BNY MELLON | INVESTMENT MANAGEMENT

MELLON

PROXY VOTING REPORT 2020

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When good companies put the well-being of their customers, their associates, and their communities first, financial success will follow. Values-driven capitalism is good for the bottom line and for society.

ARTHUR M. BLANK
CO-FOUNDER OF THE HOME DEPOT

COMMITTEE CHAIR STATEMENT

We made significant progress in 2020 as we began voting thousands of proxies in-house. We expanded our proxy voting guidelines to provide more detail on voting social and environmental shareholder resolutions. Our belief is that ESG issues are an important consideration in our effort to reduce risk, increase financial stability and drive long-term returns. As such, sustainability must be a focus for our investment analysis and proxy votes as companies deal with the impact of climate risk. A lower carbon future has important implications, and it is our duty as fiduciaries to understand and communicate these risks and opportunities to our clients.

In his new book *Good Company*, Arthur M. Blank noted that stakeholder capitalism leads to superior long-term returns for clients. The co-founder of The Home Depot highlighted why treating both your customers and employees well is good business, citing research from Bain & Company that ties customer retention to improved profitability. Studies show employees who find their work meaningful will stay with a company, which will reduce turnover and recruitment costs. Our Proxy Voting and Governance Committee believes that companies that embrace purpose and consider the needs of a broad range of stakeholders will maximize long-term profits.

Our second annual report highlights our engagement and proxy voting activities in 2020. We remain committed to voting against management compensation that is not performance based and is only focused on the short term. Shareholder proposals continue to improve, and we voted for nearly 50% of shareholder proposals that required more climate risk disclosure. Throughout the year, Mellon engaged with many company management teams and boards. Several of these engagements have led to improved outcomes for all stakeholders and the long-term shareholder wealth of our clients.

JOHN BAILER, CFA
CHAIR, MELLON'S PROXY VOTING & GOVERNANCE COMMITTEE

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 and board of directors with those of the company's stakeholders

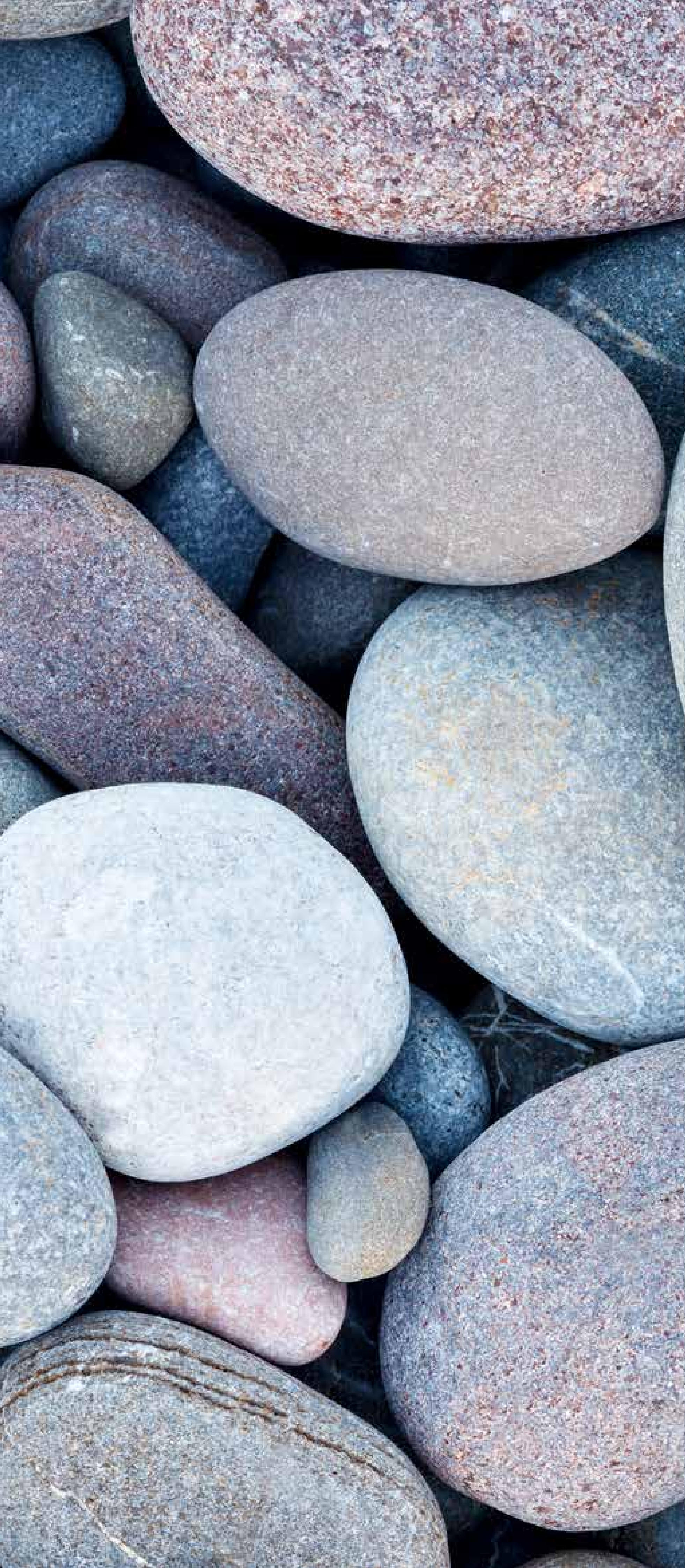
Uphold the rights of a company's shareholders to affect change by voting on those matters submitted to shareholders for approval

