

Boston Partners' Policy on Good Corporate Governance Characteristics of Issuers

Definition and Purpose of Corporate Governance: Corporations are legal entities created by societies because they are an efficient form of organization and society benefits from their existence. Corporations contribute to economic growth and development, which in turn leads to improved standards of living as well as the alleviation of poverty and the creation of more stable political systems.

Corporate governance is the relationship between managers, directors and shareholders of a corporation and the way a corporation assures investors that it has in place well performing management who ensure that corporate assets are being put to appropriate and profitable use. The primary corporate objective is to return a profit to shareholders. Corporate governance rests primarily with the Board of Directors.

When corporate governance is effective, it provides managers with oversight and holds boards and managers accountable in their management of corporate assets. This oversight and accountability combined with the efficient use of resources, improved access to lower-cost capital and increased responsiveness to societal needs and expectations should lead to improved corporate performance. Effective corporate performance should make it more likely that managers focus on improving firm performance and are replaced when they fail to do so.

Characteristics of Good Corporate Governance: Boston Partners considers the following as characteristics of good corporate governance. A corporation does not need to satisfy each characteristic to have good corporate governance.

1. *Board independence.* The Board should be comprised mostly of directors who are *independent* as that term is defined under the NYSE listing rules. Independent directors should at least comprise a majority of directors and preferably should just have one non-independent director such as the CEO.
2. *Chairman independence.* The Chairman of the Board should be an independent director. In the absence of an independent Chairman, there should be a strong Lead Independent Director.
3. *Classified Boards.* All directors should be elected annually. Classified boards are not shareholder friendly.
4. *Dual class stock with unequal voting rights.* All shares should have the same voting rights. Dual class stock with unequal voting rights disenfranchises the shareholders who have the stock with lesser voting rights and can lead to poor capital allocation decisions.
5. *Shareholder rights:* Shareholders should have the right to call a special meeting based on the request of shareholders holding at least 10% of the outstanding shares of the issuer. Shareholders should also have the right to act by the written consent of shareholders holding the number of shares required to take action at

a meeting. Shareholders should have a reasonable right of proxy access and should be able to vote to amend the by-laws.

6. *Code of Ethics*: The issuer should have a comprehensive Code of Ethics that addresses all topics including areas such as bribery and corruption. The code should apply to all employees and, where relevant, contractors. There should be a similar code requirement for suppliers.
7. *Whistle blower reporting*. The issuer should have a way for employees or contractors/suppliers to report violations of law or other unethical behavior. The reporting method should include an ability to report to a third-party. Issuers should disclose annually the number of claims made through the whistle blower reporting mechanism, as well as the number of any other Code of Ethics violations, the category of the claim and the disposition of claims including number of employees disciplined or terminated.
8. *Overboarding*: Directors should not serve on more than 4 public company boards and if a Director is the CEO should not serve on more than 3 public company boards.
9. *Board refreshment*. Boston Partners is cognizant of the longevity of board members and the Board turnover but does not focus on Board refreshment or particular skill sets. Boston Partners focuses on the likelihood that a director will provide intelligent, inquisitive oversight.
10. *Board diversity*. Boards should have at least one member that is a racial minority and should have at least one director of the non-majority gender if there are 6 or fewer total directors or 2 directors of the non-majority gender if there are 7 or more directors.
11. *Key Committees*: Issuers should have a Nominating Committee, a Corporate Governance Committee and an Audit Committee with only independent directors as members.
12. *Compliance with Corporate Governance Codes*: In some jurisdictions, the government or a recognized NGO has promulgated a corporate governance code that sets forth what are considered good corporate governance practices in that jurisdiction. The corporate governance code provisions may be less stringent than the corporate governance principles set forth in this policy. Boston Partners will defer to an issuer's compliance with its local corporate governance code, if the code is from a jurisdiction with a reputable system of laws and regulations but will encourage issuers to adhere to Boston Partners' principles of good corporate governance exceeding the requirements of the applicable corporate governance code.
13. *Approval of auditors*. Shareholder approval of the issuer's auditors should be required annually.
14. *Say on pay*. Shareholders should have a right to vote on the propriety of the executive compensation program annually.
15. *Director compensation*: Directors should not receive performance-based compensation and equity grants should be in restricted shares and not options.
16. *Executive compensation*: The Directors, through the Compensation Committee, should establish a process to ensure that management is appropriately motivated by the compensation structure to attain the goals of the issuer. The

Compensation Committee should take appropriate third-party advice and consider the compensation of an appropriate peer group. Sustainability goals should be included as one of the determinants of compensation. Equity compensation should favor performance-based awards, and the adjusted burn rate should not exceed 3.5%.

17. *Sustainability structure.* The Directors should establish a competent sustainability structure with assigned duties and appropriate goals and ensure that there is comprehensive sustainability disclosure, preferably in accordance with a recognized reporting standard.
18. *Risk Management:* The Directors should ensure that management is cognizant of all material risks to the business and reputation of the issuer and have sufficient processes in place to monitor and ameliorate that risk.
19. *Tax Strategy:* Directors and management should structure the issuer's operations to produce the lowest corporate tax rate as the corporate tax is effectively double taxation of income to shareholders. However, Directors should recognize that tax strategies that are unreasonable or aggressive may ultimately result in lower returns to shareholders because of tax penalties and reputational harm.

Interpretation: Any interpretation of this Boston Partners' Policy on Good Corporate Governance shall be made by the Management Committee whose interpretation shall be final and binding.