not:
- a. Include an exemption for a “permitted lock up agreement”;
  - b. Include clear exemptions for money managers, pension funds, mutual funds, trustees, and custodians who are not making a takeover bid; and
  - c. Exclude reference to voting agreements among shareholders.

### **Exclusive Forum Proposals**

Vote CASE-BY-CASE on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration:

1. Jurisdiction of incorporation;
2. Board rationale for adopting exclusive forum;
3. Legal actions subject to the exclusive forum provision;
4. Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation;
5. Company corporate governance provisions and shareholder rights; or
6. Any other problematic provisions that raise concerns regarding shareholder rights.

### **III. Capital/ Restructuring**

#### **Increases in Authorized Capital**

Vote CASE-BY-CASE on proposals to increase the number of shares of common stock authorized for issuance. Generally, vote FOR proposals to approve increased authorized capital if:

1. A company's shares are in danger of being de-listed; or
2. A company's ability to continue to operate as a going concern is uncertain.

Generally, vote AGAINST proposals to approve unlimited capital authorization.

#### **Private Placement Issuances**

Vote CASE-BY-CASE on private placement issuances taking into account:

1. Whether other resolutions are bundled with the issuance;
2. Whether the rationale for the private placement issuance is disclosed;
3. Dilution to existing shareholders' position;
4. Issuance that represents no more than 30 percent of the company's outstanding shares on a non-diluted basis is considered generally acceptable;
5. Discount/premium in issuance price to the unaffected share price before the announcement of the private placement;
6. Market reaction: The market's response to the proposed private placement since announcement; and
7. Other applicable factors, including conflict of interest, change in control/management, evaluation of other alternatives.

Generally, vote FOR the private placement issuance if it is expected that the company will file for bankruptcy if the transaction is not approved or the company's auditor/management has indicated that the company has going concern issues.

#### **Blank Check Preferred Stock**

Vote AGAINST proposals to create unlimited blank check preferred shares or increase blank cheque preferred shares where:

1. The shares carry unspecified rights, restrictions, and terms; or
2. The company does not specify any specific purpose for the increase in such shares.

Generally, vote FOR proposals to create a reasonably limited number of preferred shares where both of the following apply:



1. The company has stated in writing and publicly disclosed that the shares will not be used for antitakeover purposes; and
2. The voting, conversion, and other rights, restrictions, and terms of such stock where specified in the articles, are reasonable.

### **Dual-class Stock**

Vote AGAINST proposals to create a new class of common stock that will create a class of common shareholders with diminished or superior voting rights.

The following is an exceptional set of circumstances under which Boston Partners would generally support a dual class capital structure. Such a structure must meet all of the following criteria:

1. It is required due to foreign ownership restrictions and financing is required to be done out of country;
2. It is not designed to preserve the voting power of an insider or significant shareholder;
3. The subordinate class may elect some board nominees;
4. There is a sunset provision; and
5. There is a coattail provision that places a prohibition on any change in control transaction without approval of the subordinate class shareholders.

### **Escrow Agreements**

Vote AGAINST an amendment to an existing escrow agreement where the company is proposing to delete all performance-based release requirements in favor of time-driven release requirements.

## **IV. Compensation**

### **Pay for Performance Evaluation**

This policy will be applied at all S&P/TSX Composite Index Companies and for all management say-on-pay proposals (MSOP) resolutions.

On a CASE-BY-CASE basis, Boston Partners will evaluate the alignment of the CEO's total compensation with company performance over time, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholder's perspective, performance is predominantly gauged by the company's share price performance over time. Even when financial or operational measures are used as the basis for incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long term.

Vote AGAINST MSOP proposals and/or vote WITHHOLD for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO) and/or AGAINST an equity-based incentive plan proposal if there is significant long-term misalignment between CEO pay and company performance.

The determination of long-term pay for performance alignment is a two-step process: step one is a quantitative screen, which includes a relative and absolute analysis on pay for performance, and step two is a qualitative assessment of the CEO's pay and company performance. A pay for performance disconnect will be determined as follows:

### ***Step I: Quantitative Screen***

#### **Relative:**

1. The Relative Degree of Alignment (RDA) is the difference between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period or less if pay or performance data is unavailable for the full three years;
2. The Financial Performance Assessment (FPA) is the ranking of CEO total pay and company financial performance within a peer group, each measured over a three-year period;
3. Multiple of Median (MOM) is the total compensation in the last reported fiscal year relative to the median compensation of the peer group; and

#### **Absolute:**

1. The CEO Pay-to-TSR Alignment (PTA) over the prior five fiscal years, i.e., the difference between absolute pay changes and absolute TSR changes during the prior five-year period (or less as company disclosure permits).

### ***Step II: Qualitative Analysis***

Companies identified by the methodology as having potential misalignment will receive a qualitative assessment to determine the ultimate vote, considering a range of CASE-BY-CASE factors which may include:

1. The ratio of performance- to time-based equity grants and the overall mix of performance-based compensation relative to total compensation (considering whether the ratio is more than 50 percent); standard time-vested stock options and restricted shares are not considered to be performance-based for this consideration;
2. The quality of disclosure and appropriateness of the performance measure(s) and goal(s) utilized, so that shareholders can assess the rigor of the performance program. The use of non-GAAP financial metrics also makes it challenging for shareholders to ascertain the rigor of the program as shareholders often cannot tell the type of adjustments being made and if the adjustments were made consistently. Complete and transparent disclosure helps shareholders to better understand the company's pay for performance linkage;
3. The trend in other financial metrics, such as growth in revenue, earnings, return measures such as ROE, ROA, ROIC, etc.;
4. The use of discretionary out-of-plan payments or awards and the rationale provided as well as frequency of such payments or awards;
5. The trend considering prior years' P4P concern;
6. Extraordinary situation due to a new CEO in the last reported FY; and
7. Any other factors deemed relevant.

## **Problematic Pay Practices**

Vote AGAINST MSOP resolutions and/or vote WITHHOLD for compensation committee members if the company has significant problematic compensation practices. Generally, vote AGAINST equity plans if the plan is a vehicle for problematic compensation practices.

Generally, vote based on the preponderance of problematic elements; however, certain adverse practices may warrant WITHHOLD or AGAINST votes on a stand-alone basis in particularly egregious cases. The following practices, while not an exhaustive list, are examples of problematic compensation practices that may warrant an AGAINST or WITHHOLD vote:

Poor disclosure practices: General omission of timely information necessary to understand the rationale for compensation setting process and outcomes, or omission of material contracts, agreements or shareholder disclosure documents;

New CEO with overly generous new hire package:

1. Excessive “make whole” provisions;
2. Any of the problematic pay practices listed in this policy;

Egregious employment contracts: Contracts containing multiyear guarantees for salary increases, bonuses, or equity compensation;

Employee Loans: Interest free or low interest loans extended by the company to employees for the purpose of exercising options or acquiring equity to meet holding requirements or as compensation;

Excessive severance and/or change-in-control provisions:

1. Inclusion of excessive change-in-control or severance payments, especially those with a multiple in excess of 2X cash pay (salary + bonus);
2. Severance paid for a “performance termination” (i.e., due to the executive’s failure to perform job functions at the appropriate level);
3. Employment or severance agreements that provide for modified single triggers, under which an executive may voluntarily leave following a change in control without cause and still receive the severance package;
4. Perquisites for former executives such as car allowance, personal use of corporate aircraft, or other inappropriate arrangements;
5. Change-in-control payouts without loss of job or substantial diminution of job duties (single-triggered);

Abnormally large bonus payouts without justifiable performance linkage or proper disclosure: Performance metrics that are changed, canceled, or replaced during the performance period without adequate explanation of the action and the link to performance;

Excessive perks: Overly generous cost and/or reimbursement of taxes for personal use of corporate aircraft, personal security systems maintenance and/or installation, car allowances, and/or other excessive arrangements relative to base salary;

Payment of dividends on performance awards: Performance award grants for which dividends are paid during the period before the performance criteria or goals have been achieved, and therefore not yet earned;

Problematic option granting practices:

1. Backdating options (i.e. retroactively setting a stock option's exercise price lower than the prevailing market value at the grant date);
2. Springloading options (i.e. timing the grant of options to effectively guarantee an increase in share price shortly after the grant date);
3. Cancellation and subsequent re-grant of options;

Internal Pay Disparity: Excessive differential between CEO total pay and that of next highest-paid named executive officer (NEO);

Absence of pay practices that discourage excessive risk taking:

1. These provisions include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred bonus and equity award compensation practices, etc.;
2. Financial institutions will be expected to have adopted or at least addressed the provisions listed above in accordance with the Financial Stability Board's (FSB) Compensation Practices and standards for financial companies;

Other excessive compensation payouts or problematic pay practices at the company.

### **Equity-Based Compensation Plans**

In addition to the General Policy, consider the following:

1. Plan Features:
  - a. Detailed disclosure regarding the treatment of outstanding awards under a change in control (CIC)
  - b. No financial assistance to plan participants for the exercise or settlement of awards;
  - c. Public disclosure of the full text of the plan document; and
  - d. Reasonable share dilution from equity plans relative to market best practices. For Canada Venture Listed Companies, the basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans should not be greater than 10 percent.
  - e. For Canada Venture Listed Companies, generally vote AGAINST if the plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years; and the plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e., evergreen plan).
2. Grant Practices:
  - a. Reasonable three-year average burn rate relative to market best practices (shouldn't exceed 3.5%);
  - b. Meaningful time vesting requirements for the CEO's most recent equity grants (three-year lookback);
  - c. The issuance of performance-based equity to the CEO;
  - d. A clawback provision applicable to equity awards; and
  - e. Post-exercise or post-settlement share-holding requirements (S&P/TSX Composite Index only).

Generally, vote AGAINST the plan proposal if the combination of above factors, as determined by an overall score, indicates that the plan is not in shareholders' best interests.

Overriding Negative Factors: In addition, vote AGAINST the plan if any of the following unacceptable factors have been identified:

1. Discretionary or insufficiently limited non- executive director participation;
2. An amendment provision which fails to adequately restrict the company's ability to amend the plan without shareholder approval;
3. A history of repricing stock options without shareholder approval (three-year look-back);
4. The plan is a vehicle for problematic pay practices, or a significant pay-for-performance disconnect under certain circumstances; or
5. Any other plan features that are determined to have a significant negative impact on shareholder interests.

### ***Plan Cost***

Vote AGAINST equity plans if the cost is unreasonable.

### ***Overriding Negative Factors***

#### **Plan Amendment Provisions**

Vote AGAINST the approval of proposed Amendment Procedures that do not require shareholder approval for the following types of amendments under any security-based compensation arrangement, whether or not such approval is required under current regulatory rules:

1. Any increase in the number of shares reserved for issuance under a plan or plan maximum;
2. Any reduction in exercise price or cancellation and reissue of options or other entitlements;
3. Any amendment that extends the term of options beyond the original expiry;
4. Amendments to eligible participants that may permit the introduction or reintroduction of non-executive directors on a discretionary basis or amendments that increase limits previously imposed on non- executive director participation;
5. Any amendment which would permit options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes; and
6. Amendments to the plan amendment provisions.

To clarify application of the above criteria, all items will apply to all equity-based compensation arrangements under which treasury shares are reserved for grants of, for example: restricted stock, restricted share units, or deferred share units, except those items that specifically refer to option grants.

## **Non- Executive Director (NED) Participation**

### **Discretionary Participation**

Vote AGAINST a management equity compensation plan that permits discretionary NED participation.

## **Limited Participation**

Vote AGAINST an equity compensation plan proposal where:

1. The NED aggregate share reserve under the plan exceeds 1 percent of the outstanding common shares; or
2. The equity plan document does not specify an annual individual NED grant limit with a maximum value of (i) \$100,000 worth of stock options, or (ii) \$150,000 worth of shares.

The maximum annual individual NED limit should not exceed \$150,000 under any type of equity compensation plan, of which no more than \$100,000 of value may comprise stock options.

## **Individual Grants**

Vote AGAINST individual equity grants to NEDs in the following circumstances:

1. In conjunction with an equity compensation plan that is on the agenda at the shareholder meeting if voting AGAINST the underlying equity compensation plan; and
2. Outside of an equity compensation plan if the director's annual grant would exceed the above individual director limit.

Shares taken in lieu of cash fees and a one-time initial equity grant upon a director joining the board will not be included in the maximum award limit.

## **Employee Stock Purchase Plans (ESPPs, ESOPs)**

Vote FOR broadly based (preferably all employees of the company with the exclusion of individuals with 5 percent or more beneficial ownership of the company) employee stock purchase plans where the following apply:

1. Reasonable limit on employee contribution (may be expressed as a fixed dollar amount or as a percentage of base salary excluding bonus, commissions and special compensation);
2. Employer contribution of up to 25 percent of employee contribution and no purchase price discount or employer contribution of more than 25 percent of employee contribution and SVT cost of the company's equity plans is within the allowable cap for the company;
3. Purchase price is at least 80 percent of fair market value with no employer contribution;
4. Potential dilution together with all other equity-based plans is 10 percent of outstanding common shares or less; and
5. The Plan Amendment Provision requires shareholder approval for amendments to:
  - a. The number of shares reserved for the plan;

- b. The allowable purchase price discount;
- c. The employer matching contribution amount.