Promote transparency and 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. 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.

For this reason, Mellon instated 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. The Proxy Committee is comprised of senior Mellon investment professionals across the organization and is responsible for all proxy voting decisions for the firm. The voting decisions of the Proxy Committee are supported by an articulated philosophy, stated guidelines and a well-defined proxy evaluation process.



2020
BY THE NUMBERS

124,500
proposals

121,551
management proposals

2,949
shareholder proposals

12,376
meetings

9,185
companies

72
countries

supported management on **87%** of management proposals

supported **68%** of shareholder proposals

supported management on **91%** of director related proposals

supported shareholders on **72%** of governance related proposals

opposed management on **26%** of compensation related proposals

supported **50%** of proposals requesting additional reporting on climate change topics

supported **96%** of governance related proposals

supported **87%** 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 a company's management and board interests with those of its shareholders. We look for diversity in gender, race, tenure and experience 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.

JPMORGAN CHASE & CO.

In our view, a combined CEO-chairperson role leads to excessive management influence on the board. In May 2020, we voted against the recommendation of JPMorgan Chase's management and voted for an independent chairperson.

Performed correctly, serving as chair of a board is a time intensive responsibility. The chairperson sets the board's agenda in overseeing the organization's activities. We believe that the separation of the CEO and chairperson roles promotes independence and encourages an open relationship between the CEO and board, allowing for effective communication with shareholders.

DELL TECHNOLOGIES, INC.

In June 2020, we voted against all directors, including the CEO and chair, for upholding structures that may impair shareholder value. While we recognize that these structures may be acceptable to newly formed companies, we find these practices unnecessary in larger and more established organizations. The CEO and chair own all of the outstanding Class A shares, controlling 68.6% of total voting power. Multi-class capital structures with unequal voting rights create a disconnect between economic interest and voting rights, which deprives shareholders of the right to vote. The company has not disclosed a convincing rationale for adopting the capital structure, which is not subject to a sunset provision. We support the practice of one share, one vote, underpinning our vote against all directors.

NEW YORK COMMUNITY BANCORP

In June 2020, we voted against the establishment of term limits for members of the board of directors. We believe that placing an arbitrary limit on a director's age and term length is not always in the best interest of shareholders, and it is unnecessary provided the average tenure of board members is below our threshold of 12 years.

EXPEDIA GROUP, INC.

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. We voted against Expedia's say-on-pay proposal due to the time-based nature of its LTIP. We believe that the company's incentive plan is not sufficiently based on performance. While Expedia has performed well relative to peers on a five-year basis, it has underperformed its peer group on an annual and three-year basis. Our policy does not support say-on-pay proposals that do not link pay and performance.

WALMART, INC.

We voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, Walmart does not lag its peers in the retail industry, but it lags its peers in the grocery sector. We hold companies to a high environmental standard, and we believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, we voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. We will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

RIO TINTO LIMITED

In May 2020, we voted for a proposal approving emission targets for Rio Tinto. We believe this resolution will provide shareholders with increased transparency, allowing them to understand how the company is addressing climate change and mitigating these risks.

ORCHID ISLAND CAPITAL, INC.

We voted against a director because the nominee was the CFO and Secretary, 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. The role of the board of directors is to ensure that the company is managed in accordance with the best interests of shareholders. The interests of a non-CEO employee who does not have a significant ownership stake may not always fully align with shareholder interests. Thus, we believe in the separation of non-CEO employees without a significant ownership stake from company boards.

