BNY MELLON | INVESTMENT MANAGEMENT

MELLON

PROXY VOTING REPORT 2021

GUIDING PRINCIPLES

Promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's shareholders

Align the interests of a company's management & board of directors with those of the company's stakeholders

Uphold the rights of a company's shareholders to effect change by voting on those matters submitted to shareholders for approval

Promote transparency & disclosure of a company's business operations and financial activity

MELLON PROXY VOTING & GUIDING PRINCIPLES

At Mellon, we have a fiduciary responsibility to our clients to ensure our proxy voting decisions are in their best long-term economic interest. As shareholders, we approach proxy voting with the same precision and engagement that we apply to our investment activities. In our view, a company's environmental, social and governance (ESG) practices have a long-term impact on its economic value, and therefore, these factors are carefully considered when voting proxies. We understand that we owe each of our clients a duty of care with respect to voting proxies.

For this reason, Mellon established its own Proxy Voting and Governance Committee (Proxy Committee) in March 2020 after previously participating alongside other member firms in BNY Mellon's Proxy Voting and Governance Committee. Mellon is a division of Mellon Investments Corporation. The Proxy Committee is comprised of senior Mellon investment professionals and is responsible for all proxy voting decisions for the index division of the firm. The voting decisions of the Proxy Committee are supported by an articulated philosophy, stated guidelines and a well-defined proxy evaluation process.

COMMITTEE CHAIR & HEAD OF INDEX STATEMENT

JACQUELINE CONDRON
COMMITTEE CHAIR

STEPHANIE HILL
HEAD OF INDEX

Proxy voting and engagement is one of the main fiduciary pillars of our business and one of the most important tools we can utilize in order to serve our clients and influence positive outcomes as investment managers of index portfolios. We are dedicated to expanding our ESG capabilities and made an important investment in 2021 with the appointment of Corporate Governance and Proxy Voting Manager and the Chair of Mellon's Proxy Voting Committee, Jacqueline Condron. Jacqueline has a deep history of developing ESG strategy and voting standards and we are excited to expand our vision of being an industry leader under her direction.

Stewardship is foundational to our firm as long-term shareholders across an expansive breadth of companies. Looking back over the year, Mellon voted more than 125,000 proposals at over 10,000 companies in 2021. Human capital management dominated engagement issues in 2021 as the pandemic and the Great Resignation produced a tight labor market which triggered an unprecedented shift in focus on issues such as employee retention, employee wellness and diversity, equity and inclusion. Many investors began asking why important metrics like salaries, training, promotions and retention have not been disclosed. Looking back, we are proud of our long history of engagement to effect change around human capital concerns. We assert the importance of diversity at all levels of our portfolio company holdings, and we continue to encourage companies to enhance their disclosure of human capital metrics. Our values have remained consistent on this issue, and we have ranked highly among our competitors well before the current labor crisis brought it to the forefront.

Consistency is also an important part of our ethos as index managers. Our third annual report highlights our dedication to promote effective outcomes in compensation, human capital management, board governance, climate, and diversity issues, among others. We continue to support shareholder proposals that ask companies to enhance disclosures and reporting around various ESG topics, carefully balancing the specific details of every proposal with the broader picture. In 2021, we supported over 50% of shareholder proposals that required more climate risk disclosure. We also remain committed to discouraging management compensation structures that do not align with long-term shareholders' interest, including those that promote a short-term mindset.

Looking ahead, we expect significantly more shareholder proposals due to the SEC's November 2021 ruling. Prior to this ruling, the SEC viewed proposals that transcended the company's ordinary business through a narrow lens –we expect to see many more proposals on meeting agendas that raise issues with a broad societal impact. Mellon will continue to challenge companies to expand diversity reporting beyond the board level. We believe that workforces should reflect their communities and there is clear evidence that more diverse teams outperform. Importantly, the more questions we raise, the more we can drive accountability at the companies in which we invest as long-term shareholders.