Treasury funded ESPPs, as well as market purchase funded ESPPs requesting shareholder approval, will be considered to be incentive-based compensation if the employer match is greater than 25 percent of the employee contribution. In this case, Boston Partners will assess the SVT cost of the plan together with the company's other equity-based compensation plans.

Eligibility and administration are also key factors in determining the acceptability of an ESPP/ESOP plan.

### **Management Deferred Share Unit (DSU) Plans**

Vote FOR deferred compensation plans if:

1. SVT cost of the plan does not exceed the company's allowable cap;
2. If the SVT cost cannot be calculated, potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
3. NED participation is acceptably limited or the plan explicitly states that NEDs may only receive DSUs in lieu of cash in a value for value exchange (please refer to Overriding Negative Factors/NED Participation above);
4. The plan amendment provisions require shareholder approval for any amendment to:
5. Increase the number of shares reserved for issuance under the plan;
6. Change the eligible participants that may permit the introduction or reintroduction of non-executive directors on a discretionary basis or amendments that increase limits previously imposed on NED participation;
7. Amend the plan amendment provisions.

In addition, for Canada Venture Listed Companies, vote FOR deferred compensation plans if:

1. Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
2. The average annual burn rate is no more than 3.5 percent per year (generally averaged over most recent three-year period and rounded to the nearest whole number for policy application purposes).

### **Non- Executive Director (NED) Deferred Share Unit (DSU) Plans**

Vote FOR a NED deferred compensation plan if:

1. DSUs may ONLY be granted in lieu of cash fees on a value for value basis (no discretionary or other grants are permitted), and
2. Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less.

Vote FOR NED deferred compensation plans that permit discretionary grants (not ONLY in lieu of cash fees) if:

1. Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
2. If the plan includes a company matching or top-up provision, the SVT cost of the plan does not exceed the company's allowable cap;
3. NED participation is acceptably limited (please refer to Overriding Negative Factors/NED Participation above);
4. The plan amendment provisions require shareholder approval for any amendment to:
  - a. Increase the number of shares reserved for issuance under the plan; Change the eligible participants that may permit the introduction or reintroduction of non- executive directors on a discretionary basis or amendments that increase limits previously imposed on NED participation;
  - b. Amend the plan amendment provisions.
5. In addition, for Canada Venture Listed Companies, vote FOR deferred compensation plans if the average annual burn rate is no more than 3.5 percent per year (generally averaged over most recent three-year period and rounded to the nearest whole number for policy application purposes).

Other elements of director compensation evaluated in conjunction with DSU plan proposals include:

1. Director stock ownership guidelines of a minimum of three times annual cash retainer;
2. Vesting schedule or mandatory deferral period which requires that shares in payment of deferred units may not be paid out until the end of board service;
3. The mix of remuneration between cash and equity; and
4. Other forms of equity-based compensation, i.e. stock options, restricted stock.

### **Problematic Director Compensation Practices**

On a CASE-BY-CASE basis, generally vote WITHHOLD for members of the committee responsible for director compensation (or, where no such committee has been identified, the board chair or full board) where director compensation practices which pose a risk of compromising a non- executive director's independence or which otherwise appear problematic from the perspective of shareholders have been identified, including:

1. Excessive (relative to standard market practice) inducement grants issued upon the appointment or election of a new director to the board (consideration will be given to the form in which the compensation has been issued and the board's rationale for the inducement grant);
2. Performance-based equity grants to non- executive directors which could pose a risk of aligning directors' interests away from those of shareholders and toward those of management; and
3. Other significant problematic practices relating to director compensation.

### **Shareholder Proposals on Compensation**

Vote on a CASE-BY-CASE basis for shareholder proposals targeting executive and director pay, taking into account the target company's performance, absolute and relative pay levels as well as the wording of the proposal itself.



Vote FOR shareholder proposals requesting that the exercise of some, but not all stock options be tied to the achievement of performance hurdles.

### **Shareholder Advisory Vote Proposals**

Vote FOR shareholder proposals requesting the adoption of a non-binding advisory shareholder vote to ratify the report of the compensation committee.

Vote AGAINST shareholder proposals requesting a binding vote on executive or director compensation as being overly prescriptive and which may lead to shareholder micro-management of compensation issues that are more appropriately within the purview of the compensation committee of the board of directors.

### **Supplemental Executive Retirement Plan (SERP) Proposals**

Vote AGAINST shareholder proposals requesting the exclusion of bonus amounts and extra service credits to determine SERP payouts, unless the company's SERP disclosure includes the following problematic pay practices:

1. Inclusion of equity-based compensation in the pension calculation;
2. Inclusion of excessive bonus amounts in the pension calculation;
3. Addition of extra years' service credited in other than exceptional circumstances and without compelling rationale;
4. No absolute limit on SERP annual pension benefits (ideally expressed in dollar terms);
5. No reduction in benefits on a pro-rata basis in the case of early retirement.

In addition, consideration will also be given to the extent to which executive compensation is performance driven and "at risk," as well as whether bonus payouts can exceed 100 percent of base salary.

## CHINA AND HONG KONG

### I. Board of Directors

#### Voting for Director Nominees in Uncontested Elections (Hong Kong)

##### *Independence and Composition*

Boston Partners applies a five-year cooling off period to former employees or executives when determining nominee independence in Hong Kong.

Generally, vote FOR the re/election of directors unless:

1. The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee;
2. Any non-independent director nominees where the board is less than one-third independent<sup>4</sup>;
3. The nominee is an executive director serving on the audit committee;
4. The nominee is an executive director serving on the remuneration committee or nomination committee, and the committee is not majority independent;
5. The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee (except for a non-independent director serving as chairman of the nomination committee who also serves as the chairman of the board)
6. There is a conflict of interest with the resolution(s) to be discussed in the board or committee meeting

When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote AGAINST if:

1. The nominee is an executive director and the board is not majority independent;
2. The nominee is a non-independent chairman of the board.

Boston Partners will consider an independent non-executive director non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.

Generally, Boston Partners will vote FOR the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.

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<sup>4</sup> Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence.

## **II. Remuneration**

### **Director Remuneration**

Generally, vote FOR resolutions regarding directors' and supervisors' fees unless they are excessive relative to fees paid by other companies of similar size.

### **Equity-based Compensation**

A-share Stock Option Schemes and Performance Share Schemes

Vote AGAINST a stock option and/or performance share scheme if:

1. Pricing Basis – The plan permits the exercise price of the stock options and/or grant price of the performance shares to be set at an unreasonable price compared to the market price without sufficient justification;
2. Dilution – The maximum dilution level for the scheme exceeds 10 percent of issued capital; or of 5 percent of issued capital for a mature company and 10 percent for a growth company. However, Boston Partners will support plans at mature companies with dilution levels up to 10 percent if the plan includes other positive features such as challenging performance criteria and meaningful vesting periods, as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value;
3. Performance benchmark – The scheme is proposed in the second half of the year and the measurement of the company's financial performance starts from the same year. The rationale is that the company's financial performance has been largely determined for that particular year and thus by linking the vesting conditions of part of the options and/or performance shares to that year's financial performance, the company is providing incentives for the period of the second half only, which can either be too aggressive (if the target is far out of reach) or too insufficient (i.e., the target has already been reached); or
4. Incentive plan administration – Directors eligible to receive options and/or performance shares under the scheme are involved in the administration of the scheme are involved in the administration of the scheme.

Additionally, in Hong Kong, generally vote FOR an equity-based compensation plan unless:

1. The maximum dilution level for the scheme, together with all outstanding schemes, exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. In addition, Boston Partners will support a plan's dilution limit that exceeds these thresholds if the annual grant limit under all plans is 0.5 percent or less for a mature company (1 percent or less for a mature company with clearly disclosed performance criteria) and 1 percent or less for a growth company.
2. The plan permits options to be issued with an exercise price at a discount to the current market price; or
3. Directors eligible to receive options or awards under the scheme are involved in the administration of the scheme and the administrator has the discretion over their awards.

## **Employee Stock Purchase Plans**

Generally, vote FOR employee stock purchase plans (ESPPs) unless any of the following applies:

1. The total stock allocated to the ESPP exceeds 10 percent of the company's total shares outstanding at any given time;
2. The share purchase price is less than 90 percent of the market price when the share purchase is conducted solely through private placement;
3. The company's significant shareholders (i.e. individuals with 5 percent or more of beneficial ownership of the company) are involved as plan participants;
4. The ESPP is proposed in connection with an equity financing scheme which does not warrant shareholder support; or
5. The ESPP contains any other terms that are deemed disadvantageous to shareholders.

## **III. Capital Raising**

### **Share Issuance Requests**

Vote CASE-BY-CASE on share issuance request, with reference to the identity of the places, the use of proceeds, and the company's past share issuance requests.

For Hong Kong, generally vote FOR the general share issuance mandate for companies that:

1. Limit the issuance request to 10 percent or less of the relevant class of issued share capital;
2. Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and
3. Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital within the 12-month period.

### **Share Repurchase Plans (Repurchase Mandate) (Hong Kong)**

Generally, vote FOR resolutions seeking for share repurchase mandate.

Reissuance of Shares Repurchased (Share Reissuance Mandate) (Hong Kong)

Generally, vote FOR the share reissuance mandate for companies that:

1. Limit the aggregate issuance request – that is, for the general issuance mandate and the share reissuance mandate combined – to 10 percent or less of the relevant class of issued share capital;
2. Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and
3. Have no history of renewing the general issuance mandate several times within a period of one year.

## A-share Private Placement Issuance Requests (Hong Kong)

Vote CASE-BY-CASE on share issuance requests, with reference to the identity of the places, the use of proceeds, and the company's past share issuance requests.

## Adjustments of Conversion Price of Outstanding Convertible Bonds

Generally, vote AGAINST the downward adjustment of the conversion price of A-share convertible bonds unless the proposed adjusted conversion price is deemed reasonable given the company's justification; and the company is under extraordinary circumstances, such as liquidation or debt restructuring process due to financial distress.

## Debt Issuance Request/Increase in Borrowing Powers

Vote CASE-BY-CASE on non-convertible debt issuance requests, proposals to approve the specific pledging of assets for debt and increases in borrowing power. Generally, vote FOR such requests if:

1. The size of the debt being requested is disclosed;
2. A credible reason for the need for additional funding is provided;
3. Details regarding the assets to be pledged are disclosed (for specific asset pledge proposals); and
4. There are no significant causes for shareholder concerns regarding the terms and conditions of the debt.

A vote AGAINST will be warranted only in extremely egregious cases or where the company fails to provide sufficient information to enable a meaningful shareholder review.

For the issuance of convertible debt instruments, as long as the maximum number of common shares that could be issued upon conversion is acceptable on equity issuance requests, a vote FOR will be warranted. Boston Partners will vote FOR proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

Moreover, where a general authority to issue debt or pledge assets is requested, in addition to the above criteria, we will oppose such a proposal if it could result in a potentially excessive increase in debt. A potential increase in debt may be considered excessive when:

1. The proposed maximum amount is more than twice the company's total debt;
2. It could result in the company's debt-to-equity ratio exceeding 300 percent (for non-financial companies); and
3. The maximum hypothetical debt-to-equity ratio is more than three times the industry and/or market norm.

If data on the normal level of debt in that particular industry or market is not available, only the company-specific information will be considered.

For Hong Kong, for proposals seeking a general authority to pledge assets for debt, the specific assets to be pledged need not be disclosed. However, in such cases, the authority should be limited such that it would not result in an excessive increase in debt. If the proposal grants excessive authority to the board or management, vote AGAINST.

In certain countries, shareholder approval is required when a company needs to secure a debt issuance with its assets. In many cases, this is a routine request and is a formality under the relevant law. When reviewing such proposals, Boston Partners takes into account the terms of the proposed debt issuance, the company's overall debt level, and the company's justification for the pledging of assets.

Boston Partners will vote AGAINST specific requests to pledge an asset in cases where no information regarding the size of the debt to be raised is disclosed, no credible explanation for the need of funding is provided, no details regarding the assets to be pledged are disclosed, or in extreme cases where shareholders' rights and economic interests could be negatively affected.

### **Provision of Guarantees/ Loan Guarantee Requests**

Vote CASE-BY-CASE on proposals to provide loan guarantees for subsidiaries, affiliates, and related parties. Generally, vote AGAINST the provision of a guarantee where:

1. The identity of the entity receiving the guarantee is not disclosed;
2. The guarantee is being provided to a director, executive, parent company or affiliated entities where the company has no direct or indirect equity ownership; or
3. The guarantee is provided to an entity in which the company's ownership stake is less than 75 percent; and such guarantee is not proportionate to the company's equity stake or other parties have not provided a counter guarantee.

When the proposed guarantee does not fall into the above criteria, vote FOR such request provided that there are no significant concerns regarding the entity receiving the guarantee, the relationship between the listed company and the entity receiving the guarantee, the purpose of the guarantee, or the terms of the guarantee agreement. Examples of such concerns include a previous default by the entity receiving the guarantee or a sub-investment grade credit rating.

## **IV. Amendments to Articles of Association/ Company By-laws**

### **Communist Party Committee**

Generally, vote AGAINST proposals for article and/or by-law amendments regarding Party Committees where the proposed amendments lack transparency or are not considered to adequately provide for accountability and transparency to shareholders.

### **Other Article of Association/By-law Amendments**

Generally, vote FOR by-law amendments if:

1. They are driven by regulatory changes and are technical in nature; or
2. They are meant to update company-specific information in the by-laws such as registered capital, address, and business scope, etc.