KELLOGG COMPANY

In an effort to promote accountability, we voted for a shareholder proposal in April 2020 to declassify Kellogg's board of directors. We believe it is beneficial for directors to be elected each year. We maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

VUZIX CORPORATION

As of September 2020, women hold 22.6% of the board seats of the companies held in the Russell 3000. However, there are no female directors currently serving on Vuzix's board. We believe the Nominating and Governance Committee Chair is responsible for ensuring board diversity. As such, we withheld our vote for the director due to the board's lack of gender diversity.

VISA, INC.

In January 2020, we voted against the election of a director to Visa's board as the individual was serving on five boards. Generally, if an individual serves on more than five boards, we vote against electing them to an additional board. We expect the board members we elect to focus on their current board memberships, which we believe is difficult to accomplish beyond our threshold of five boards.

ORACLE CORPORATION

We withheld our vote for a director because the nominee owns a large stake in the company and pledged what we believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company’s stock.

ENGAGING FOR CHANGE

PROACTIVE PARTNERSHIPS

Proxy engagement is an integral component of the value we aim to offer our clients. Our dedicated Proxy Committee members recognize the significance of their role and ensuing impact. Our meetings with executive management teams help us 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 investment professionals and the BNY Mellon Proxy Voting and Governance Committee to widen the scope of discussion topics with management teams, allowing for the proactive examination of company-specific matters beyond compensation. The primary objective of our engagements with company leaders is to maximize long-term financial returns for our clients. Whether they concern sustainability targets, board diversity or compensation, our clients' best interests remain our top priority.

Over the last year, we have noticed fewer shareholder proposals. However, those we have received have been more insightful with the potential to be more impactful. Now, more than ever, we must hold boards and management teams accountable to ensure their strength, purpose and resilience.

MONDELEZ INTERNATIONAL, INC.

Members of the Proxy Committee met with Mondelez's management team in November 2020. Over the years, we have engaged with Mondelez to improve compensation practices, establishing a constructive relationship with the company. Mondelez shared its diversity and inclusion efforts, as well as its response to the COVID-19 pandemic. Following prior encouragement to improve in select areas, the company shared new targets for diversity representation, environmental goals and compensation practices.

DIVERSITY & INCLUSION

We believe diversity brings together unique perspectives and backgrounds, which is integral to the continual success of a company and is in the best interest of its shareholders. When asked about its efforts to facilitate diversity, Mondelez highlighted its global focus on diversity councils. In the past, Mondelez has focused on gender diversity, evidenced by its board and executive team, with women comprising 25% of the board and 31% of the executive team in 2019. After being encouraged to improve its diversity representation, Mondelez made a public commitment to more than double Black representation in its US management by 2024 and hired a Black board member in 2020. We will continue to hold management accountable to their racial diversity targets.

EMPLOYEE WELL-BEING

In response to the COVID-19 pandemic, Mondelez focused on safety and social distancing measures for employees, including additional paid leave. The company also implemented a period of premium pay for frontline employees.

ENVIRONMENTAL

Mondelez set a target to further reduce emissions across its value chain by 10% by 2025. The company also committed to making 100% of its packaging with recyclable material by 2025. We will hold Mondelez accountable to these goals.

COMPENSATION

As a result of our past engagements with Mondelez's management team and our votes against say-on-pay proposals, the company has significantly improved its compensation practices. In 2020, we voted for Mondelez's say-on-pay proposal, which included metrics focused on total shareholder return, free cash flow, growth and margins. Long-term executive pay is now 100% based on performance. Additionally, long-term executive base pay is now comprised of 75% performance share units (PSUs) and 25% options. If total shareholder return is negative, Mondelez caps PSU payout at a predetermined level.

VALERO ENERGY CORPORATION

Our continued engagement with Valero's management team has created an open platform for dialogue, enabling continuous improvement of business practices and increased value for all stakeholders. The Proxy Committee met with Valero's management team in March and May of 2020. Valero shared improvements in its compensation practices that align with our values, as well as its recent sustainability efforts.

COMPENSATION

In April 2020, we voted against Valero's compensation proposal while acknowledging the actions the company has taken to better align executive pay. Due in part to our feedback, Valero has incorporated a 25% return on invested capital (ROIC) metric in compensation plans. Additionally, Valero has 75% total shareholder return relative to its peer group. Typically, we encourage companies to include similar pay structures for the CEO and Named Executive Officers (NEOs) in their compensation plans. In 2020 Valero's CEO to NEO ratio decreased from 5.5 to 3.7, indicating a decreased pay gap between the CEO and NEOs. Despite these improvements, we voted against the compensation proposal consistent with our guidelines to adopt long-term incentive compensation programs that are more performance based.