2021
BY THE NUMBERS

127,967
proposals

125,103
management proposals

2,864
shareholder proposals

13,585
meetings

10,434
companies

66
countries

supported management on **89%** of management proposals

supported **86%** of shareholder proposals

supported management on **90%** of director related proposals

supported shareholders on **85%** of governance related proposals

opposed management on **23%** of compensation related proposals

supported **52%** of proposals requesting additional reporting on climate change topics

supported **91%** of governance related proposals

supported **93%** of shareholder requests for independent chairman

PROXY VOTING

DECISIONS & RATIONALE

Our Proxy Committee has designed voting guidelines to assist with voting decisions in an effort to maximize the economic value of the securities of companies held in client accounts over time. Generally, the Proxy Committee votes consistently on similar proxy proposals across all shareholder meetings. However, many proxy proposals are considered on a case-by-case basis in light of the particular facts and circumstances of the proposal. We aim to hold company leaders accountable, to uphold the rights of shareholders and to promote sufficient disclosures.

GOVERNANCE

When we consider governance issues, we seek to promote structures that will align the interests of a company's management and board with those of the company's shareholders. In addition to tenure and relevant experience, we look for diversity of geography, thought, gender, race and ethnicity when voting for the Board of Directors. We believe that a diverse board that is not entrenched is often best equipped to provide new viewpoints and guidance. We also believe it is important to elect independent directors, and to separate the CEO and chairperson roles. These practices help alleviate conflicts of interest and enhance communication between leadership and shareholders.

When considering compensation practices, we are mindful that these proposals represent the conveyance of wealth from shareholders to management, and we strive to ensure these practices are designed to benefit shareholders.

ENVIRONMENTAL & SOCIAL

We believe that companies have a duty to consider their impact on the environment. In general, we support proposals calling for increased disclosure surrounding emissions and waste reduction. While we regularly vote for reduction targets that align with a company's broader business goals, these proposals must have a specific and realistic time horizon, as well as pragmatic cost considerations.

In addition, we believe human capital matters. A diverse work force, pay equity, and the health and safety of employees and customers enhance a company's ability to create long-term value. The Proxy Committee typically votes for proposals that support disclosing policies and implementing procedures that will help assess a firm's commitment to the promotion and protection of human capital considerations or address areas of weakness that could impact a firm's operations.

HUMAN CAPITAL MANAGEMENT

BERKSHIRE HATHAWAY, INC.

In May 2021, we voted for a shareholder proposal requesting that Berkshire Hathaway publish an annual report assessing company-wide diversity and inclusion efforts, including the board process for assessing the effectiveness of those programs. In our view, Berkshire's current disclosures do not allow investors to sufficiently assess their human capital management efforts and board oversight of such efforts at its subsidiaries. We believe this proposal will result in Berkshire Hathaway disclosing to shareholders a more transparent view of its diversity and inclusion efforts as part of its broader human capital management.

GOLDMAN SACHS

In April 2021, we voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, we believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support.

MICROSOFT

In November 2021, we supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. As Microsoft faces a litany of potential controversies, we believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to act in the interest of shareholders.

CLIMATE

UNITED PARCEL SERVICE, INC. (UPS)

In May 2021, we voted for a shareholder proposal requesting that UPS report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement goals. Some of the company's peers have set ambitious targets, and we believe supporting this proposal will provide shareholders with more transparency into its policy and goal-setting process, especially at a time when UPS is looking to expand its airline and vehicle fleets.

MOODY'S

In April of 2021, we supported a management proposal seeking approval of its 2020 Decarbonization Plan, which outlined a commitment to reduce greenhouse gas emissions, including reduction targets for Scopes 1, 2, and 3 emissions,* as well as a supplier goal. Climate-related transparency is important to Mellon and we continue to encourage companies to act similarly.

COMPENSATION

MGM RESORTS INTERNATIONAL

In May 2021, we voted against compensation committee members and the say-on-pay proposal due to the company's incentive plans not being sufficiently performance-based. We promote compensation plans that align with the creation of shareholder value. As such, we prefer long-term incentive plans (LTIP) that are predominately performance-based. Additionally, the disclosure of the company's outreach efforts after the low say-on-pay vote in 2020 was less transparent than we think is necessary. We believe understanding shareholder concerns and showing responsiveness is an important aspect of the compensation committee's responsibilities.

*Scope emissions as defined by the Environment Protection Agency (EPA).

SOCIAL

FACEBOOK, INC.

In May 2021, we supported a shareholder proposal requesting the company publish a report to assess the benefits and drawbacks of the company maintaining or restoring the type of enhanced actions put in place during the 2020 election cycle to reduce the platform's amplification of false and divisive information. We believe enhanced transparency through publication of this report will be beneficial and will allow shareholders greater understanding of the board's oversight and rationale around this topic.