Generally, vote AGAINST the amendments if:

1. There is no disclosure on the proposed amendments or full text of the amended by-law; or
2. The amendments include the increase in the decision authority which is considered excessive and the company fails to provide a compelling justification.

## **V. Related Party Transactions**

### **Loan Financing Requests**

Vote CASE-BY-CASE on loans and financing proposals.

In assessing requests for loan financing provided by a related party:

1. Boston Partners will examine stated uses of proceeds, the size or specific amount of the loan requested, and the interest rate to be charged. Boston Partners also gives importance to, and seeks disclosure on, the specific relation of the party providing the loan to the company.

In assessing requests to provide loan financing to a related party:

1. Boston Partners will examine stated uses of proceeds, the size or specific amount of the loan requested, and interest rates to be charged. Boston Partners also gives importance to, and seeks disclosure on, the specific relation of the party to be granted the loan by the company.
2. Boston Partner will generally vote AGAINST the provision of loans to clients, controlling shareholders, and actual controlling persons of the company.
3. Boston Partners will generally vote AGAINST the provision of loans to an entity in which the company's ownership stake is less than 75 percent and the financing provision is not proportionate to the company's equity stake.

### **Group Finance Companies**

Vote AGAINST requests to deposit monies with a group finance company.

## **VI. Proposals to Invest in Financial Products Using Idle Funds**

Vote on proposals to invest in financial products using idle funds on a CASE-BY-CASE basis. Key factors for evaluating such requests include:

1. Any known concerns with previous investments;
2. The amount of the proposed investment relative to the company's assets;
3. Disclosure of the nature of the products in which the company proposes to invest; and
4. Disclosure of associated risks of the proposed investments and related risk management efforts by the company.

Generally, vote FOR such proposals unless the company fails to provide sufficient information to enable a meaningful shareholder or there are significant concerns with the company's previous similar investments.

## **CONTINENTAL EUROPE**

Applies to: Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Cyprus, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden, and Switzerland. Also applies to the United Kingdom and Ireland to the extent policies are shared. For specific United Kingdom and Ireland policies, please see that section of the Policy.

### **I. Operational Items**

#### **Appointment of Auditors and Auditor Fees**

Vote FOR proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:

1. The lead audit partner(s) has been linked with a significant auditing controversy; and
2. Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law.

#### **Approval of Non-financial Information Statement/ Report**

Generally, vote FOR the approval of mandatory non-financial information statement/report, unless the independent assurance services provider has raised material concerns about the information presented.

### **II. Director Elections**

#### **Non-Contested Director Elections**

Boston Partners may vote AGAINST proposals due to concerns related to at least one of the following specific factors, which are presented below as separate subsections.

##### ***Director Terms***

1. Generally, vote AGAINST the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies in these markets, for bundled as well as unbundled items.
2. Vote AGAINST article amendment proposals to extend board terms.

##### ***Bundling of Proposals to Elect Directors***

1. Directors should be elected individually.
2. For the markets of Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Latvia, Lithuania, Poland\*, Romania, Slovakia, and Slovenia, vote AGAINST the election or



reelection of any directors if individual director elections are an established market practice and the company proposes a single slate of directors.

- \* Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.

### ***Board Independence***

Boston Partners applies a five-year cooling off period to former executives when determining nominee independence in Continental Europe.

### **Widely-held Controlled Companies and Non widely-held Companies**

Generally, vote AGAINST the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

### **Widely-held Non-controlled Companies**

Generally, vote AGAINST the election or reelection of any non-independent directors (excluding the CEO) if fewer than 50 percent of the board members elected by shareholders– excluding, where relevant, employee shareholder representatives – would be independent (Greece and Portugal are excluded from this provision); or fewer than one-third of all board members would be independent.

### ***Disclosure of Names of Nominees***

Vote AGAINST the election or reelection of any and all director nominees when the names of the nominees are not available.

### ***Election of a Former CEO as Chairman of the Board***

1. Generally, vote AGAINST the election or reelection of a former CEO as chairman to the supervisory board or board of directors in Germany, Austria, and the Netherlands.
2. In Germany, generally vote against the election or reelection of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chairman of the board.
3. Considerations should be given to any of the following exceptional circumstances on a CASE-BY-CASE basis if:
  - a. There are compelling reasons that justify the election or reelection of a former CEO as chairman;
  - b. The former CEO is proposed to become the board's chairman only on an interim or temporary basis;
  - c. The former CEO is proposed to be elected as the board's chairman for the first time after a reasonable cooling-off period; or

- d. The board chairman will not receive a level of compensation comparable to the company's executives nor assume executive functions in markets where this is applicable.

### ***Voto di Lista (Italy)***

Boston Partners will vote CASE-BY-CASE.

### ***One Board Seat per Director***

1. In cases where a director holds more than one board seat on a single board and the corresponding votes, manifested as one seat as a physical person plus an additional seat(s) as a representative of a legal entity, vote AGAINST the election/re-election of such legal entities and in favor of the physical person.
2. If the representative of the legal entity holds the position of CEO, generally vote in favor of the legal entity and AGAINST the election/re-election of the physical person.

### ***Composition of Committees***

1. For widely held companies, generally vote AGAINST the (re)election of any non-independent members of the audit committee if:
  - a. Fewer than 50 percent of the audit committee members, who are elected by shareholders—excluding, where relevant, employee shareholder representatives—would be independent; or
  - b. Fewer than one-third of all audit committee members would be independent.

For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.

2. Generally, vote AGAINST the election or re-election of the non-independent member of the audit committee designated as chairman of that committee.
3. For widely held companies generally vote AGAINST the (re)election of any non-independent members of the remuneration committee if:
  - a. Fewer than 50 percent of the remuneration committee members, who are elected by shareholders—excluding, where relevant, employee shareholder representatives—would be independent; or
  - b. Fewer than one-third of all remuneration committee members would be independent.

For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.

4. Generally, vote AGAINST the (re)election of executives who serve on the company's audit or remuneration committee. Boston Partners may vote AGAINST if the disclosure is too poor to determine whether an executive serves or will serve on a committee. If a company does not have an audit or a remuneration committee, Boston Partners may consider that the entire board fulfills the role of a committee. In such case, Boston Partners may vote AGAINST the executives, including the CEO, up for election to the board.

5. Composition of Nominating Committee (Finland, Iceland, Sweden, and Norway)
- a. Vote FOR proposals in Finland, Iceland, Norway, and Sweden to elect or appoint a nominating committee consisting mainly of non-board members.
  - b. Vote FOR shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee.
  - c. Vote AGAINST proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner.
  - d. Vote AGAINST proposals in Sweden to elect or appoint such a committee if the company is on the MSCI-EAFE or local main index and the following conditions exist:
    - I. A member of the executive management would be a member of the committee;
    - II. More than one board member who is dependent on a major shareholder would be on the committee; or
    - III. The chair of the board would also be the chair of the committee.
  - e. In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote AGAINST the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.

### ***Election of Censors (France)***

Boston Partners will generally vote AGAINST proposals seeking shareholder approval to elect a censor, to amend by-laws to authorize the appointment of censors, or to extend the maximum number of censors to the board.

Boston Partners will vote on a CASE-BY-CASE basis when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).

Vote AGAINST any proposal to renew the term of a censor or to extend the statutory term of censors.

### ***Board Gender Diversity***

Generally, vote AGAINST the chair of the nomination committee (or other directors on a CASE-BY-CASE basis) if:

1. The underrepresented gender accounts for less than 30 percent (or any higher domestic threshold) of board directors of a widely held company.
2. Both genders are not represented on the board of a non-widely-held company.

Mitigating factors may include:

1. Compliance with the relevant standard at the preceding annual meeting and a firm commitment, publicly available, to comply with the relevant standard within a year; or

2. Other relevant factors as applicable.

### **Committee of Representatives and Corporate Assembly Elections (Denmark and Norway)**

For Norwegian and Danish companies where shareholders vote on elections for members of the corporate assembly or committee of representatives, but not directly on the board of directors, vote CASE-BY-CASE on corporate assembly and committee of representative elections based on the board of directors' compliance with Boston Partners' director election policy.

## **III. Capital Structure**

### **Share Issuance Requests**

#### ***General Issuances***

Vote FOR issuance authorities with pre-emptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands).

Vote FOR issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands).

#### ***For French Companies***

Vote FOR general issuance requests with preemptive rights, or without preemptive rights but with a binding "priority right," for a maximum of 50 percent over currently issued capital.

Generally, vote FOR general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 percent discount to the share listing price) for a vote FOR to be warranted.

## **IV. Compensation**

### **Executive Compensation-related Proposals**

Boston Partners will generally vote AGAINST a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:

1. Provide shareholders with clear and comprehensive compensation disclosures:
  - a. Information on compensation-related proposals shall be made available to shareholders in a timely manner;
  - b. The level of disclosure of the proposed compensation policy and remuneration report shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate;
    - i. Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes.
  - c. Companies shall adequately disclose all elements of the compensation, including:
    - i. Any short- or long-term compensation component must include a maximum award limit.
    - ii. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.
    - iii. Discretionary payments, if applicable.
2. Maintain appropriate pay structure with emphasis on long-term shareholder value:
  - a. The structure of the company's short-term incentive plan shall be appropriate.
  - b. The compensation policy must notably avoid guaranteed or discretionary compensation.
  - c. The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions.
    - i. Equity-based plans or awards that are linked to long-term company performance will be evaluated using Boston Partners' General Policy for equity-based plans; and
    - ii. For awards granted to executives, generally require a clear link between shareholder value and awards, and stringent performance-based elements.
  - d. The balance between short- and long-term variable compensation shall be appropriate. The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s).
3. Avoid arrangements that risk "pay for failure":
  - a. The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).

- i. There shall be a clear link between the company's performance and variable awards.
    - ii. There shall not be significant discrepancies between the company's performance and real executive payouts.
    - iii. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.
    - iv. Significant pay increases shall be explained by a detailed and compelling disclosure.
  - b. Termination payments (any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract) must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.
  - c. Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.
4. Maintain an independent and effective compensation committee:
- a. No executives may serve on the compensation committee.
  - b. In certain markets the compensation committee shall be composed of a majority of independent members.
  - c. Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance.

In addition, Boston Partners will generally vote AGAINST a compensation-related proposal if such proposal is in breach of any other Boston Partners' voting policy.

### **Non-Executive Director Compensation**

Though always seeking to avoid inappropriate pay to non-executive directors, Boston Partners will generally vote FOR proposals to award cash fees to non-executive directors, and will otherwise vote AGAINST where:

1. Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
2. Proposed amounts are excessive relative to other companies in the country or industry.
3. The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
4. Proposals provide for the granting of stock options, performance-based places compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.

5. Proposals introduce retirement benefits for non-executive directors.

Boston Partners will vote on a CASE-BY-CASE basis where:

1. Proposals include both cash and share-based components to non-executive directors.
2. Proposals bundle compensation for both non-executive and executive directors into a single resolution.

### **Equity-based Compensation Guidelines**

Boston Partners will generally vote FOR equity-based compensation proposals for employees if the plan(s) are in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:

1. The volume of awards transferred to participants must not be excessive;
2. The potential volume of fully diluted issued share capital from equity-based compensation plans must not exceed the following guidelines:
  - a. The shares reserved for all share plans may not exceed 5 percent of a company's issued share capital, except in the case of high-growth companies or particularly well-designed plans, in which case we allow dilution of between 5 and 10 percent. In this case, we will need to have performance conditions attached to the plans which should be acceptable;
  - b. The plan(s) must be sufficiently long-term in nature/structure: the minimum vesting period must be no less than three years from date of grant;
  - c. The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount;
3. If applicable, performance standards must be fully disclosed, quantified, and long-term, with relative performance measures preferred.

For France,

1. The potential volume from equity-based compensation plans must not exceed 10 percent of fully diluted issued share capital.
2. In addition, for companies that refer to the AFEP-MEDEF Code, all awards (including stock options and warrants) to executives shall be conditional upon challenging performance criteria or premium pricing. For companies referring to the Middledenext Code (or not referring to any code) at least part of the awards to executives shall be conditional upon performance criteria or premium pricing. In both cases, free shares shall remain subject to performance criteria for all beneficiaries.

### **Compensation-Related Voting Sanctions**

Should a company be deemed:

- To have egregious remuneration practices;
- To have failed to follow market practice by not submitting expected resolutions on executive compensation; or

- To have failed to respond to significant shareholder dissent on remuneration-related proposals;

an adverse vote could be applied to any of the following on a CASE-BY-CASE basis:

1. The (re)election of the chair of the remuneration committee or, where relevant, any other members of the remuneration committee;
2. The reelection of the board chair;
3. The discharge of directors; or
4. The annual report and accounts.

Other adverse recommendations under existing remuneration proposals (if any) should also be considered.

### **Stock Option Plans – Adjustment for Dividend (Nordic Region)**

Vote AGAINST stock option plans in Denmark, Finland, Norway, and Sweden if evidence is found that they contain provisions that may result in a disconnect between shareholder value and employee/executive reward. This includes one or a combination of the following:

1. Adjusting the strike price for future ordinary dividends AND including expected dividend yield above 0 percent when determining the number of options awarded under the plan;
2. Having significantly higher expected dividends than actual historical dividends;
3. Favorably adjusting the terms of existing options plans without valid reason; and/or
4. Any other provisions or performance measures that result in undue award.