SUSTAINABILITY

Valero has made significant efforts in terms of ESG. The company's annual incentive program features numerous inputs, including five ESG metrics. Valero has been working with the Sustainability Accounting Standards Board (SASB) to improve and increase its sustainability reporting. The company has also begun efforts to participate in the Task Force on Climate-Related Financial Disclosures (TCFD).

VENTAS, INC.

We met with Ventas's management team in October 2020. We discussed the company's diversity and inclusion efforts, as well as its ongoing compensation policy enhancements. In addition, we outlined the areas where we would like to see improvements going forward.

COMPENSATION

Over the last three years, Ventas has significantly improved its compensation plan. In 2018, the company increased the performance requirement for CEO compensation from 60% to 70%. In response to poor stock performance, the company reduced its CEO's payout by 50% in 2019. In its 2020 compensation restructuring plan, Ventas reduced the CEO and NEOs' base pay by 20% and 10%, respectively. This plan also included a 20% decrease in board fees to reduce its general and administrative spending.

In future compensation adjustments, we encouraged Ventas to mirror NEO pay with CEO pay to allow for a smooth transition.

DIVERSITY & INCLUSION

Management highlighted its prioritization of both gender and racial diversity and discussed widespread efforts within the company to address these issues. We commended their efforts to prioritize equal representation in the workplace, and we encouraged them to continue to improve in this area.

MASIMO CORPORATION

We believe that open dialogue with the companies in which we invest is crucial. In a May 2020 proxy meeting, Masimo's director acknowledged the key role Mellon has played in the company's governance improvements, including its board composition, say-on-pay proposal and pay-for-performance ratio. During this meeting we shared our concerns regarding a particular proposal and discussed Masimo's lagging MSCI ESG rating. The company outlined its existing programs and policies, as well as plans to improve in the areas that contributed to the low rating.

PROPOSAL CONCERNS

A proposed amendment to a 2017 Omnibus plan required further discussion. The amendment would allow for the authorization of shares, resulting in a 4.4% dilution. We highlighted that the company's shareholder value transfer (SVT) was already high, and explained that this proposal would further increase its SVT. The director clarified that the request for additional shares is a result of the swift advancement and growth the company had achieved. The director also noted that 4% of the dilution could be attributed to the revised CEO contract, which affects the ratio.

HUMAN CAPITAL DEVELOPMENT

After receiving an MSCI rating of B, Masimo detailed its efforts for improvement, specifically those related to Human Capital Development. The company has numerous programs to train and develop staff members, and it is working to enhance these engagements further.

COMPLIANCE & ANTI-CORRUPTION

Other factors contributing to its B level MSCI score were issues surrounding compliance and corruption. In response to these matters, Masimo highlighted its committed compliance team and utilization of outside counsel when necessary. The company also emphasized its compliance with all guidelines set by the Department of Justice, the Inspector General and Foreign Corruption Practices Act.

LINCOLN NATIONAL CORPORATION

In September 2020, members of the Proxy Committee met with representatives from Lincoln National Corporation (LNC). The discussion focused largely on executive compensation and environmental efforts. This engagement with LNC allowed us to explain our rationale for voting against its compensation proposal and outline our expectations for improvements going forward. This meeting also provided us with a better understanding of LNC's environmental goals.

COMPENSATION

In June 2020, we voted against LNC’s say-on-pay proposal. The company’s LTIP includes time-based shares that exceed 34%, which does not align with our guidelines. During our September meeting, LNC asked for our input regarding which factors they should consider in future compensation planning. We advised that the company should focus on performance-based compensation and long-term retention. We also recommended a more comparable pay structure between the CEO and NEOs.

ENVIRONMENTAL

While some of LNC’s reduced greenhouse gas emissions are likely attributed to decreased travel stemming from remote work, the company informed us that it exceeded its sustainability targets. We discussed LNC’s ongoing work with an environmental advisory company, as well as its membership in two sustainability organizations. Going forward, we would like to see updates on LNC’s sustainability improvements, as well as disclosure of any changes in targets.

FORD MOTOR COMPANY

We met with Ford Motor Company in October 2020 to clarify our vote on a say-on-pay proposal and share our executive compensation guidelines. We also provided insight on compensation practices in light of the pandemic and discussed diversity and inclusion metrics.