GOVERNANCE

UBIQUITI INC.

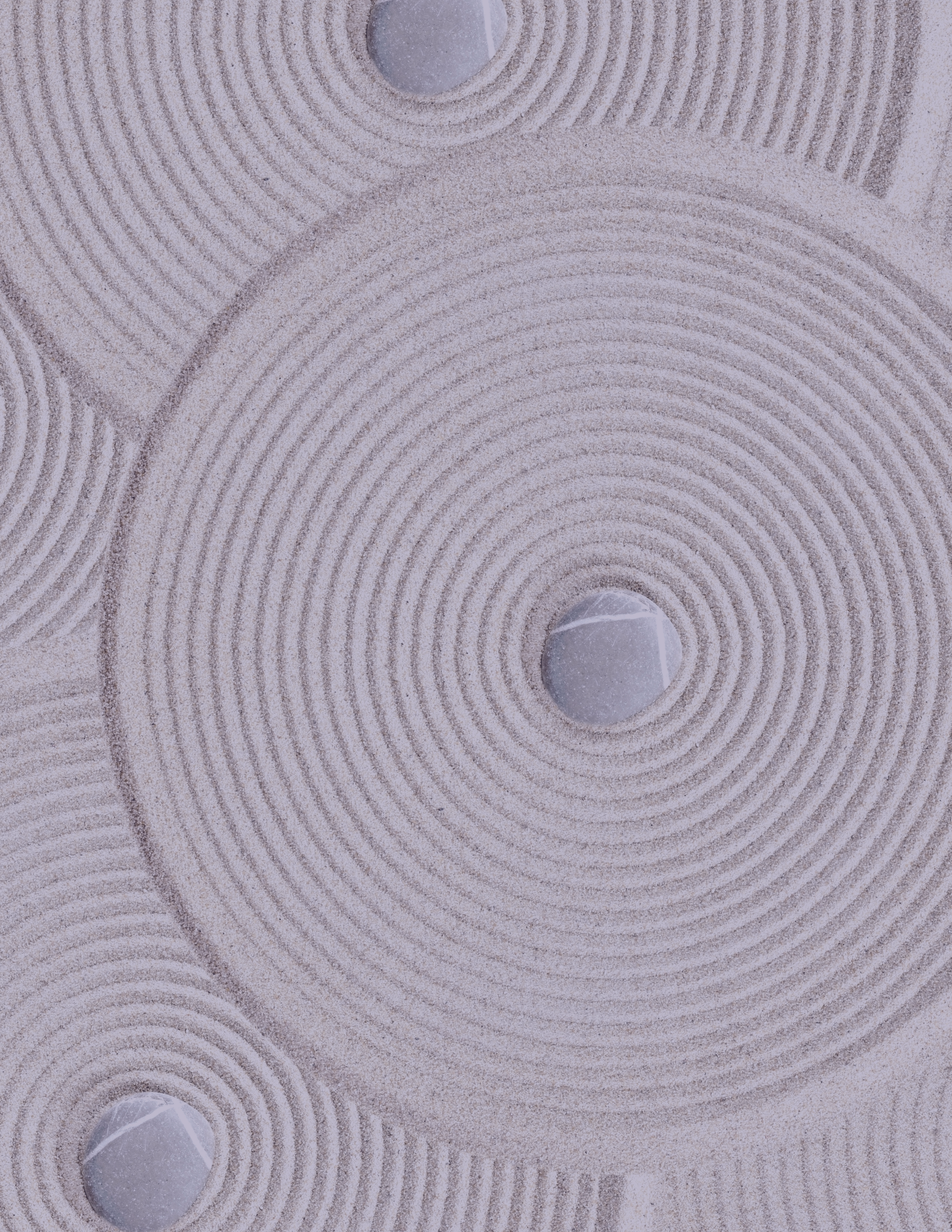
In December 2021, we withheld support from the longest tenured member of the Nominating & Governance Committee director up for election due to a lack of gender diversity on the board. Due to the Ubiquiti's classified board structure, we were unable to withhold support from the Committee Chairperson. We believe the Nominating & Governance Committee Chair is responsible for ensuring board diversity.

