BNY MELLON | INVESTMENT MANAGEMENT

MELLON

2019 MELLON PROXY VOTING REPORT

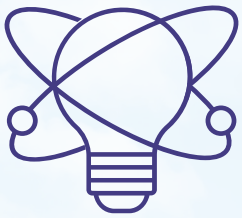
We believe in the power of markets to solve the world's greatest challenges.

Mellon is a global investment manager delivering innovative, sophisticated solutions focused on one goal – value creation.

See what the power of markets can do for you.

INNOVATION

Creative. Decisive.
We empower people to make things happen.



INTEGRITY

Principled. Fair.
We choose to do the right thing.

TEAMWORK

Collaborative. Inclusive.
We are stronger together.

$545.3B
Assets Under Management

500+
Employees

25
Countries & Territories Serviced

HEADQUARTERED IN: BOSTON

OFFICES IN: PITTSBURGH, SAN FRANCISCO, LONDON, SINGAPORE & HONG KONG

ASSETS BY PRODUCT LINE

$138.7B	$43.9B	$26.0B	$336.5B
FIXED INCOME	EQUITY	MULTI-ASSET	INDEX

Employee total includes employees of affiliated entities acting as dual officers and/or associated persons of Mellon. Location of affiliated entities providing services. Variations in totals due to rounding.

Mellon Proxy Voting

At Mellon, we have a fiduciary responsibility to our clients. We seek to make proxy voting decisions that are in the best long-term economic interest of our clients. As shareholders, we approach proxy voting with the same analysis and engagement that we apply to our investment activities. Our belief is that a company's environmental, social and governance (ESG) practices have a long-term effect on a company's economic value, and therefore we consider these factors when voting proxies. We understand that we owe each of our clients a duty of care and loyalty with respect to voting proxies.

Committee Chair Statement

BNY Mellon's founder Alexander Hamilton strived to provide lasting financial stability for a new nation. At Mellon, we are committed to this legacy and vote our proxies in a manner that results in the long-term improvement of all the stakeholders of the companies in which we invest our clients' capital. We firmly believe that ESG issues are an important consideration to reduce risk, increase financial stability and drive long-term returns.

As a large, global investment manager, we have access to companies' senior management and board of directors. Industry-wide, investment managers are increasingly relying on proxy voting engagement for company access that was once primarily provided by the sell side. Mellon's Proxy Voting Committee is a vital platform for direct discussions with board members and management teams. In addition, investment professionals across the firm utilize these meetings to gain unique insight into a company's decision-making process.

Most importantly, we believe companies should be good stewards. Encouraging companies to do the right thing for their employees, customers and the environment, in addition to their shareholders, ultimately creates the most value. Critical to this is the adoption of a long-term mindset. When company management adopts a long-term view, the goals of value creation and stewardship do not have to be in conflict. A long-term approach allows stakeholders' interests to align with those of shareholders. Good stewardship, supported by a long-term outlook, will benefit everyone. Through proxy voting we can act not only with our words but also with our votes.