COMPENSATION

In 2019, we voted against Ford's say-on-pay proposal. The company requested clarification on the vote during our meeting in October where we explained our voting rationale and offered guidance on improving compensation practices. While there are various factors that impact our voting rationale, we advise companies to offer two-thirds of compensation in the form of long-term incentives. We also provided Ford with insight on how we will vote in 2021 given the unprecedented environment created by the pandemic.

Due to the impact of the pandemic, Ford also requested guidance on issuing discretionary payments in lieu of financial performance. We highlighted that CEO and NEO compensation will be materially different than in previous years. Steps taken in 2020 to ensure the success of the company, such as the positive treatment of employees during the pandemic, will create opportunities in 2021 to supplement this deficiency in executive pay.

DIVERSITY & INCLUSION

We engaged with Ford on specific diversity and inclusion metrics that we encourage companies to prioritize. Specifically, we emphasized the importance we place on human capital management in terms of the recruitment and retention of diverse candidates.

LTC PROPERTIES, INC.

Our meeting with LTC properties in September 2020 largely focused on trying to improve and expand our knowledge of the company's governance practices. In addition to a detailed explanation of our rationale for voting against certain governance proposals in 2020, we recommended future improvements we feel should be implemented.

GOVERNANCE

While the majority of LTC's governance practices are sufficient, the lengthy average tenure of LTC's directors does not align with our recommendations. In May 2020, we voted against a specific director in LTC's management proposal because the average tenure of LTC's directors is 15 years. We believe it should be closer to 10 to 12 years. As long-term investors, we believe a company's ability to generate innovative ideas and maintain new perspectives is paramount. We explained that when a board lacks diversity and change, it tends to underperform over the long term. We discussed other aspects of LTC's governance model, commending the company on the overall composition of its board.

EXXON MOBIL CORPORATION

The Proxy Committee met with Exxon management in July and October of 2020. Much of our engagement during these meetings focused on our vote rationale for certain governance proposals. We also discussed Exxon's governance enhancements, COVID-19 response and environmental targets and improvements.

GOVERNANCE

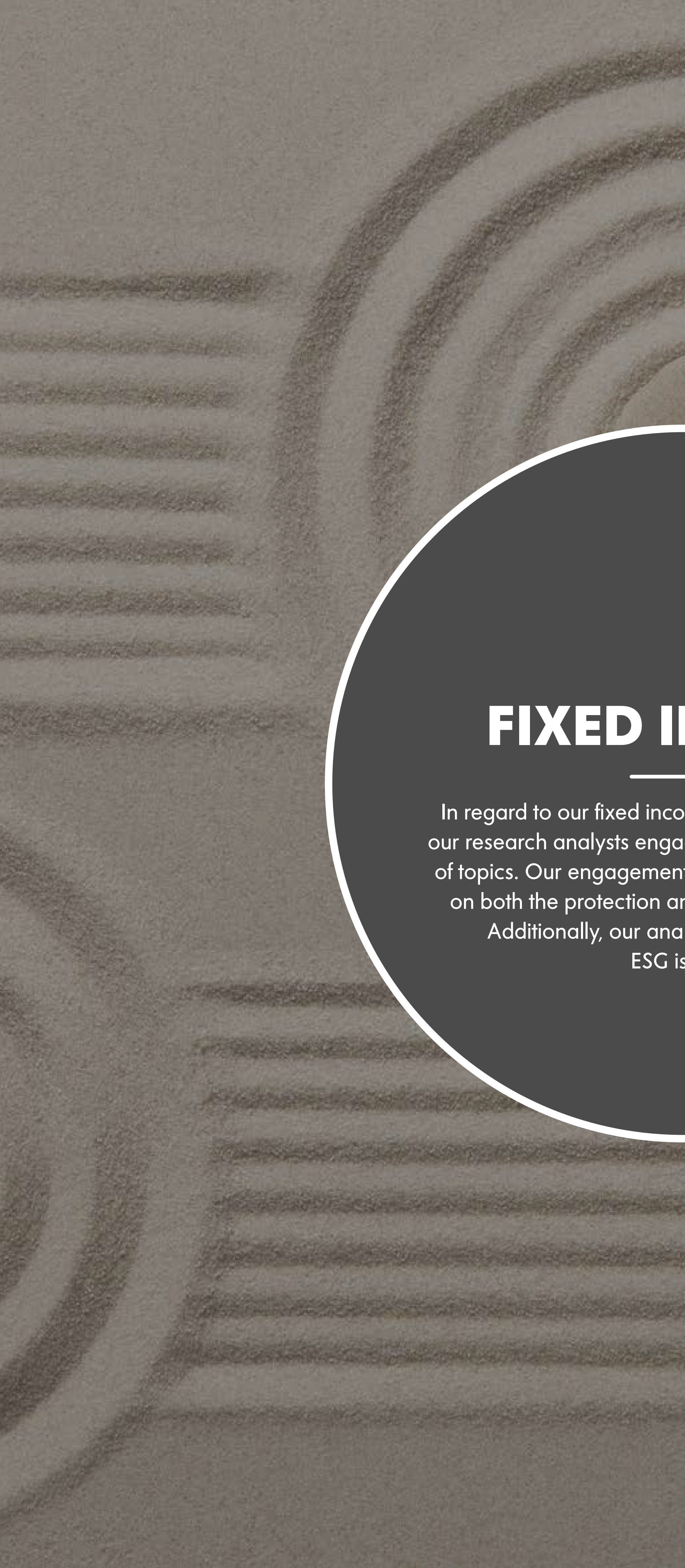
During our July meeting with management, we expressed our concern over Exxon's special meeting threshold. We voted against the company's proposal to lower the threshold to 15% because we believe it should be closer to 10%. In 2020, we voted for Exxon's proposal requiring an independent board chair. Since that vote, Exxon has largely improved and expanded upon the role of its lead director. The lead director aids the board in setting agendas, engaging with the CEO, creating CEO succession plans and working alongside the compensation committee. In terms of disclosure improvements, Exxon indicated that it is currently in the process of enhancing its lobbying disclosure.