Boston Partners will make an exception if a company proposes to reduce the strike price by the amount of future special (extraordinary) dividends only.

Generally, vote AGAINST if the potential increase of share capital amounts to more than 5 percent for mature companies or 10 percent for growth companies or if options may be exercised below the market price of the share at the date of grant, or that employee options do not lapse if employment is terminated.

### **Share Matching Plans (Sweden and Norway)**

Boston Partners considers the following factors when evaluating share matching plans:

1. For every share matching plan, Boston Partners requires a holding period.
2. For plans without performance criteria, the shares must be purchased at market price.
3. For broad-based share matching plans directed at all employees, Boston Partners accepts an arrangement up to a 1:1 ratio, i.e. no more than one free share is awarded for every share purchased at market value.
4. In addition, for plans directed at executives, we require that sufficiently challenging performance criteria be attached to the plan. Higher discounts demand proportionally higher performance criteria.

The dilution of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans, must comply with Boston Partners guidelines.



## **V. Other Items**

### **Antitakeover Mechanisms**

For the Netherlands, votes regarding management proposals to approve protective preference shares will be determined on a CASE-BY-CASE basis. In general, Boston Partners will vote FOR protective preference shares (PPS) only if:

1. The supervisory board needs to approve an issuance of shares and the supervisory board is independent within the meaning Boston Partners' guidelines and the Dutch Corporate Governance Code (i.e. a maximum of one member can be non-independent);
2. No call / put option agreement exists between the company and a foundation for the issuance of PPS;
3. The issuance authority is for a maximum of 18 months;
4. The board of the company-friendly foundation is fully independent;
5. There are no priority shares or other egregious protective or entrenchment tools;
6. The company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal;
7. The foundation buying the PPS does not have as a statutory goal to block a takeover; and
8. The PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period).

For French companies listed on a regulated market, generally vote AGAINST any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights) if they can be used for antitakeover purposes without shareholders' prior explicit approval.

### **Authority to Reduce Minimum Notice Period for Calling a Meeting**

A FOR vote to approve the "enabling" authority proposal would be on the basis that Boston Partners would generally expect companies to call EGMs/GMs using a notice period of less than 21 days only in limited circumstances where a shorter notice period will be to the advantage of shareholders as a whole, for example, to keep a period of uncertainty about the future of the company to a minimum. This is particularly true of capital raising proposals or other price sensitive transactions. By definition, annual general meetings, being regular meetings of the company, should not merit a notice period of less than 21 days.

In a market where local legislation permits an EGM/GM to be called at no less than 14-days' notice, Boston will generally vote FOR a resolution to approve the enabling authority if the company discloses that the shorter notice period of between 20 and 14 days would not be used as a matter of routine for such meetings, but only when the flexibility is merited by the business of the meeting. Where the proposal(s) at a given EGM/GM is (are) not time-sensitive, such as the approval of incentive plans, Boston Partners would not expect a company to invoke the shorter notice notwithstanding any prior approval of the enabling authority proposal by shareholders.

In evaluating an enabling authority proposal, Boston Partners would first require that the company make a clear disclosure of its compliance with any hurdle conditions for the authority imposed by applicable law, such as the provision of an electronic voting facility for shareholders. In addition, with the exception of

the first annual general meeting at which approval of the enabling authority is sought following implementation of the European Shareholder Rights Directive, when evaluating an enabling authority proposal Boston Partners will take into consideration the company's use (if any) of shorter notice periods in the preceding year to ensure that such shorter notice periods were invoked solely in connection with genuinely time-sensitive matters. Where the company has not limited its use of the shorter notice periods to such time sensitive-matters and fails to provide a clear explanation for this, Boston Partners will consider a vote AGAINST the enabling authority for the coming year.

### **Auditor Report Including Related Party Transactions (France)**

Boston Partners will review all auditor reports on related-party transactions and screen for and evaluate agreements with respect to the following issues:

1. Director Remuneration
2. Consulting Services
3. Liability Coverage
4. Certain Business Transactions

In general, Boston Partners expects companies to provide the following regarding related-party transactions:

1. Adequate disclosure of terms under listed transactions (including individual details of any consulting, or other remuneration agreements with directors and for any asset sales and/or acquisitions);
2. Sufficient justification on transactions that appear to be unrelated to operations and/or not in shareholders' best interests;
3. Fairness opinion (if applicable in special business transactions); and
4. Any other relevant information that may affect or impair shareholder value, rights, and/or judgment.

In the event that the company fails to provide an annual report in a timely manner, generally at least 21 days prior to the meeting, Boston Partners will vote AGAINST these proposals.

## **EUROPE, THE MIDDLE EAST, AND AFRICA**

Applies to: Markets in South-Eastern Europe and the Near East; Albania, Bahrain, Belarus, Bosnia, Botswana, Burkina Faso, Egypt, Gabon, Georgia, Ghana, Ivory Coast, Jordan, Kenya, Kosovo, Kuwait, Lebanon, Macedonia, Malawi, Mauritius, Montenegro, Morocco, Namibia, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Tanzania, Togo, Tunisia, Turkey, Ukraine, Uganda, United Arab Emirates, Zambia, and Zimbabwe. Also applies to Russia and Kazakhstan, and Israel to the extent policies are shared. For specific Russia and Kazakhstan, and Israel policies, please see those sections of the Policy.

### **I. Operational Items**

#### **Financial Results/Director and Auditor Reports**

Vote FOR approval of financial statements and director and auditor reports, unless:

1. There are concerns about the accounts presented or audit procedures used; or
2. The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

Generally, vote for approval of the corporate governance and/or the board report, unless information about corporate governance practices to be included in those reports has not been publicly disclosed by the company in a timely manner.

#### **Appointment of Auditors and Auditor Fees**

Vote FOR the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless: for widely-held companies, fees (if disclosed) for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law.

#### **Donations**

Vote FOR proposals seeking the approval of donations for the fiscal year under review unless:

1. The amount of donations for the fiscal year in review is not publicly available at the time of analysis; or
2. There are controversies surrounding the company's use of donations.

Vote FOR proposals seeking the approval of donations for the upcoming fiscal year unless:

1. The company does not provide a cap for the amount of future donations, and there is no disclosure regarding donations being made under the fiscal year in review; or
2. There are controversies surrounding the company's use of donations.

### **II. Board of Directors**

#### **Board Independence**

Boston Partners applies a five-year cooling off period to former executives when determining nominee independence in Europe, the Middle East, and Africa.

If a nominee cannot be categorized, Boston Partners will consider that nominee as non-independent and include that nominee in the calculation of overall board independence.

Generally, vote AGAINST the election or reelection of any non-independent directors (excluding the CEO) if overall board independence is less than one-third, excluding, where relevant, employee shareholder representatives.

Vote FOR (AGAINST) employee or labor representatives if they sit on either the audit or compensation committee and are (not) required by law to be on these committees.

### **Committee Independence**

Vote AGAINST proposals seeking the election of non-independent members of the audit committee if:

1. Fewer than one-third of all audit committee members excluding, where relevant, employee shareholder representatives, would be independent; or
2. A non-independent member is being presented for election or reelection as the audit committee chair.

This policy applies to bundled and unbundled items.

For companies incorporated in Turkey, vote AGAINST the (re)election of any non-independent members of the audit committee

Vote AGAINST the (re)election of executives who serve on the company's audit committee. Vote against if the disclosure is insufficient to determine whether an executive serves or will serve on the audit committee. If Boston Partners believes the entire board fulfills the audit committee role, vote AGAINST any executives, including the CEO.

### **Cumulative Voting System**

When directors are elected through a cumulative voting system, or when the number of nominees exceeds the number of board vacancies vote CASE-BY-CASE on directors, taking into consideration additional factors to identify the nominees best suited to add value for shareholders.

Generally, ABSTAIN votes from all candidates if the disclosure provided by the company is not sufficient to allow the assessment of independence and the support of all proposed candidates on equal terms.

If the disclosure is sufficient to allow an assessment of the independence of proposed candidates, generally vote in favor of the following types of candidates:

1. Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates.
2. Candidates whose professional background may have the following benefits:
  - a. Increasing the diversity of incumbent directors' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevant factors).
  - b. Bringing to the current board of directors relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.
3. Incumbent board members and candidates explicitly supported by the company's management.

### **III. Capital Structure**

#### **Capital Structures**

Vote FOR resolutions that seek to maintain or convert to a one-share, one-vote capital structure.

Vote AGAINST requests for the creation or continuation of dual-class capital structures or the creation of new or additional super-voting shares.

#### **Preferred Stock**

Vote AGAINST the creation of a new class of preference shares that would carry superior voting rights to the common shares.

Vote AGAINST the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

Vote proposals to increase blank check preferred authorizations on a CASE-BY-CASE basis.

#### **Debt Issuance Requests**

Vote non-convertible debt issuance requests on a CASE-BY-CASE basis, with or without preemptive rights.

Vote FOR the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets guidelines on equity issuance requests.

Vote FOR proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

### **IV. Compensation**

Vote FOR proposals to award cash fees to non-executive directors unless:

1. The board fees paid for the fiscal year under review are not disclosed in a timely manner;
2. The proposed amounts are excessive relative to similarly sized companies in the same market/sector, with no justification provided by the company; or
3. There is significant concern on the company's past practices regarding directors' remuneration.

In case there is a significant increase in fees with limited or no justification, vote on the proposal on a CASE-BY-CASE basis.

Vote non-executive director compensation proposals that include both cash and share-based components on a CASE-BY-CASE basis.

Vote proposals that bundle compensation for both non-executive and executive directors into a single resolution on a CASE-BY-CASE basis.

Vote AGAINST proposals to introduce retirement benefits for non-executive directors.

### **Remuneration Policy/Report**

Vote CASE-BY-CASE on compensation related-proposal including both non-executive and executive directors (or executive directors only) taking into account the following factors:

1. Information on compensation-related proposals shall be made publicly available in a timely manner;
2. The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local best market practice standards dictate;
3. Companies shall adequately disclose all elements of the compensation, including any short- or long-term compensation component.

When assessing a company's remuneration policy and/or report, generally vote AGAINST if the level of disclosure around the policy and/or the application of the policy is below what is required for shareholders to make an informed judgment. In the event of satisfactory disclosure, vote FOR the approval of the executive remuneration policy and/or the remuneration report on a case-by-case approach.

### **V. Other Items**

#### **Related-Party Transactions**

In the case of Nigerian companies, vote FOR proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to the general mandate.

## **INDIA**

### **I. Board of Directors**

#### **Executive Appointment**

Vote FOR executive appointment and remuneration proposals, unless there is evidence of problems in the past or significant concerns with the individual's qualifications, proposed remuneration, or performance or the position.

#### **Accountability**

Generally, vote AGAINST directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review and approval going forward.

### **II. Remuneration**

#### **Director Commission and Executive Compensation**

##### ***Fees for Non-executive Directors***

For aggregate non-executive director remuneration, generally, vote FOR resolutions regarding director fees unless there is a clear indication that directors are being rewarded for poor performance, or the fees are excessive relative to fees paid by other companies of similar size.

For individual non-executive director remuneration, vote on a case-to-case basis depending on the role and contribution of the concerned director, company performance, the quantum of proposed remuneration, peer benchmarking, and the overall pay structure.

##### ***Executive Compensation***

Generally, vote AGAINST the payment of remuneration in excess of the minimum remuneration and the waiver of recovery of excess remuneration paid to executives in the event of loss or inadequate profit unless compelling justification is provided in support of the proposal.

Any increases in total remuneration for executives should not be out of line with general increases at the company. Vote CASE-BY-CASE on executive compensation proposals considering whether:

1. Quantum of pay and proposed hike is reasonable and commensurate with the size and scale of company;
2. Past remuneration has been aligned with performance;
3. Pay is benchmarked to industry/market peers;

4. Pay as a multiple of median employee pay is reasonable;
5. The proposed pay structure has sufficient degree of variable pay;
6. Terms of LTIP/stock option plans are disclosed;
7. The award levels for the different components of variable pay are clearly defined and capped;
8. Performance conditions have been stated;
9. Malus/clawback/deferred pay provisions are in place; and
10. The board has unreasonable level of discretion and flexibility in deciding the final pay.

### **Equity Compensation Plans**

Generally, vote FOR option plans and restricted share plans.

Vote AGAINST an option plan if:

1. The maximum dilution level for the plan exceeds:
  - a. 5 percent of issued share capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable or performance shares are issued unless there is a clear improvement in shareholder value);
  - b. 10 percent for a growth company; or
2. The plan permits options to be issued with an exercise price at a discount to the current market price.

Vote AGAINST a restricted share plan if:

1. The maximum dilution level for the plan exceeds 5 percent of issued share capital for a mature company or 10 percent for a growth company; or
2. The plan does not include a challenging performance criteria and meaningful vesting periods to partially offset dilution concerns by reducing the likelihood that performance shares are issued unless there is a clear improvement in shareholder value.

## **III. Share Issuance Requests**

### **Preferential Issuance Requests and Preferential Issuance of Warrants**

Vote CASE-BY-CASE on requests for preferential issuance (private placements) and issuance of preferential warrants.