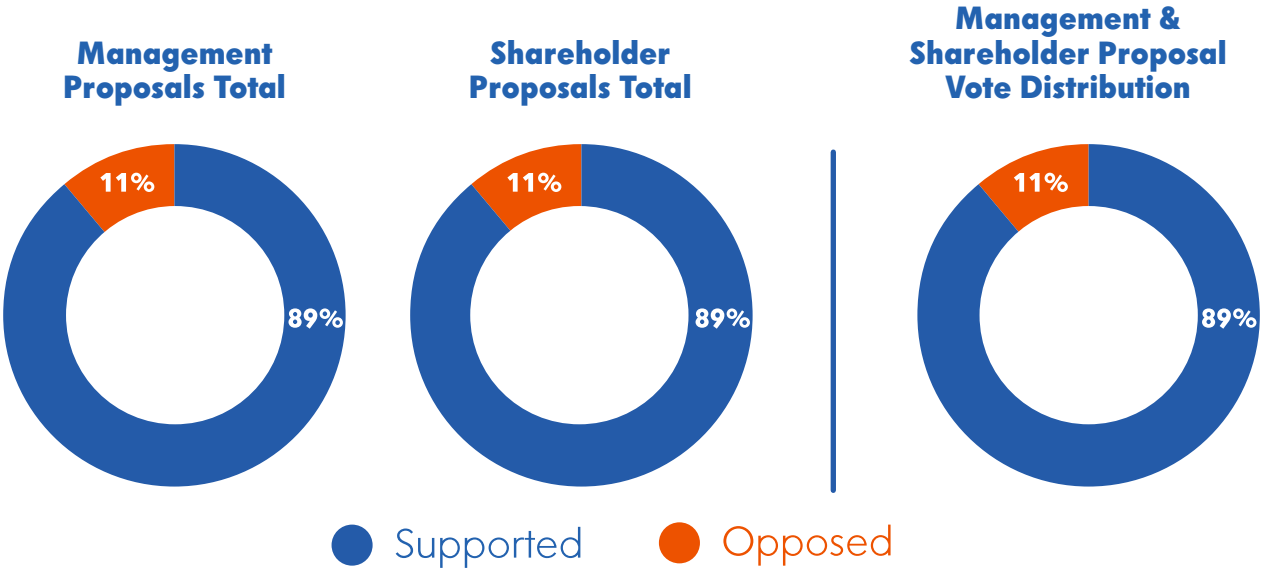
Our inaugural report highlights Mellon's engagement and proxy voting activities in 2019. We are proud of our voting record, which demonstrates our commitment to voting against egregious company compensation that detracts from shareholder value and supporting shareholder environmental and social proposals. While we could highlight many engagement activities, the following examples demonstrate our engagement with company management and boards for the benefit of long-term shareholder value.

John Bailer, CFA

Chair of Mellon's Proxy Voting Committee

Proxy Voting: Decisions & Rationale

When we think about governance issues, company incentives must align with the creation of shareholder value. Compensation is a transfer of wealth from shareholders to management, and we ensure that compensation is commensurate with shareholder benefit. On environmental issues, we believe that companies harming our planet are not only bad actors that should change their behavior, but will also suffer from material long-term financial challenges. On social issues, we believe board gender diversity fosters diversity of opinion. We are not afraid to vote against directors that lack diversity and female representation. We also prefer independent boards and will vote against directors if average board tenure is longer than 12 years. We believe refreshed boards comprising diverse backgrounds and opinions lead to independence and improved decision making. Here are some examples of how those principals governed our votes this year.



Management Proposals	Supported Management	Opposed Management
Governance Related	86%	14%
Capital Management Related	93%	7%
Board Related	91%	9%
Compensation Related	74%	26%
Management Proposal Total	**89%**	**11%**
Shareholder Proposals	**Supported Management**	**Opposed Management**
Governance & Compensation	90%	10%
Environmental & Social	85%	15%
Political	56%	44%
Shareholder Proposal Total	**89%**	**11%**

48% PERCENT OF MEETINGS WHERE WE OPPOSED AT LEAST ONE MANAGEMENT RECOMMENDATION

Hologic, Inc.

We voted against Hologic's compensation proposal due to ongoing concerns regarding the company's annual compensation program. These are underscored by previously raised concerns regarding the structure and magnitude of a one-time retention grant for the CEO. In particular, the inclusion of time-vesting equity as a significant portion of the CEO's annual equity grants and a one-time retention award resulted in the CEO receiving $17.5 million in equity in a single year. This equity also lacks performance vesting criteria. In addition, a relative total shareholder return (TSR) goal targeting the median of peers is not rigorous. Our concerns over the long-term goals were exacerbated by the use of the same goals for the CEO's $30 million retention grant.

FedEx Corporation

We voted against FedEx's compensation proposal. While it is positive that the board decided against annual bonuses for Named Executive Officers (NEOs) in recognition of poor performance, the increase in the CEO's target short-term incentive (STI) opportunity is not sufficiently explained. In addition, sizable long-term awards position the CEO's total compensation near the median despite the long-term underperformance of total shareholder returns. Further, the annual incentive program allows for significant committee discretion and time-vested long-term incentives, resulting in an overall pay structure that is not based on rigorous performance requirements.