ENVIRONMENTAL

The company has an annual plan and budget related to its greenhouse gas emissions. Exxon lowered its methane emission levels in 2020 and expected to reach or even surpass its 2020 targets. Exxon's current goals for 2016 through 2020 included reducing flaring by 25% and reducing methane emissions by 15%. While the company acknowledged that the remote work environment created by the pandemic played a role in its lower methane levels, it believes it still would have attained these reduction goals.

EMPLOYEE WELL-BEING

Exxon expressed that the protection of its employees and communities during the COVID-19 pandemic is one of its main priorities. The company provided aid and support in its communities and reduced spending by $10 billion to minimize the pandemic's potential impact on its business.



FIXED INCOME

In regard to our fixed income investment approach, our research analysts engage with issuers on a variety of topics. Our engagement with issuers often focuses on both the protection and rights of bondholders. Additionally, our analysts discuss material ESG issues.

RIO TINTO

We met with the treasury team from Rio Tinto mid-year to discuss a number of topics. Given the organization's increased focus on improving its overall carbon emissions intensity, water conservation efforts and social investment, we felt Rio Tinto should consider green and/or social financing options to fund projects deemed eligible within the current framework set by ICMA. Despite incremental costs and time stemming from additional reporting and third-party verification, we believe standardizing the process would be a credit positive as it would further support the company's ESG profile. In our opinion, it would also encourage other industry leaders to follow suit. While Rio Tinto has an excess of liquidity and was not seeking to place new debt in the market at the time, the team has taken it under advisement and will continue to monitor ESG-labeled bond developments alongside their bankers. We have a constructive credit view on Rio Tinto, considering it a high quality issuer that is committed to improving its ESG profile. We would consider adding ESG-labeled bond issuance if it were to materialize.

WELLS FARGO

We met with Wells Fargo management to discuss a range of ESG issues. The bank remains a laggard in the space relative to its large bank peers, particularly with regard to governance and customer financial protection. However, Wells Fargo benefits from a loan portfolio that has low exposure to industries with negative environmental impacts. We reviewed several areas where Wells Fargo is progressing, including risk management, operational controls and governance issues, but we believe the bank must initiate fixed income investor calls for better communication with bondholders. Many US and non-US bank peers regularly meet with fixed income investors for updates on balance sheet metrics, credit quality, liquidity and capital, issuance, credit ratings and ESG matters. Management considered our feedback on communication; however, we will follow up in 2021 if fixed income calls do not materialize. We also discussed growing investor interest in ESG bonds and the importance of a robust framework and an accurate methodology to track the use of proceeds. In our view, Wells Fargo needs to improve dialogue with a wider range of investors as it continues to address weaknesses in its ESG strategy.

ABOUT MELLON

Mellon is a global investment manager offering a full spectrum of client solutions across fixed income, equity, multi-asset and index. 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 investment solutions. Mellon's mission is to create investment solutions that harness the power of capital markets.

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