## **IV. Debt Issuance Requests**

### **Debt Related Proposals**

In evaluating debt-related proposals, consider the following factors:

1. Rationale/use of proceeds: Why does the company need additional capital? How will that capital be used?
2. Terms of the debts: Are the debt instruments convertible into equity? What are the interest rate and maturity dates? Any call or put options? Often these terms will not be determined until the time of issuance of debt instruments (or when the actual loan agreement is signed). The terms of the debts would generally be determined by the market conditions, and lack of disclosure concerning these terms should not be a cause for significant concern so long as the debt is not convertible into equity.
3. Size: At a minimum, the size of the debt issuance/potential borrowing should be disclosed.
4. The company's financial position: What is the company's current leverage and how does that compare to its peers?
5. The risk of non-approval: What might happen if the proposal is not approved? Are there any alternative sources of funding? Could the company continue to fund its operations? Would it hinder the company's ability to realize opportunities?

A distinction should be made between a specific debt issuance or pledging of assets, and authority to issue or increase debt; as in the case of specific equity issuances and requests for authority to issue equity.

### **Increase in Borrowing Powers**

Vote FOR proposals to approve increases in a company's borrowing powers if:

1. The size of the debt being requested is disclosed;
2. A credible reason for the need for additional funding is provided;
3. The potential increase in debt is not excessive; and
4. There are no significant causes for shareholder concern regarding the terms and conditions of the debt.

For non-financial companies, the following criteria are used to assess whether the potential increase in debt is considered excessive:

1. The proposed maximum amount is more than twice the company's total debt;
2. It could result in the company's debt-to-equity ratio, or gearing level, exceeding 300 percent; and
3. The maximum hypothetical debt-to-equity ratio is more than three times the industry and/or market norm.

Generally, vote FOR debt-related proposals of financial companies taking into account the current financial standing of the company, including but not limited to:

1. The capital adequacy to risk (weighted) assets; or

2. Capital adequacy ratio vis-à-vis the regulatory norm;
3. Revenue growth; and
4. Asset base.

### **Pledging of Assets for Debt**

Vote FOR proposals to approve the specific pledging of assets for debt if:

1. The size of the debt being requested is disclosed;
2. A credible reason for the need for additional funding is provided;
3. Details regarding the assets to be pledged are disclosed; and
4. There are no significant causes for shareholder concern regarding the terms and conditions of the debt.

For proposals seeking a general authority to pledge assets for debt, the specific assets to be pledged need not be disclosed. However, in such cases, the authority should be limited such that it would not result in an excessive increase in debt. Vote AGAINST proposals that grant excessive authority to the board or management.

### **Financial Assistance**

Vote CASE-BY-CASE on requests for financial assistance. Generally, vote AGAINST the provision of a guarantee where:

1. The identity of the entity receiving the guarantee is not disclosed;
2. The guarantee is being provided to a director, executive, parent company, or affiliated entities where the company has no direct or indirect equity ownership; or
3. The guarantee is provided to an entity in which the company's ownership stake is less than 75 percent; and such guarantee is not proportionate to the company's equity stake or other parties have not provided a counter guarantee.

When the proposed guarantee does not fall into the above criteria, generally vote FOR the request provided that there are no significant concerns regarding the entity receiving the guarantee, the relationship between the listed company and the entity receiving the guarantee, the purpose of the guarantee, or the terms of the guarantee agreement. Examples of such concerns include a previous default by the entity receiving the guarantee or a sub-investment grade credit rating.

## **V. Miscellaneous**

### **Accept Financial Statements and Statutory Reports**

Generally, vote FOR the approval of financial statements and statutory reports, unless:

1. There are concerns about the accounts presented or audit procedures used; or
2. There has been an accounting fraud or materials misstatement during the year.

### **Acceptance of Deposits**

Generally, vote AGAINST proposals to accept deposits from shareholders and/or the public, unless there are no significant causes for shareholder concern regarding the terms and conditions of the deposit.

Sufficient information regarding the deposits must be disclosed, including:

1. Justification for the need for additional funding; and
2. The interest rate offered, which must not exceed the interest rate prescribed by the Reserve Bank of India (RBI) for acceptance of deposits by non-banking financial companies (NBFCs).

### **Charitable Donations**

Vote AGAINST proposed charitable donations, unless:

1. Adequate disclosure on the rationale for the donation and exact term of the authority are provided in the meeting materials, and
2. The party receiving the charitable donation is an independent third party.

### **Increase in Foreign Shareholding Limit**

Vote FOR requests for increases in foreign shareholder limits, unless there are outstanding issues concerning the company.

# ISRAEL

## I. Operational Items

### Appointment of Auditors and Auditor Fees

Vote FOR the (re)election of auditors and/or proposals authorizing the board to fix auditor fees unless, fees for non-audit services exceed standard annual audit-related fees (only applies to companies on the MSCI EAFE index and/or listed on any country main index); or audit fees are being reported together with tax / other fees.

## II. Compensation

### Executive Compensation-related Proposals

Boston Partners will generally vote AGAINST a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:

1. Provide shareholders with clear and comprehensive compensation disclosures:
  - a. Information on compensation-related proposals shall be made available to shareholders in a timely manner;
  - b. The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate;
  - c. Companies shall adequately disclose all elements of the compensation, including:
    - i. Any short- or long-term compensation component must include a maximum award limit.
    - ii. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.
    - iii. Discretionary payments, if applicable.
2. Maintain appropriate pay structure with emphasis on long-term shareholder value:
  - a. The structure of the company's short-term incentive plan shall be appropriate.
  - b. The compensation policy must notably avoid guaranteed or discretionary compensation.
  - c. The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions.
    - i. Equity-based plans or awards that are linked to long-term company performance will be evaluated using Boston Partners' General Policy for equity-based plans; and
    - ii. For awards granted to executives, generally require a clear link between shareholder value and awards, and stringent performance-based elements.

- d. The balance between short- and long-term variable compensation shall be appropriate. The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s).
- 3. Avoid arrangements that risk "pay for failure":
  - a. The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).
    - i. There shall be a clear link between the company's performance and variable awards.
    - ii. There shall not be significant discrepancies between the company's performance and real executive payouts.
    - iii. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.
    - iv. Significant pay increases shall be explained by a detailed and compelling disclosure.
  - b. Termination payments (any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract) must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.
  - c. Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.
- 4. Maintain an independent and effective compensation committee:
  - a. No executives may serve on the compensation committee.
  - b. In certain markets the compensation committee shall be composed of a majority of independent members.
  - c. Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance.

In addition, Boston Partners will generally vote AGAINST a compensation-related proposal if such proposal is in breach of any other Boston Partners' voting policy.

### **Non-Executive Director Compensation**

Though always seeking to avoid inappropriate pay to non-executive directors, Boston Partners will generally vote FOR proposals to award cash fees to non-executive directors, and will otherwise vote AGAINST where:

- 1. Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
- 2. Proposed amounts are excessive relative to other companies in the country or industry.
- 3. The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.

4. Proposals provide for the granting of stock options, performance-based compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.
5. Proposals introduce retirement benefits for non-executive directors.

**Equity-based Compensation Guidelines**

Vote FOR equity-based compensation proposals for employees if the plan(s) are in line with long-term shareholder interests and align the award with shareholder value.

Boston Partners will vote AGAINST plans if the three-year average burn rate exceeds 3.5 percent.

## **JAPAN**

### **I. Routine Miscellaneous**

#### **Income Allocation**

Generally, vote FOR approval of income allocation, unless:

1. Payout ratio is consistently low without adequate justification; or
2. Payout ratio is too high, potentially damaging financial health.

#### **Election of Statutory Auditors**

Generally, vote FOR the election of statutory auditors, unless:

1. The outside statutory auditor nominee is regarded as non-independent; or
2. The outside statutory nominee attended less than 75 percent of meetings of the board of directors or board of statutory auditors during the year under review; or
3. The statutory auditor is judged to be responsible for clear mismanagement or shareholder-unfriendly behavior.
4. Egregious actions related to a statutory auditor's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

### **II. Election of Directors**

#### **Voting on Director Nominees in Uncontested Elections**

There are three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure.

1. At companies with a statutory auditor structure: vote FOR the election of directors, except:
  - a) Top executive(s) at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years), unless an improvement is observed;
  - b) For meetings on or after Feb. 1, 2022, top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings. Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring;

- c) Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors and, for meetings on or after Feb. 1, 2022, at least one-third of the board members will not be outside directors;
  - d) Top executive(s) at a company that has a controlling shareholder, where the board, after the shareholder meeting, will not include at least two independent directors and at least one-third of the board members will be independent directors;
  - e) Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of FOR), when that proposal is deemed to be in the interest of independent shareholders; or
  - f) An outside director nominee who attended less than 75 percent of board meetings during the year under review.
2. At companies with a U.S.-type three committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote FOR the election of directors, except:
- a) Where an outside director nominee is regarded as non-independent and the board, after the shareholder meeting, is not majority independent;
  - b) Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors; or
  - c) Where the company has a controlling shareholder, a director nominee sits on the nomination committee and is an insider, or non-independent outsider, when the board, after the shareholder meeting, does not include at least two independent directors and at least one-third of the board members will be independent directors.
3. At companies with a board with audit committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote FOR the election of directors, except:
- a. Where an outside director nominee who is also nominated as an audit committee member (outside director nominees who are not nominated as audit committee members are not subject to this policy) is regarded as non-independent; or
  - b. Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors.

### **III. Article Amendments**

#### **Adoption of a U.S.-style Three Committee Board Structure**

Generally, vote FOR the adoption of a U.S. style, three-committee board structure.

#### **Adoption of a Board with Audit Committee Structure**

Generally, vote FOR an article amendment to adopt a board with audit committee structure. However, if the adoption of the new governance structure would eliminate shareholders' ability to submit shareholder



proposals on income allocation, vote AGAINST the article amendments. Vote CASE-BY-CASE if the board currently has a three-committee structure.

### **Increase in Authorized Capital**

Generally, vote CASE-BY-CASE on this request if the company explicitly provides reasons for the increase.

If the company does not provide reasons for the increase, generally vote FOR proposals to increase authorized capital, unless the increase is intended for a poison pill.

### **Creation/Modification of Preferred Shares/Class Shares**

Generally, vote CASE-BY-CASE on this request.

### **Repurchase of Shares at Board's Discretion**

Vote CASE-BY-CASE on article amendments to give the board discretionary authority over share repurchases, taking into account the company's:

1. Balance sheet conditions;
2. Capital efficiency and return on equity;
3. Past share buybacks and dividend payouts;
4. Board composition;
5. Shareholding structure; and
6. Other relevant factors.

Generally, vote AGAINST these amendments if shareholders will lose the ability to submit shareholder proposals on share repurchases.

### **Allow Company to Make Rules Governing the Exercise of Shareholders' Rights**

Generally, vote AGAINST this change.

### **Limit Rights of Odd Shareholders**

Generally, vote FOR this change.

### **Amendments Related to Takeover Defenses**

Generally, vote FOR this proposal, unless Boston Partners opposes or has opposed the poison pill proposal by itself.

**Decrease in Maximum Board Size**

Generally, vote FOR this proposal, unless the decrease eliminates all vacant seats, leaving no flexibility to add shareholder nominees or other outsiders to the board without removing an incumbent director.

**Supermajority Vote Requirement to Remove a Director**

Generally, vote AGAINST proposals seeking a supermajority requirement to remove a director.

**Creation of Advisory Positions (Sodanyaku or Komon)**

Generally, vote AGAINST amendments to articles of incorporation to create new advisory positions such as “sodanyaku” or “komon,” unless the advisors will serve on the board of directors and thus be accountable to shareholders.

**Payment of Dividends at the Board’s Discretion**

Generally, vote AGAINST proposals allowing the board to pay dividends at its discretion. However, if the company employs board with committee structure and the proposal would not eliminate shareholders’ ability to submit shareholder proposals on income allocation, vote FOR the article amendments.

**Management Buyout Related Amendments**

Generally, vote CASE-BY-CASE on management related buyout amendments.

**IV. Compensation****Annual Bonuses for Directors/Statutory Auditors**

Vote FOR approval of annual bonuses, unless recipients include those who are judged to be responsible for clear mismanagement or shareholder-unfriendly behavior.

**Retirement Bonuses**

Generally, vote FOR approval of retirement bonuses, unless:

1. Recipients include outsiders; or
2. Neither the individual payments nor the aggregate amount of the payments is disclosed; or
3. Recipients include those who are judged to be responsible for clear mismanagement or shareholder-unfriendly behavior.

### **Special Payments in Connection with Abolition of Retirement Bonus System**

Generally, vote FOR approval of special payments in connection with abolition of retirement bonus system, unless:

1. Recipients include outsiders; or
2. Neither the individual payments nor the aggregate amount of the payments is disclosed; or
3. Recipients include those who are judged to be responsible for clear mismanagement or shareholder-unfriendly behavior.

### **Stock Option Plans/Deep-Discounted Stock Option Plans**

#### ***Stock Option Plans***

Generally, vote FOR approval of stock option plans, unless:

1. Total dilution from proposed plan(s) and previous option plans exceeds 5 percent for mature companies, or 10 percent for growth companies; or
2. Recipients include individuals who are not in a position to affect the company's stock price, including employees of business partners or unspecified "collaborators;" or
3. The maximum number of options that can be issued per year is not disclosed.

#### ***Deep-Discounted Stock Option Plans***

Generally, vote FOR approval of deep-discounted stock option plans<sup>10</sup>, unless:

1. Total dilution from proposed plan(s) and previous option plans exceeds 5 percent for mature companies, or 10 percent for growth companies; or
2. Recipients include individuals who are not in a position to affect the company's stock price, including employees of business partners or unspecified "collaborators;" or
3. The maximum number of options that can be issued per year is not disclosed; or
4. No specific performance hurdles are specified (However, if the vesting period before exercise lasts for at least three years, this policy may not apply).