Ubiquiti Networks Company

We withheld our vote for an Audit and Nominating and Governance committee member due to the lack of gender diversity on the board and the Committee's failure to effectively oversee risk management for the company's pledging activity. The board also lacks gender diversity as there are no female directors serving on the board, which we believe is grounds for withholding our vote. As of December 2018, 80% of companies in the Russell 3000 Index (excluding the S&P 500® Index) had at least one female director. The CEO is permitted to pledge up to 28% of owned shares. Given the magnitude of the pledged position, the absence of a clear rationale for pledging, and the lack of an anti-pledging policy, we believe Ubiquiti's pledging activity calls into question the Committee's ability to effectively oversee risk.

Waste Connections, Inc.

We voted for a shareholder proposal requesting the company disclose a formal written diversity policy and report on their plans to increase the representation of women on the board and among its executive officers. We arrived at this decision based on evidence demonstrating the company lagged peers in 1) women representation on the board, 2) the adoption of a formal gender diversity policy, and 3) setting increased targets for gender diversity at the board and senior management levels. Of the board's six directors, one was a woman (17%), and of their 19-member management team, three were women (16%). We also found that, generally, the company does not provide meaningful disclosure concerning the diversity of its workforce or the programs it has in place to promote workforce diversity.

Altice USA, Inc.

We voted against a director because the nominee was the CFO and president but held less than 1% voting power. Our policy does not support any company employee occupying a board seat unless that employee is the CEO or holds at least 1% voting power.

MGM Resorts International

We voted against their say-on-pay proposal due to a significant cash payout and the short-term nature of incentives. There was an average payout of $20 million per year, which we deemed too high. MGM also implemented one-year performance periods on select vehicles, which we believe could incentivize short-term decision making at the expense of long-term shareholder value creation.

The Goldman Sachs Group

We voted against Goldman Sach's say-on-pay proposal due to substantial amounts of at-risk pay for three senior executives. Meanwhile, three other executives received 100% restricted stock units (RSUs). In addition, we raised concerns over the magnitude of compensation.

Skechers USA, Inc.

We voted for a shareholder proposal that aimed to increase board diversity and ensure the consideration of female and minority candidates during board member selection. Skechers significantly lagged its peers in the representation of women on its board. Of nine board members, none were women. The company also failed to adopt a formal gender diversity policy and did not set targets for increased gender diversity at the board and senior management levels. Generally, Skechers did not provide meaningful disclosure concerning the diversity of its workforce or information surrounding programs in place to promote workforce diversity.

Amazon.com, Inc.

We voted for a shareholder proposal requesting the company publish a report detailing plans for disruptions posed by climate change and the reduction of company-wide dependence on fossil fuels. Amazon did not appear to properly manage these risks and lagged peers including Alphabet, Facebook, Walmart, Ebay, and UPS in sustainability-related disclosures. The board did not appear to provide oversight of issues related to climate change and the company neglected to prepare a Corporate Sustainability Report. The company also failed to disclose greenhouse gas emissions and reduction targets.

Amphenol Corporation

We voted for a shareholder proposal requesting Amphenol fully disclose its human rights risk assessment process. Amphenol released limited information on its approach to managing forced labor risks within its supply chains, with few disclosures on the themes of commitment and governance, traceability and risk assessment, and monitoring. In a 2018 supply chain bench marketing report, Amphenol scored 9/100 points. Of the 40 companies reviewed, Amphenol ranked 34, placing the company in the second lowest decile. We believe Amphenol must improve its performance and disclosures on the themes of commitment and governance, recruitment and purchasing practices. In particular, Amphenol should consider developing and disclosing a supplier code of conduct that covers forced labor.

Proxy Engagement

Engagement is an important part of the value that we offer our clients. The Committee members reflect that passion and must have investment decision-making authority over client accounts. Investment professionals work diligently to stay apprised of board member activity and partner with the Committee to identify potential disruptions to a company's business. These investment professionals frequently meet with companies and have an intimate understanding of their business, allowing us to broaden the conversation beyond compensation and proactively address company-specific issues with management and board members. Leveraging this expertise and alignment, we can more effectively engage with company management, CEOs and boards of directors to change their behavior for the better and maximize the value we provide to our clients.