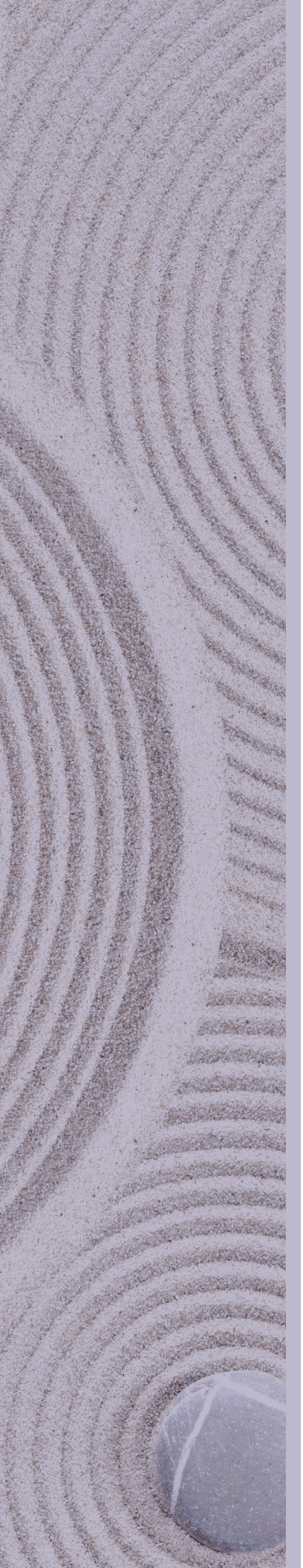
BALL CORPORATION

In April 2021, we withheld support from three directors up for election due to their inaction to opt out of a state business law which, in effect, resulted in a perpetually classified board structure. We believe that an annually elected board is beneficial and allows increased accountability and responsiveness to shareholders.

EXXON MOBIL CORPORATION

In 2021, we held multiple engagements with Exxon Mobil Corporation and the dissident in the proxy contest, Engine No.1. At the May 2021 meeting, we submitted a cross-slate vote, voting for all dissident candidates and the replacement of one management nominee with an alternative whom we believed had a more appropriate skillset required for Exxon's business strategy. We believe that this support will enhance Exxon's preparedness for an energy transition in the future and the dissident nominees will bring necessary independent industry expertise to the board.





ENGAGEMENT

PRECISION WITH PURPOSE

Proxy engagement is an integral component of the value we aim to offer our clients. Mellon Proxy Committee members recognize the significance of their role and the ensuing impact. In 2021, we conducted over 300 engagements with portfolio companies. Our meetings with executive management teams help us to appreciate the complexities of each company. A deeper understanding of a company's business practices enables us to more effectively convey our expectations, voice our concerns and suggest improvements.

The Proxy Committee partners with Mellon's senior professionals and the BNY Mellon Proxy Voting and Governance Research (PVGR) team to widen the scope of discussion topics with management teams, allowing for the proactive examination of company-specific matters beyond compensation. Whether the concern is sustainability targets, board diversity or compensation, our clients' best interests remain our top priority. Now, more than ever, we must hold boards and management teams accountable to ensure their strength, purpose and resilience.

EQUIFAX, INC.

Mellon met with Equifax on December 9, 2021. We have engaged with Equifax since 2015 to improve compensation practices and continued oversight of data security issues.

DATA SECURITY

Equifax's first annual Security Report covering 2020 was released in May of 2021, and it outlines the remediation path the company took since the 2017 Equifax data breach, as well as how it is positioning itself for the future.

The Equifax security team created a Chief Security Officer network for the business community, and it has created a series of meetings available to customers. The company also engages with international regulators on cybersecurity matters.

SUSTAINABILITY

Equifax reports under the Sustainability Accounting Standards Board (SASB) framework and reported its human capital metrics for the first time, specifically diversity and inclusion metrics which had not previously been collected. It also disclosed equal opportunity employment (EEO-1) data to supplement the SASB disclosure. Equifax discloses its Scope 1, 2 and 3 emissions as well as overall greenhouse gas emissions on its website. Based on these disclosures, Equifax has committed to being NetZero by 2040.

HUMAN CAPITAL MANAGEMENT

The CEO implemented the Rooney Rule, which requires at least one woman and one underrepresented minority be considered when hiring for every open role within the company.

COMPENSATION

Mellon has a long history of engaging with Equifax on compensation structure design. As a result of our discussions, Equifax aligned its compensation to have a more performance-based long-term incentive plan (LTIP), in line with our guidelines. Equifax noted that our feedback over years of engagement was a catalyst of change for its compensation structure.