#### ***Director Compensation Ceiling***

Generally, vote FOR proposals seeking to increase director fees, if:

1. The specific reason(s) for the increase are explained; or
2. The company is introducing or increasing a ceiling for performance-based compensation.

Vote CASE-BY-CASE on proposals seeking to increase director fees, taking into account the company's stock price performance and capital efficiency if:

1. The proposals are intended to increase fixed cash compensation or do not specify whether it is fixed or performance-based compensation which will be increased.

Generally, vote AGAINST proposals seeking to increase director fees if there are serious concerns about corporate malfeasance.

**Statutory Auditor Compensation Ceiling**

Generally, vote FOR proposals seeking to increase statutory auditor compensation ceiling, unless statutory auditors are judged to be responsible for clear mismanagement or shareholder-unfriendly behavior.

# **KOREA**

## **I. Operational Items**

### **Approval of Financial Statement**

Vote FOR approval of financial statements, unless:

1. There are concerns about the accounts presented or audit procedures used; or
2. The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

## **II. Election of Directors**

### **Director Elections**

#### ***Independence***

Boston Partners applies a five-year cooling off period to former employees or executives when determining nominee independence in Korea.

Vote AGAINST any non-independent director nominees where the board is less than majority-independent (in the case of large companies) or less than 25 percent independent (in the case of small companies).

#### ***Composition***

For cases where the election of multiple directors are presented as a bundled item, vote AGAINST the entire slate of directors if one of the nominees presents any governance concerns.

### **Voting on Director Nominees in Contested Elections**

Vote CASE-BY-CASE, determining which directors are best suited to add value for shareholders. The analysis will generally be based on, but not limited to, the following major decision factors:

1. Management's track record;
2. Background to the contested election;
3. Nominee qualifications and any compensatory arrangements;
4. Strategic plan of dissident slate and quality of the critique against management;
5. Likelihood that the proposed goals and objectives can be achieved (both slates); and
6. Stock ownership positions.

## **III. Audit Related**

### **Election of Audit Committee Member(s)**

Vote CASE-BY-CASE on the election of audit committee members. Consider the history of a particular director when deciding whether to vote in favor of his/her (re)election.

For small companies, Boston Partners will vote AGAINST a non-independent director nominee if the audit committee is less than two-thirds independent.

#### **Election of Internal Auditor(s)/ Establishment of Audit Committees**

Vote CASE-BY-CASE on the election of internal auditor(s). Consider the history of a particular internal auditor when deciding whether to vote in favor of his or her (re)election.

Under Korean law, small companies are required to appoint at least one internal auditor. These companies may alternatively choose to establish an audit committee. For those small companies which choose to create an audit committee in place of the internal auditor system vote FOR the election of an inside director as an audit committee member only if the company's audit committee, after the election, satisfies the legal requirement.

Generally, vote FOR the establishment of an audit committee as a replacement for the internal auditor system.

### **IV. Capital Structure/Restructuring**

#### **Stock Split**

Generally, vote FOR stock splits or reverse stock splits unless there is potential dilution impact on existing shareholders as a result of stock split and/or reverse stock split.

#### **Spinoff Agreement**

Generally, vote FOR the approval of a spinoff agreement, unless:

1. The impact on earnings or voting rights for one class of shareholders is disproportionate to the relative contributions of the group;
2. The company's structure following the spinoff does not reflect good corporate governance;
3. There are concerns over the process of negotiation that may have had an adverse impact on the valuation of the terms of the offer; and/or
4. The company does not provide sufficient information upon request to make an informed voting decision.
5. There is an accompanying reduction in capital.

#### **Reduction in Capital Accompanied by Cash Consideration**

Generally, vote FOR proposals to reduce a company's capital that accompany return of funds to shareholders and are part of a capital-management strategy and an alternative to a buyback or a special dividend. Such a resolution is normally implemented proportionately AGAINST all outstanding capital, and therefore do not involve any material change relative to shareholder value.

### **Reduction in Capital Not Accompanied by Cash Consideration**

Generally, vote FOR proposals to reduce capital that do not involve any funds being returned to shareholders. A company may take this action if its net assets are in danger of falling below the aggregate of its liabilities and its stated capital. Such proposals are considered to be routine accounting measures.

### **Merger Agreement, Sales/ Acquisition of Company Assets, and Formation of Holding Company**

Generally, vote FOR the approval of a sale of company assets, merger agreement, and/or formation of a holding company, unless:

1. The impact on earnings or voting rights for one class of shareholders is disproportionate to the relative contributions of the group;
2. The company's structure following such transactions does not reflect good corporate governance;
3. There are concerns over the process of negotiation that may have had an adverse impact on the valuation of the terms of the offer;
4. The company does not provide sufficient information upon request to make an informed voting decision; and/or
5. The proposed buyback price carries a significant premium at the date of writing, conferring on shareholders a trading opportunity.

## **V. Compensation**

### **Remuneration Cap for Directors**

Generally, vote FOR approval of the remuneration cap for directors, unless:

1. The proposed cap on directors' remuneration is excessive relative to peer companies' remuneration without reasonable justification; or
2. The company is asking for an increase in the remuneration cap where the company has not provided a reasonable justification for the proposed increase.

### **Remuneration Cap for Internal Auditors**

Generally, vote FOR the remuneration cap for internal auditors, unless:

1. The proposed remuneration cap for internal auditors is excessive relative to peer companies' remuneration caps without reasonable justification; or
2. The company is asking for an increase in the remuneration cap where the company has not provided a reasonable justification for the proposed increase; or
3. There are serious concerns about the statutory reports presented or audit procedures used.

### **Stock Option Grants**

In Korea, the manner in which stock options are granted and exercised is stipulated under the law.

Under Korean law, companies are allowed to grant stock options up to 15 percent of the total number of issued shares pursuant to a shareholder meeting resolution. The board is also allowed to grant stock

options up to 3 percent of the total issued shares and to seek shareholders' approval retrospectively at the first general meeting after the grant.

Generally, vote FOR stock option grant proposals, unless:

1. The maximum dilution level under the plan exceeds 5 percent of issued capital for a mature company; or
2. The maximum dilution level under the plan exceeds 10 percent for a growth company.

### **Amendments to Terms of Severance Payments to Executives**

Generally, vote FOR the establishment of, or amendments, to executives' severance payment terms, unless:

1. The company fails to provide any information in regard to the changes to the terms of severance payments to executives;
2. The negative provisions proposed in a resolution outweigh any positive ones; and/or
3. The company proposes to introduce a new clause that is effectively a golden parachute clause.

### **Stock Option Programs for the Employee Stock Ownership Plan**

Generally, vote FOR article amendments to establish stock option programs for the Employee Stock Ownership Plan if:

1. The company explicitly states that shareholders' approval will be required for the board to grant stock options to individual members of the employee stock ownership plan pursuant to the Framework Act on Labor Welfare, either prior to the grant or retrospectively at the earliest general meeting; and
2. The maximum dilution level under the program does not exceed 5 percent of issued capital for a mature company and 10 percent for a growth company.

### **Golden Parachute Clause**

Generally, vote AGAINST proposals to introduce a provision that entitles the company's directors to an excessive level of remuneration in the event that they are dismissed or terminated.

## **VI. Routine/Miscellaneous**

### **Authorizing Board to Approve Financial Statements and Income Allocation**

Generally, vote AGAINST proposals to introduce a provision that gives the board of directors the authority to approve financial statements and income allocation (including dividend payout). Insertion of such a clause would potentially take away shareholders' right to approve the company's dividend payment decision without any countervailing benefits.



## **RUSSIA AND KAZAKHSTAN**

### **I. Operation Items**

#### **Financial Results/Director and Auditor Reports**

Vote FOR approval of financial statements and director and auditor reports, unless the financial statements and/or auditor's report are not disclosed or are incomplete.

#### **Appointment of Auditors and Auditor Fees**

For widely-held companies, vote AGAINST the authorization of auditor fees, or AGAINST the election of auditors if the authorization of auditor fees is not presented as a separate item, if:

1. Non-audit fees exceed audit-related fees (or any stricter limit under local law or best practice); or
2. Audit fees are not disclosed.

#### **Appointment of Audit Commission**

Vote FOR the election of the audit commission members where the number of nominees is equal to the number of seats on the audit commission unless:

1. Adequate disclosure, including the nominees' names, has not been provided in a timely manner;
2. There are serious concerns about the work and/or the composition of the audit commission;
3. There are serious concerns about the statutory reports presented or the audit procedures used;
4. There are serious concerns over questionable finances or restatements.

Where the number of nominees exceeds the number of seats on the audit commission, vote on a CASE-BY-CASE basis considering the following factors:

1. Nominees' independence and potential conflicts of interest;
2. Nominees' qualifications, experience, and past track records;
3. Current composition of the audit commission.

#### **Early Termination of the Audit Commission**

Vote FOR the early termination of powers of the audit commission unless there are any concerns with the proposal.

## **II. Board of Directors**

### **Cumulative Voting System**

Where the number of candidates is equal to the number of board seats, vote FOR all independent director nominees.

Where the number of candidates exceeds the number of board seats, vote FOR all or a limited number of the independent director nominees considering factors including, but not limited to, the following:

1. Past composition of the board, including proportion of the independent directors vis-a-vis the size of the board;
2. Nominee(s) qualification, knowledge, and experience;
3. Attendance record of the director nominees;
4. Company's free float.

Where none of the director nominees can be classified as independent Boston Partners will consider factors including, but not limited to, the following when deciding whether to vote in favor of a candidate's (re)election:

1. A director nominee, while not classified as independent per Boston Partners' classification of directors, has been classified as independent per company's director classification criteria and/or any other directors classification criteria widely used in the market;
2. A director nominee possesses adequate qualification, knowledge and experience;
3. There are no specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

At companies on the main index, Boston Partners may vote AGAINST all nominees, if none of the proposed candidates can be classified as independent non-executive directors.

Vote CASE-BY-CASE for contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, determining which directors may be best suited to add value for shareholders.

### **Early Termination of Powers of Board of Directors**

Vote FOR the early termination of powers of the board of directors where such a proposal is supported by compelling justification.

Vote AGAINST proposals seeking to alter the composition of the board and resulting in majority shareholder increasing its influence on the board.

### **Election of General Director (CEO)**

Vote FOR the election of the general director, unless there are significant concerns with the proposed candidate and/or compelling controversies with the election process exist.

### **Early Termination of Powers of General Director (CEO)**

Vote FOR (AGAINST) the early termination of powers of the general director where such a proposal is (is not) supported by compelling justification.

## **III. Compensation**

Vote compensation plans on a CASE-BY-CASE basis.

### **Non-Executive Director Compensation**

Generally, vote FOR proposals to award cash fees to non-executive directors, and will otherwise vote AGAINST where:

1. Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
2. Proposed amounts are excessive relative to other companies in the country or industry.
3. The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
4. Proposals provide for the granting of stock options, performance-based places compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.
5. Proposals introduce retirement benefits for non-executive directors.

### **Equity-based Compensation Guidelines**

Boston Partners will generally vote FOR equity-based compensation proposals for employees if the plan(s) are in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:

1. The volume of awards transferred to participants must not be excessive;
2. The potential volume of fully diluted issued share capital from equity-based compensation plans must not exceed the following guidelines:
  - a. The shares reserved for all share plans may not exceed 5 percent of a company's issued share capital, except in the case of high-growth companies or particularly well-designed plans, in which case we allow dilution of between 5 and 10 percent. In this case, we will need to have performance conditions attached to the plans which should be acceptable;
  - b. The plan(s) must be sufficiently long-term in nature/structure: the minimum vesting period must be no less than three years from date of grant;
  - c. The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount;
3. If applicable, performance standards must be fully disclosed, quantified, and long-term, with relative performance measures preferred.

# SINGAPORE

## I. Board of Directors

### Voting for Director Nominees in Uncontested Elections- Independence and Composition

Boston Partners applies a five-year cooling off period to former employees or executives when determining nominee independence in Singapore.

Generally, vote FOR the re-election of directors, unless:

1. The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee;
2. Any non-independent director nominees where the board is less than one-third independent<sup>5</sup>;
3. The nominee is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent under the following scenarios:
  - a. The chairman and the CEO are the same person;
  - b. The chairman and the CEO are immediate family members;
  - c. The chairman is part of the management team; or
  - d. The chairman is not an independent director.
4. The nominee is an executive director serving on the audit, remuneration, and/or nomination committee;
5. The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee.
6. There is a conflict of interest in the resolution(s) to be discussed in the board or committee meeting.

When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote AGAINST if:

1. The nominee is an executive director;
2. The nominee is a non-independent chairman of the board.

Boston Partners will consider an independent non-executive director non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.

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<sup>5</sup> Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence.

Boston Partners will generally vote FOR the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value

## **II. Remuneration**

### **Director Remuneration**

Generally, vote FOR resolutions regarding directors' and supervisors' fees unless they are excessive relative to fees paid by other companies of similar size.