Walt Disney Co

On February 21, the BNY Mellon Proxy and Governance committee voted against the say-on-pay proposal and compensation for two committee members for the Walt Disney Company proxy. We were concerned that CEO Bob Iger's pay was unreasonable due to the apparent imbalance between short-term and long-term awards, and we felt there should be more long-term equity. The awards were based on earnings-per-share, which is prone to manipulation. It also included a significant extra payment for the successful completion of the 21st Century Fox merger. The Proxy Committee believes that merger and acquisition activity is part of a CEO's regular responsibilities and should not earn additional compensation. Additionally, the company set performance ranges below the previous year's threshold and we feel it should typically be set higher each consecutive year.

On February 28, the BNY Mellon Proxy Committee and Mellon portfolio managers and analysts hosted General Motors, the CEO of which is also on Disney's Board of Directors and Compensation Committee. After meeting to discuss General Motor's governance, strategy, sustainability and compensation, we approached the CEO in her capacity as a Disney Compensation Committee member. We informed her of our decision to vote against her in the upcoming Disney vote due to our compensation concerns, which immediately started a dialogue between compensation lawyers for Disney and the Chairman of BNY Mellon's Proxy and Governance Committee, John Bailer. Following those discussions, Disney announced that the board cut CEO Bob Iger's 2019 annual compensation from $48 million to $35 million. Included in the cut was a mixture of annual cash bonus, reduced options and performance share unit (PSU) grants and other compensation.

Due to these changes, we updated our vote in favor of the Compensation Committee members. We voted against the say-on-pay proposal as we felt the board could further improve its pay policy. As the ninth largest Disney shareholder, we believe our actions carried significant weight in the board's decision to amend management compensation. Following this vote, two compensation committee board members met with our Proxy Committee on September 3 to solicit our thoughts on the compensation policy. The board plans to leverage our guidance in setting the new compensation structure for Disney's next CEO.

Honeywell International Inc.

Over years of candid engagement with Honeywell's management team, Mellon has developed a constructive and open platform for dialogue regarding compensation guidelines and disclosures. Through this engagement, Honeywell's management identified areas for improvement in its compensation reporting to better reflect the shareholder value transfer.

In September 2019, BNY Mellon representatives met with Honeywell officers and expanded the discussions to understand how sustainability was incorporated into the company's business operations. The company outlined quantitative metrics and targets related to emissions, as well as highlighted efforts to improve workplace diversity and integrity, including refreshing the board and reducing their average tenure. We also discussed Honeywell's response to shareholder requests for reports on lobbying payments and a lower threshold for shareholders to call special meetings from the 2018 approved reduction to 15%, as well as how these decisions would impact financials, trade association relations and strategic initiatives.

Equifax Inc.

Mellon representatives met with officers at Equifax in December 2019, continuing previous conversations that followed Equifax's 2017 security breach. The primary focus of the meeting was Equifax's renewed interest in providing more effective disclosures around efforts the company undertook to improve initiatives surrounding human capital resources, environmental sustainability and social governance.

Equifax increased its diversity at both the Board of Director and Management level and engaged more women in leadership programs. The corporation is also looking into financial inclusion, which we believe will help generate wider economic growth for a variety of beneficiaries.

We offered feedback on ways the company can improve ESG and corporate social responsibility (CSR) disclosures on its website by creating more interactive data that is easier to obtain and recognize.

US Utilities

Early in 2019, we initiated a letter writing campaign seeking improved shareholder disclosure. We sent 29 letters to the largest publicly traded US utilities requesting peer-comparable environmental and safety information that could help inform investment decisions. Specifically, we asked that this data be more prominently displayed in investor decks. The response has been robust.

Investors are beginning to evaluate externalities that may impact their analyses of financial-only data. Management teams and investors must dedicate more time to discussing these key risks and opportunities and their impact on company operations. Our fundamental equity team uses this data in our valuation processes, including our risk and liability estimations, and expect others will follow suit.

Showcasing environmental and safety performance in investor decks highlights the importance of this data in preserving and creating enterprise value. Sustainability and corporate citizenship reports are powerful but target varying, often non-investor audiences. Consequently, investment-useful, peer-comparable investor data is frequently hard to locate.