NABORS INDUSTRIES LTD.

Mellon met with representatives of Nabors, including the Compensation Committee Chair, the Lead Director and Chief Financial Officer.

Since 2016, the company has seen significant change with a focus on technological developments steered by its CEO.

COMPENSATION

Nabors' 2021 say-on-pay vote did not receive majority support. Although Mellon supported the plan, due to the lack of overall shareholder support we inquired as to the changes the Compensation Committee were considering.

Overall, the Compensation Committee stated they have three main pillars of focus for compensation: maintain a right-sized C-suite compensation structure and competitive pay across the organization; named executive officer goals and compensation that reflects multiple year horizons, and targets/goals which reflect a greater commitment to alternative energy and responsible fossil fuel activity.

The company made changes to their plan to include a new 3-year horizon for their performance share units (PSU) units to replace the time-based units, as well as adding in ESG-related metrics to the plan.

SUSTAINABILITY

As of 2020, Nabors was one of the first of their peer group to disclose and set goals for Scope 1 and 2 emissions reductions.* In its next sustainability report, the company will disclose its roadmap to the next set of goals as they have already met their current goals. Nabors is also part of the Science-Based Target Initiative (SBTi), which aims provide companies a path to set science-based climate targets to reduce emissions in line with the Paris Agreement goals.

*Scope emissions as defined by the Environment Protection Agency (EPA).

CORNING INCORPORATED

Mellon met with representatives of Corning, including the Chief Financial Officer, on November 16, 2021.

HUMAN CAPITAL MANAGEMENT

Corning is guided by seven core values: quality, integrity, performance, leadership, innovation, independence, and the individual.

The company has achieved 100% gender pay equity globally, it has a 96% global retention rate, and has established an Office of Racial Equity & Social Unity.

With a focus on recruitment, the company is partnering with various Historically Black Colleges & Universities (HBCUs) across the US, especially in North Carolina and upstate New York.

The company is focused on training their supervisors to establish development plans in order to enhance employee retention and development for diverse employees. Human capital management is an important focus for Mellon, especially internal talent development and retention of employees, as well as ensuring diversity at all levels of the company.

BOARD OF DIRECTORS

Mellon focuses on a diverse board as well as a diverse skillset amongst directors. Additionally, average board tenure is a focus as we believe an average tenure of 12 years or less ensures the board is able to combine new ideas with institutional knowledge while retaining independence. Currently, the average tenure of the Corning board is 11 years.

Mellon inquired about their board refreshment program and for clearer disclosure on this process in the future. At the time of our engagement, 70% of the board were diverse in terms of ethnicity and gender.

INTEL CORPORATION

Mellon met with representatives from Intel Corporation in December 2021. There was a CEO transition earlier in 2021, and the company is focused on becoming a leader in the semiconductor space.

COMPENSATION

Mellon did not support Intel's 2021 say-on-pay, and the proposal did not pass. The compensation committee recognized the need to build a package in this competitive environment for the CEO new hire package.

Half of the package was replaced with comparable incentives from the CEO's previous company (restricted stock units (RSU) grants that vest over three years) and nearly three-fourths of the package requires stock growth.

Intel continues to evaluate metric updates that closely align with its strategy (revenue, operating revenue, gross margins, and objectives and key results to help reinforce its corporate goals). Their current performance share units are tied to total shareholder return (TSR); however, Intel is considering a modified TSR. Mellon prefers a minimum of one return-based metric included in long-term incentive plans.

Mellon will continue to engage with Intel until its compensation program demonstrates a stronger link between pay and performance.

SUSTAINABILITY

Mellon continues to encourage enhanced sustainability disclosures, including reporting in line with sustainability frameworks. Intel has transparent, clear disclosures and reports in line with the SASB and Task Force on Climate Related Financial Disclosures (TCFD) frameworks, as well as their EEO-1 data. Related to climate, Intel has been tracking Scope 1 and 2 for decades and are reporting Scope 3* as well.

*Scope emissions as defined by the Environment Protection Agency (EPA).

ABOUT MELLON

Mellon is a global leader in index management. Our dedication to precision and partnership goes beyond the benchmark. From 1983 to today, partnership with clients and precise execution drives our business. Mellon provides solutions to the world's most sophisticated investors designed to meet their unique challenges, proving that index investing requires an active mindset.

www.mellon.com

For more market perspectives and insights from our teams, please visit www.mellon.com.