### **Equity Compensation Plans**

Generally, vote FOR an equity-based compensation plan unless:

1. The maximum dilution level for the scheme, together with all outstanding schemes, exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. In addition, Boston Partners will support a plan's dilution limit that exceeds these thresholds if the annual grant limit under all plans is 0.5 percent or less for a mature company (1 percent or less for a mature company with clearly disclosed performance criteria) and 1 percent or less for a growth company.
2. The plan permits options to be issued with an exercise price at a discount to the current market price; or
3. Directors eligible to receive options or awards under the scheme are involved in the administration of the scheme and the administrator has the discretion over their awards.

## **III. Share Issuance Requests**

### **Issuance Requests**

For companies listed on the Mainboard of the Singapore Exchange, generally vote FOR a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 10 percent of the company's issued share capital and 50 percent with preemptive rights.

For companies listed on the Catalist market of the SGX, generally vote FOR a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 20 percent of the company's issued share capital and 100 percent with preemptive rights.

### **General Issuance Requests – Real Estate Investment Trusts**

Generally, vote FOR a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 10 percent of the company's issued share capital and 50

percent with preemptive rights for all Singapore companies, with the exception of Catalist-listed companies and Real Estate Investment Trusts.

For Singapore companies listed on the Catalist market of the SGX, generally vote FOR a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 20 percent of the company's issued share capital and 100 percent with preemptive rights. For Real Estate Investment Trusts, generally vote FOR a general issuance of equity or equity-linked securities without preemptive rights when the unit issuance limit is not more than 20 percent of its issued unit capital and 50 percent with preemptive rights.

### **Specific Issuance Requests**

For issuance requests relating equity compensation plans, apply the policy on equity compensation plans. For other issuance requests, vote on a CASE-BY-CASE basis.

### **Share Repurchase Plans**

Generally, vote FOR resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the price limit for on-market repurchases exceeds 5 percent or the premium over the average trading price of the shares as implied by the price limit for off-market repurchased exceeds 20 percent.

## **IV. Articles and By-law Amendments**

Vote CASE-BY-CASE on proposed amendments to the Articles and By-Laws based on the details of the proposed amendments provided by the company.

In the absence of adequate information that would specify the details of proposed amendments, generally vote AGAINST:

1. The proposed amendments;
2. The adoption of new Articles of Association; or
3. The replacement of the current constitutional document.

Vote CASE-BY-CASE on the adoption of new constitutional document with no previous reference.

## **V. Related Party Transactions**

Generally, vote FOR mandate for recurrent interested-party transactions if such transactions are carried out at arms-length and on normal commercial terms.

## **SOUTH AFRICA**

### **I. Operational Items**

#### **Authority to Ratify and Execute Approved Resolutions**

Vote FOR the authority to ratify and execute approved resolutions, unless opposing all other items on the agenda.

### **II. Board of Directors**

#### **Voting on Director Nominees in Uncontested Elections**

Boston Partners applies a five-year cooling off period to former executives when determining nominee independence in South Africa. Boston Partners applies a three-year cooling off period to immediate family members, auditors, and senior legal advisors.

Generally, vote FOR the election/ reelection of directors unless the director is a non-independent NED:

1. Serving on the audit committee (unless there is a separate annual general meeting proposal specifically covering his/her election as an audit committee member);
2. Serving on the remuneration or nomination committee and there is no majority of independent NEDs on the committee. However, such a consideration should take into account the potential implications for the board's Black Economic Empowerment (BEE) credentials; or
3. The majority of NEDs on the board are not independent. However, such a consideration should take into account the potential implications for the board's BEE credentials.

#### ***Accountability***

Do not support bundled elections.

Alternative Directors: Proposals to re-elect alternate directors will take into account the vote that applies for the director for whom they serve as an alternate. In addition, the specific nature of the alternate role will be considered, for example whether or not the individual serves as a genuine alternate (i.e. only attending board and committee meetings in the absence of a particular director) or appears to have a broader board position.

#### ***Audit Committee Elections***

Vote for the re-election of the audit committee and/or audit committee members, unless:

1. Committee member elections are bundled into a single voting item, and the committee includes one or more non-independent NEDs;

2. Committee members are elected individually, and the audit committee member is a non-independent NED;
3. The board chair is a member of the audit committee, in line with the position stated in King IV. Boston Partners will only apply this provision to large, widely held companies;
4. Repeated absences (less than 75 percent attendance) at committee meetings have not been explained; or
5. There are serious concerns about the accounts presented, the audit procedures used, or some other feature for which the audit committee has responsibility.

Companies (other than those covered by the Banks Act) must establish an audit committee of at least three members, which must be elected by shareholders at the AGM (CA s94).

### ***Social and Ethics Committee Elections***

Vote FOR the reelection of the social and ethics committee and/or social and ethics committee members, unless:

1. The committee does not satisfy the minimum guidelines for membership, as set out in South African company law; or
2. Serious concerns have been raised with the work of the committee during the year.

## **III. Capital Structure**

### **Share Issuance Authorities**

Vote FOR a general authority to place authorized but unissued ordinary shares under the control of the directors, unless:

1. The authority is over a number of shares equivalent to more than 10 percent of the current issued share capital;
2. The authority would allow shares to be used for share incentive scheme purposes and the underlying scheme(s) raises concern; or
3. The company used the authority during the previous year in a manner deemed not be in shareholders' best interests.

Vote FOR a general authority to issue ordinary shares for cash, unless:

1. The authority is over a number of shares equivalent to more than 10 percent of the current issued share capital; or
2. The company used the authority during the previous year in a manner deemed not to be in shareholders' interests.

Vote FOR a general authority to issue preference shares, unless:

1. Following the issue, preference shares would comprise greater than 50 percent of the company's issued share capital; or
2. The terms of the preference shares would adversely affect the rights of existing shareholders.



3. The issue of shares pursuant to a specific transaction will be considered on a CASE-BY-CASE basis, depending on the merits of the underlying deal.

### **Share Buyback Authorities**

Vote FOR a general share buyback authority, unless:

1. The company wishes to repurchase more than 20 percent of its issued share capital over the year;
2. The repurchase can be used for takeover defenses; or
3. There is clear evidence of abuse.

## **IV. Remuneration**

### **Fees for Non-Executive Directors**

Vote FOR the fees payable to non-executive directors unless the proposed fees are excessive, relative to similarly-sized companies in the same sector. Fees should specifically relate to an individual's responsibilities as a non-executive director on the board; open-ended authorities covering ad hoc or consultancy work are generally not supported due to the potential impact on director independence.

### **Approval of Remuneration Policy**

When assessing a company's remuneration policy, Boston Partners will generally vote AGAINST if the level of disclosure around the policy is below what is required for shareholders to make an informed judgment. In the event of satisfactory disclosure, Boston Partners will vote FOR the approval of the executive remuneration policy on a CASE-BY-CASE approach, paying particular attention as to whether:

1. The company operates long-term incentive schemes (including matching shares) which do not have performance conditions attached for all or a substantial proportion of awards;
2. The vesting period for long-term incentive schemes is set at less than three years;
3. Long-term schemes include an element of retesting;
4. The policy provides for grants of share options at a discount to market value;
5. The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g. stringent performance measures);
6. The quality of disclosure around the severance provisions of the executive directors' service contracts, including any potential termination payments, is considered inadequate;
7. The policy is in any way not considered aligned with shareholder interests.

In circumstances where a company has demonstrated a significant shift towards good practice, it may be appropriate for Boston Partners to support remuneration policy resolution, notwithstanding the presence of some historical issues of concern.

### **Approval of Implementation Report**

When assessing the implementation report, Boston Partners will generally vote AGAINST if the level of disclosure regarding the application of the policy is below what is required for shareholders to make an

informed judgment. In the event of satisfactory disclosure, Boston Partners will vote FOR the approval of the implementation report on a CASE-BY-CASE approach, paying particular attention as to whether:

1. Large increases in fixed remuneration have been implemented which have not been adequately explained;
2. The company has made bonus payments, but these have not been clearly linked to performance (including guaranteed bonuses or transaction bonuses);
3. The company has made ex-gratia payments or one-off special awards to executives during the year which have not been adequately explained;
4. The performance conditions for long-term incentive schemes, where applicable, are not disclosed, or are not considered sufficiently challenging or relevant;
5. Significant termination-related or restraint of trade payments have been made to executive directors, and the reasons for these are not disclosed or, where they are disclosed, do not adequately justify the size of the payment;
6. Discretion has been used during the year in a manner not considered consistent with shareholder interests, or the application of the policy is in any way not considered aligned with shareholder interests, with particular attention given to any payments or decisions which have been made outside of the policy framework previously communicated to shareholders.

In circumstances where a company has demonstrated a significant shift towards good practice, it may be appropriate for Boston Partners to support for the implementation report resolution, notwithstanding the presence of some historical issues of concern.

In cases where a serious breach of good practice is identified, and typically where issues have been raised over a number of years, the chair of the remuneration committee (or, where relevant, other members of the remuneration committee) may receive a negative vote.

### **New Equity Incentive Scheme or Amendment to Existing Scheme**

Boston Partners evaluates management proposals seeking approval for a share incentive scheme on a CASE-BY-CASE basis. When judging such items, Boston Partners will generally vote AGAINST if the level of disclosure on the proposal is below what is required for shareholders to make an informed judgment on the scheme. In the event of satisfactory disclosure, Boston Partners will vote FOR the proposal unless one or more of the following apply:

1. Performance conditions do not apply, have not been disclosed or are not considered sufficiently challenging or relevant.
2. Performance conditions can be retested.
3. Performance is measured over a period shorter than three years.
4. The plan allows for option repricing or issue of options at a discount or backdating of options.
5. The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g. stringent performance measures).
6. The scheme provides for potentially excessive individual reward or has no caps on individual participation.

7. The scheme rules allow for accelerated vesting upon termination (including change of control) without reference to relevant performance criteria. In addition, best practice suggests that "good leaver" treatment should include appropriate pro-rating to outstanding long-term incentive awards to reflect any reduced time in service.
8. NEDs can participate in the scheme.
9. The scheme is in any way not considered aligned with shareholder interests.

Proposals to amend a scheme will involve an assessment of the nature of the amendment.

### **Financial Assistance**

Vote FOR a general authority to provide financial assistance, unless:

1. As part of the authority, the company requests a general authority to provide financial assistance to directors, and this is not limited to participation in incentive schemes;
2. The authority would facilitate the operation of an incentive scheme(s) which raises governance concerns, with particular attention given to any schemes which authorize the provision of preferential loans to directors; or
3. As part of the authority, the company seeks approval to provide financial assistance "to any person".

Evidence that the company has used a previous authority in a manner deemed not to be in shareholders' interests would warrant further review and analysis.

## **V. Other Items**

### **New Memorandum of Incorporation (MOI)/ Amendments to the MOI**

Vote on a new MOI or on amendments to the MOI on a CASE-BY-CASE basis, depending on the impact on shareholder rights.

Boston Partners will normally vote AGAINST a MOI which limits retirement by rotation to non-executive directors only.

### **Black Economic Empowerment (BEE) Transactions**

Vote on BEE transactions on a CASE-BY-CASE basis. Factors considered include the overall dilutive impact, the structure of the transaction and the identity of the company's chosen BEE partners. Proposals which are genuinely broad-based are more appealing than those which stand to benefit a narrow group of investors, as are those which have a long-term timeframe.

### **Social and Ethics Committee Report**

Vote FOR the report of the social and ethics committee, unless:

1. The report does not include details of how the committee has undertaken the functions prescribed to it by South African company law; or
2. Serious concerns have been raised with the work of the committee during the year.

## **TAIWAN**

### **I. Allocation of Income and Dividends**

#### **Allocation of Income and Dividends**

Generally, vote FOR approval of the allocation of income and dividends.

When distributing earnings and dividends, companies usually provide shareholders one or a combination of the following:

1. Cash dividends from earnings;
2. Cash dividends from capital reserves;
3. New shares from capital reserves;
4. Stock dividends.

When losses are posted for the year, companies are required to submit the loss offsetting proposals, usually included in the statement of profit and loss appropriation, for shareholder approval, along with the business operations reports and financial statements.

#### **Cash Dividends or New Shares from Capital and Legal Reserves**

Generally, vote FOR proposals to distribute dividends or new shares from capital and legal reserves.

#### **Stock Dividends**

Resolution Type: Special

Generally, vote FOR proposals to distribute stock dividends.

### **II. Capital Reduction**

Generally, vote FOR the capital reduction to offset losses or to distribute cash to shareholders unless:

1. The proposed capital reduction is not conducted on a proportionate basis according to the shareholding structure of the company but instead favors certain shareholders; or
2. The proposed cash distribution is expected to negatively affect the company's day-to-day operations.

### **III. Amendments to Company Articles/By-laws**

#### **Cash Dividend Distribution Plans**

Generally, vote AGAINST proposals for article amendments to grant the board full discretion to decide on the company's cash dividend distribution plan without shareholder approval.

### **IV. Capital Raising**

Generally, vote FOR general authority to issue shares if:

1. A general share issuance mandate that includes a private placement as one of the financing channels if the resulting dilution is limited to no more than 10 percent.
2. A general mandate for public share issuance if the issue size is limited to no more than 20 percent of the existing issued share capital.

Vote CASE-BY-CASE on requests to issue shares for a specific purpose such as the financing of a particular project, an acquisition, or a merger.