The letters spurred conversations and visits with corporate attorneys, sustainability officers, engineers, board members, CEOs and investor relations representatives. The call to action is widely acknowledged thanks to The Edison Electric Institute (EEI), which already championed a similar initiative. EEI, whose members comprise its administrators, recommended a standard template for reporting environmental and safety intensity data. However, these disclosures currently reside in separate sustainability and corporate responsibility reports. We specifically requested that the data be more prominent in presentations and part of mainstream conversations with investors.

We expect that leaders who prominently display peer-comparable environmental and safety information in their investor decks will attract more capital—if not for superior environmental and safety performance then for the data's signals about corporate culture and operational efficiency.

Data that is comparable across companies and over time will enable us to gauge specific and relative performance. We expect "cleaner," safer and more efficient companies will stand out and post better-than-peer returns, ultimately improving the industry's environmental and safety footprint. As a result of this initiative, EEI invited us to speak at its annual financial conference to educate the industry on our perspective.

US E&P and Refiners

We initiated our first letter-writing campaign in 2017 when we sent 21 letters to the largest publicly traded US exploration & production (E&P) and refining companies. Similar to our 2019 campaign, we requested that investment-useful, peer-comparable environmental and safety information be more prominently displayed in investor decks.

As a follow-up to our initial campaign, we further engaged several of the letter recipients in 2019, including Occidental Petroleum, Devon and Noble Energy. We met with Occidental representatives to assess the impact of the company's addition of sustainability and ESG metrics to midterm bonus calculations. As a result of our letter campaign, Devon and Noble Energy developed improved disclosures, standardized E&S metrics and now include more material, relevant data in their investor relations decks.

During the meeting with Devon management, we expanded our conversation to share Mellon's executive compensation guidelines and addressed the breakout of long-term and short-term compensation, highlighting Devon's limited disclosure in this area.

Exxon Mobil Corporation

On May 17, we met with representatives from Exxon Mobil regarding executive compensation. The company's long-term incentive plan (LTIP) is not aligned with BNY Mellon guidelines as it comprises 34% or more time-based shares. While we acknowledged Exxon's improved responsiveness to 2018's low say-on-pay votes, we remained concerned over the structure of its incentive-pay programs.

Our concerns stemmed from the incentive program's lack of growth requirements in the earnings metric to maintain the same level of payouts as the previous year. The program also lacked a meaningful threshold requirement. In addition, equity awards remained entirely time-vesting, although performance disclosures improved slightly. The considerations involved in determining equity award size benchmarking, prior 10-year relative performance and pay grades do not adequately demonstrate linkage to company performance objectives.

Given the lack of metric weightings and undisclosed preset threshold and target goals, it appeared award sizes were ultimately determined by committee discretion. Although the new CEO's pay declined, the lack of forward-looking performance vesting criteria meant that the large majority of top executive pay is earned merely by the passage of time. We deemed this inadequate and voted against Exxon's say-on-pay proposal. Representatives from the company are scheduled to meet with BNY Mellon's interim CEO Todd Gibbons to continue this conversation.

Boston Scientific Corporation

Representatives from the medical device company approached BNY Mellon to request additional information related to our proprietary compensation guidelines. During the meeting, we expanded the conversation to discuss concerns over Boston Scientific's efforts regarding safety records. We explored the company's rationale, specifically the decision to keep a product on the market despite ongoing litigation regarding its safety data. While they agreed with the FDA's decision to run new studies to prove long-term safety, they believed that the product was the only alternative on the market to treat women with a particular diagnosis. Management believed it was in the public's best interest to continue offering the product but agreed to improve risk labels, allowing patients and doctors to make better informed decisions. Ultimately, the company has a very strong long-term safety record but we continue to engage with management to ensure they recognize their responsibility to their customers in the form of product safety and labeling. These measures will also help minimize possible legal impact and risks to the future brand value.

Exelon Corporation

We engaged with the CEO of this US utility company to explore the potential implications of legal and regulatory issues for Exelon. The company faced a potential Federal investigation into their Illinois lobbying activities, which some believe led to a senior executive stepping down. Our investigative research team conducted a deep dive into the company's potential governance-related issues that may have also impacted environmental policy. Our team spoke with lobbyists, a former assistant US attorney, and environmental policy veterans to establish a range of possible outcomes and likelihoods should the company be deemed complicit in impermissibly obtaining government money.