### **V. Compensation**

#### **Equity Based Compensation**

Vote CASE-BY-CASE on employee restricted stocks and/or employee stock warrant plans. Vote AGAINST the employee restricted stocks plan and/or employee stock warrants plan if any of the following features is not met:

1. Existing substantial shareholders are restricted in participation;
2. Presence of challenging performance hurdles if awards are issued or exercised for free or at a deep discount; or
3. Reasonable vesting period (at least two years) is set.

### **VI. Release of Restrictions on Directors Competitive Activities**

Vote AGAINST release of restrictions on competitive activities of directors if:

1. There is lack of disclosure on the key information including identities of the directors in question, current positions in the company, and outside boards they are serving on; or
2. The non-nomination system is employed by the company for the director election.

## **UNITED KINGDOM AND IRELAND**

### **I. Operational Items**

#### **Accept Financial Statements and Statutory Reports**

The overall quality of disclosure will be considered, and the weakest examples, such as where the meeting documents are not released in time for investors to review these ahead of the meeting, are likely to attract a negative vote. For smaller companies, other minimum disclosure requirements include:

The identity of all the directors, their board roles, committee memberships and independence classification;

1. List of major shareholders;
2. Attendance at board and committee meetings; and
3. Details of compliance against a "recognized corporate governance code" (as required by the AIM Rules).

In addition, where no appropriate resolution to target an investor's specific concern is on the ballot, Boston Partners may vote AGAINST this resolution. Specific concerns include:

1. Absence of sufficient independent representation on the board and the key committees (if the relevant director is not standing for election/re-election)
2. Absence of regular re-election for all directors (once every three years at a minimum); and
3. Remuneration not aligned with expected market practice (if there is no remuneration report or remuneration policy resolution on the agenda).

Concerns raised in the first year may not lead to a negative vote; this is more likely in the event of repeated concerns identified over a number of years.

### **II. The Board of Directors**

#### **Gender Diversity**

Generally vote AGAINST the chair of the nomination committee (or other directors on a CASE-BY-CASE basis) in the following cases

1. The company is a constituent of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women.
2. The company (excluding investment trusts) is a constituent of any of the following, and there is not at least one woman on the board:
  - a. FTSE Small Cap;
  - b. ISEQ 20;
  - c. Listed on the AIM with a market capitalization of over GBP 500 million.

Mitigating factors include:

1. Compliance with the relevant board diversity standard at the preceding annual general meeting and a firm commitment, publicly available, to comply with the relevant standard within a year. In 2021 only, for FTSE 350 constituents, a public commitment to bring the composition of the board in line with the recommendations of the Hampton-Alexander Review by the following annual general meeting will not result in a negative recommendation, regardless of the previous composition of the board.
2. Other relevant factors as applicable.

### **Board Independence and Tenure**

Directors are assessed on a CASE-BY-CASE basis, although a non-executive director is likely to be considered as non-independent if one (or more) of the issues listed below apply, in accordance with the U.K. Governance Code. The director nominee:

1. Has been an employee of the company or group during the last five (5) years;
2. Has, or a connected person has had, within the last three (3) years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
3. Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or performance-related pay schemes, or is a member of the company's pension scheme;
4. Has close family ties with any of the company's advisers, directors or senior employees;
5. Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
6. Represents a significant shareholder;
7. Is attested by the board to be a non-independent non-executive director;
8. Is a former board chair; or
9. Has a substantial personal shareholding of greater than 1 percent (greater than three percent for small companies; greater than 1 percent for investment companies provided the investment trust is listed in the FTSE All-Share index); or
10. Tenure.

Also, the non-executive director of either a venture capital trust or an investment trust is likely to be considered as non-independent if he or she holds a directorship in one or more investment companies or venture capital trusts managed by the same manager, or they have a relationship with the investment manager.

At investment trusts, tenure is not taken into account when assessing independence. However, classified boards are an issue of concern. As a result, if more than half the board has served in excess of nine years, a negative vote would over time be applied to the chairman's re-election.

Non-executive directors that have served concurrently with an executive director for over nine (9) years, are deemed non-independent.

If a non-executive director has served for fifteen (15) years on the board, Boston Partners deems such individuals as non-independent.

The board chair should not remain in post for more than nine (9) years from the date of their first appointment to the board. However, their appointment can be extended for a limited time particularly in those cases where the chair was an existing non-executive director on appointment, to facilitate effective succession planning and the development of a diverse board. Vote CASE-BY-CASE on the re-election of a tenured chair taking into account:

1. Succession planning;
2. Diversity; and
3. Board independence.

### **Board and Committee Composition**

Generally, vote AGAINST any non-independent, non-executive director whose presence on the board, audit, or remuneration committee renders the board or committee insufficiently independent, unless the company discloses details of how the issue of concern will be resolved by the next annual general meeting.

Non-independent non-executive directors serving on the nomination committee are assessed on a CASE-BY-CASE basis.

For all companies with a premium listing, at least half the board should comprise non-executive directors determined by the board to be independent.

For companies in the FTSE 350, the audit committee should comprise at least three non-executive directors, and all members should be independent. The board chair should not be a member of the audit committee. The remuneration committee should also comprise at least three non-executive directors and again, all members should be independent. In addition, the board chair may also be a member of, but not chair the remuneration committee if he or she was considered independent on appointment as chair. A majority of the nomination committee should be independent non-executive directors.

For companies in the FTSE All Share below the FTSE 350, the board should establish audit and remuneration committees with at least two members on each committee, all of whom should be independent non-executive directors. The board chair may be a member of, but not chair, of the remuneration committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chair. A majority of the nomination committee should be independent non-executive directors.

For FTSE Fledgling companies, the audit and remuneration committees should be fully independent and should include a minimum of two independent non-executives. The majority of the members of the nomination committee should be independent. The chair may sit on the remuneration committee (but not the audit committee) provided that he/she continues to be considered independent.

## **III. Compensation**

### **Remuneration Policy**

Vote the resolution to approve the remuneration policy on a CASE-BY-CASE approach, paying particular attention as to whether:



1. The overall remuneration policy or specific scheme structures are not over-complex, have an appropriate long-term focus and have been sufficiently justified in light of the company's specific circumstances and strategic objectives;
2. The company's approach to fixed remuneration is appropriate, with a particular focus on the extent to which pension contributions are aligned with those available to the wider workforce, as recommended by the UK Code;
3. The award levels for the different components of variable pay are capped, and the quantum is reasonable when compared to peers, and any increase in the level of certainty of reward is accompanied by a material reduction in the size of awards;
4. Increases to the maximum award levels for the LTIP and bonus have been adequately explained;
5. Performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, with vesting levels and holding periods that are in line with UK good practice;
6. Change of control, good leaver and malus/clawback provisions are in line with standard practice in the UK market;
7. The shareholding requirement for executive directors is a minimum of 200 percent of base salary, with an appropriate post-employment shareholding requirement in place;
8. Service contracts contain notice periods of no more than twelve months' duration and potential termination payments are linked to fixed pay with no contractual entitlements to unearned bonus on termination;
9. Non-executive directors do not receive any performance-related remuneration beyond their standard fees;
10. The treatment of new joiners is appropriate, with particular attention paid to the use of buy-out awards, and that the potential for any additional awards is capped;
11. The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; and
12. There are no issues in the policy which would be of concern to shareholders.

Where a policy contains multiple areas of non-compliance with good practice, the vote will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall FOR vote, whereas a single, serious deviation may be sufficient to justify an AGAINST vote.

The binding vote on the remuneration policy is forward-looking and in most cases will apply for three years. Therefore, many shareholders will want to ensure that the policy takes into account good market practice in a number of key areas including:

1. The start and end date of the policy;
2. Base salaries;
3. Benefits and pensions;
4. Annual bonus;
5. Long-term incentive plans (LTIP);
6. Claw back provisions;
7. Good leavers;

8. Change in control;
9. Shareholding requirement;
10. Executive directors' service contracts, including exit payments;
11. Arrangements for new joiners;
12. Discretion;
13. Non-executive director pay; and
14. All-employee schemes.

For smaller companies, a negative vote would be considered if any of the following applied:

1. Executive directors are not employed under formal service contracts, or their service contracts, in the event of termination, provide for more than 12 months' notice;
2. Vesting of incentive awards is not conditional on the achievement of performance hurdles;
3. Re-testing is allowed throughout the performance period; or
4. There are any other serious issues with the policy when measured against good market practice.

### **Remuneration Report**

Vote the resolution to approve the remuneration report on a CASE-BY-CASE approach, paying particular attention as to whether:

1. Any increases, either to fixed or variable remuneration, for the year under review or the upcoming year were well-explained and not excessive;
2. The bonus received and/or the proportion of the LTIP which vested was a fair reflection of the performance achieved;
3. Performance targets are measured over an appropriate period and are sufficiently stretching;
4. Targets for the bonus or the LTIP are disclosed in an appropriate level of detail;
5. Any exit payments to good leavers were reasonable, with appropriate pro-rating (if any) applied to outstanding long-term share awards;
6. Any special arrangements for new joiners were in line with good market practice;
7. The remuneration committee exercised discretion appropriately; and
8. There are no issues in the report which would be of concern to shareholders.

Where the report contains multiple areas of non-compliance with good practice, the vote will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall FOR vote, whereas a single, serious deviation may be sufficient to justify an AGAINST vote.

For small companies, when assessing remuneration report resolutions, a negative vote would be considered if any of the following applied:

1. Disclosure of pay practices is poor. This would include if the individual emoluments paid to each director are not disclosed, or if the performance metrics which applied to LTIP awards made during the year under review are not disclosed;

2. NEDs have received performance-related pay during the year under review;
3. Options have been re-priced during the period under review;
4. Re-testing is allowed throughout the performance period;
5. Share awards granted to executive directors during the year under review feature a performance period of less than three years; or
6. There are any other serious issues with the report when measured against good market practice.

The award of options to NEDs is not in line with best practice as it can cause a potential conflict of interest that may affect an NED's independent judgment. Therefore, NEDs should be remunerated with basic fees only, in the form of cash and/or shares.

### **Approval of a New or Amended LTIP**

Vote the resolution to approve a new or amended LTIP on a CASE-BY-CASE approach, paying particular attention as to whether:

1. The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset;
2. The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained;
3. Any increase in the level of certainty of reward is matched by a material reduction in the size of awards;
4. The maximum payout is capped;
5. The vesting levels for threshold and on target performance are in line with market norms, with threshold vesting generally no higher than 25 percent. However, as much as 25 percent may be considered inappropriate if LTIP grants represent large multiples of salary.
6. The LTIP is in line with the current remuneration policy;
7. Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK market;
8. The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice;
9. The scheme is operating within dilution limits that are aligned to the relevant UK market standards. Namely, no more than 10 percent of the issued share capital should be issued under all incentive schemes in any rolling 10-year period, and no more than 5 percent of the issued share capital should be issued under executive (discretionary) schemes in any rolling 10-year period, in line with the guidelines established by the Investment Association; and
10. There are no issues with the plan which would be of concern to shareholders.

Where the plan contains multiple areas of non-compliance with good practice, the vote will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall FOR vote, whereas a single, serious deviation may be sufficient to justify an AGAINST vote.

## **IV. Capital Structure**

### **Authorize Issue of Equity with and without Pre-emptive Rights**

Generally, vote FOR a resolution to authorize the issuance of equity, unless:

1. The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or
2. For small companies, the routine authority to disapply preemption rights exceeds 10 percent of the issued share capital in any one year. For larger companies, the routine authority to disapply preemption rights exceeds 10 percent of the issued share capital, provided that any amount above 5 percent is to be used for the purposes of an acquisition or a specified capital investment.

For investment companies, generally, vote FOR a resolution to authorize the issuance of equity if there is a firm commitment from the board that shares would only be issued at the price at or above net asset value. Otherwise, generally vote FOR a resolution to authorize the issuance of equity, unless:

1. The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or
2. The routine authority to disapply preemption rights exceeds 5 percent of the issued share capital in any one year.

Share issuance proposals which involve the issue of C shares will be considered using the above guidance.

### **Authorize Market Purchase of Ordinary Shares**

Generally, vote FOR the resolution to authorize the market purchase of ordinary shares, unless:

1. The authority requested exceeds the levels permitted under the Listing Rules; or
2. The company seeks an authority covering a period longer than 18 months.

Boston Partners will generally support this resolution if it is in line with the Listing Rules LR 12.4.1 which allows companies to buy back up to 15 percent of their shares in any given year, provided that the maximum price paid is not more than 5 percent above the average trading price.

Under the Companies Act 2006, the share buyback authority cannot be for a period longer than five years. Boston Partners recommends that the renewal of such authorities be requested annually, and that the

duration be no longer than 18 months or until the next annual general meeting, if sooner. However, Boston Partners will support a five-year authority if, in practice, the company has a history of reverting to shareholders annually.

## **V. Other Items**

### **Authorize EU Political Donations and Expenditure**

Generally, vote FOR the resolution to authorize EU political donations and expenditure, unless:

1. The company made explicit donations to political parties or election candidates during the year under review;
2. The duration of the authority sought exceeds one year and the company has not clarified that separate authorization will be sought at the following annual general meeting should the authority be used; or
3. No cap is set on the level of donations.

### **Continuation of Investment Trust**

For investment companies, Boston partners will vote FOR when the board has tabled the resolution to comply with the requirement in the trust's articles of association that this vote be put to shareholders at regular intervals, and there are no issues of concern.

If the board has called a special meeting, due to the shares trading at a discount to net asset value over a prolonged period, Boston Partners will consider the issues on a CASE-BY-CASE basis.

**END**