Armed with findings from the investigative reporting team, Mellon's utility analyst gained a holistic view of the issue and identified pertinent questions to ask management to determine the relevance and materiality of key regulatory uncertainties. The conversation highlighted actions management is taking to improve governance practices and added context on the likelihood of these regulatory measures occurring. Based on the engagement, Mellon was better able to assess the implications for potential governance and environmental policy risks.

Fixed Income

As part of our fixed income investment approach, research analysts engage with issuers in a variety of ways. Much of our engagement is focused on bondholder protections and rights. For example, we have asked for additional covenants in certain new bond issues and have voiced our objection to what we perceive as coercive bond tenders and exchanges. Using our firm's size, we have achieved success when negotiating some of these changes. We also engage on environmental, social and governance issues when material and appropriate, including discussions on corporate environmental breaches, management's approach to remediate situations and changes to mitigate similar risks.

Southern Copper Corporation

In the fall, we met with the CFO of Southern Copper and the CFO of its parent company, Grupo Mexico, to discuss our concerns over their plan to issue out of their Mexican subsidiary, which subordinated Southern Copper debt holders to claims on the company's key asset, the Buenavista mine, which accounts for the majority of production in Mexico. In our opinion, the company's rationale for increased tax deductibility was weak and indicated that management was more interested in appeasing Mexican officials by dedicating proceeds from the deal toward projects in Mexico. We continue to believe that the company has weak governance and a poor environmental track record but remain comfortable with its overall credit profile given the asset quality and low leverage.

Sempra Energy

We participated in an engagement meeting in November with Sempra Energy's lead independent director and head legal counsel. The company sought to understand why we voted against its compensation proposal for senior management. During the engagement, we pushed them on changes to the company's environmental policy after Sempra's massive 2015 natural gas leak at the Aliso Canyon storage facility owned by subsidiary Southern California Gas. The leak took four months to cap (detected on October 23, 2015 and sealed on February 11, 2016) and discharged nearly 100,000 metric tons of methane into the atmosphere, making it the largest single methane leak in US history. Sempra viewed the accident as a fluke event that will not be repeated and evaded the question by emphasizing its strong environmental record excluding this incident. We consider this a significant environmental event that has been overlooked by MSCI, who rated Sempra AA.

John C. Bailer, CFA
Senior Portfolio Manager

John is the lead portfolio manager for the dividend-focused Large Cap Value strategies. In this role, he was responsible for creating our Income Stock strategy to meet demand from clients seeking attractively valued higher dividend income while not sacrificing dividend growth. He has managed the team's dividend strategies since 2005 and is the lead portfolio manager for the Equity Income strategy which emphasizes dividend growth stocks. He is also a senior research analyst on the Dynamic Large Cap Value strategy, responsible for the Consumer, Technology and Communication Services sectors. John also is the chair of the Mellon Proxy Voting Committee. Previously, John was a senior research analyst on the Large Cap Value team and joined the firm in 1992.

John received a BS in accounting and information management systems, with distinction, from Babson College and an MS in finance from Boston College. John holds the CFA® designation and is a member of the CFA Institute and the CFA Society Boston.

Kyle M. McDonough, CFA
Research Associate

Kyle is a research associate on Mellon's Global Equity team. In this role, he is responsible for fundamental equity research as well as supporting the firm's thematic capabilities. Previously at the firm, Kyle was a client service analyst providing equity portfolio analysis and institutional client relationship support. He joined the firm after spending two years at Liberty Mutual in their corporate finance division.

Kyle received a BS in finance from the Carroll School of Management at Boston College. He holds the CFA® designation and is a member of the CFA Institute and the CFA Society Boston.

About Mellon

Mellon is a global multi-specialist investment manager dedicated to serving our clients with a full spectrum of research-driven solutions. With roots dating back to the 1800s, Mellon has been innovating across asset classes for generations and has the combined scale and capabilities to offer clients a broad range of single and multi-asset strategies.

www.mellon.com