

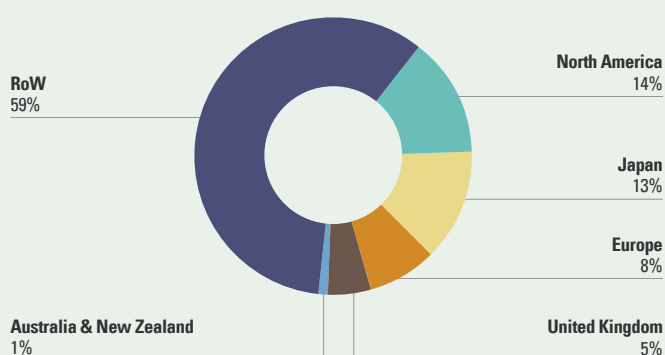
Stewardship Activity Report

Q1 2019

Figure 1: Vote Summary Q1 2019

Number of Meetings Voted	2,510
Number of Countries	54
Management Proposals	18,856
Votes For (%)	84.1
Votes Against (%)	15.9 ¹
Shareholder Proposals	447
With Management (%)	93.3
Against Management (%)	6.7 ¹

Figure 2: Breakdown of Voting by Region Q1 2019



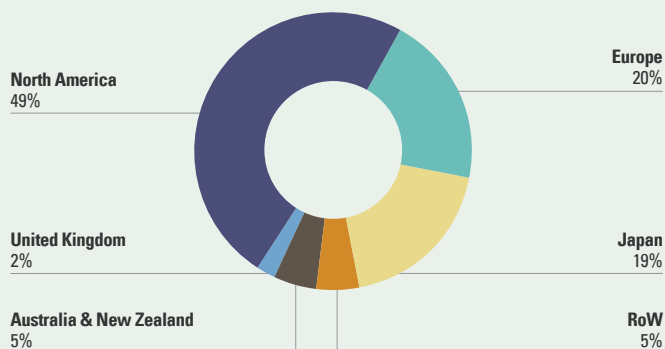
Source: State Street Global Advisors. As of March 31, 2019.

Data are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Figure 3: Engagement Summary

Q1 Engagement Meetings	131
2019 Engagement Meetings	131

Figure 4: Breakdown of Engagements by Region Q1 2019



Source: State Street Global Advisors. As of March 31, 2019.

Data are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Stewardship Highlights

This report presents the impact of the Fearless Girl Campaign following its second full year, discusses climate risk disclosure in the agricultural and forestry industries through the lens of the Task Force on Climate-Related Financial Disclosures (TCFD), highlights changes to our Proxy Voting and Engagement Guidelines for 2019, and outlines our responses to key consultations taking place in the EMEA region.

Fearless Girl's Impact: Positive Change Continues

March 8, 2019 marked the second anniversary of our Fearless Girl Campaign. The Campaign began in 2017 with State Street Global Advisors placing a statue of a girl near Wall Street calling attention to the lack of gender diversity in boardrooms and our minimum expectation for companies to have at least one woman on their boards. We announced that we would take voting action against directors on the boards that do not meet our minimum expectations.

We built on the strong momentum from our efforts in 2017 in the US, UK, and Australia and expanded our gender diversity voting guidelines to Europe, Canada, and Japan in 2018. As a part of the expansion, we sent letters to 344 companies in those regions with no women on their boards to inform them of our expectations concerning board diversity and to offer an opportunity for engagement on this matter. We further expanded our efforts to the [Gulf Cooperation Council \(GCC\) Countries](#) where we aim to facilitate gender diversity on boards through an active dialogue with broader stakeholders in the market.

After two years of productive engagements and voting, we are pleased to report that, since the introduction of Fearless Girl in 2017, 423 companies or approximately 33% of companies identified by State Street Global Advisors responded to our call by adding a female director. An additional 22 companies having committed to do so in the near term. However, 67% of the companies that we identified have failed to take action or failed to articulate a commitment to do so. Beginning in 2020, we will vote against the entire nominating and governance committee, not just the chair, in our target markets if we have

¹ Against votes are calculated as Against + Abstain votes. All Do Not Vote instructions were removed from total proposal numbers and all calculations.

Figure 5: Impact of the Fearless Girl Campaign

Market	Companies Identified	Companies that Added a Female Director
Australia	56	26
Canada	66	20
Europe	11	5
Japan	281	43
United Kingdom	12	11
United States	839	318
Total	1,265	423

Source: State Street Global Advisors.

concerns with gender diversity for four consecutive years and are unable to engage in productive dialogue.

To learn more about the Fearless Girl campaign, please visit: <https://ssga.com/na/us/institutional-investor/en/about-us/who-we-are/fearless-girl.html>.

Climate Risk at Agricultural and Forestry Companies

As a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), we seek to enhance disclosure of climate-related risks. We have taken a sector-based approach to evaluating disclosures and to identifying opportunities for

enhancement because materiality and disclosure practices vary significantly among sectors. In March 2019, we published a paper that provides our perspective on the current state of climate-related disclosure in the agricultural and forestry sectors, as well as our recommendations for ways that companies can enhance their climate-related reporting and disclosure. This report titled, *Effective Climate-Risk Disclosure in the Agricultural and Forestry Sectors through the Lens of the TCFD*, expands our climate focus from our previous paper focused on the oil, gas, mining, and utility sectors.

We reviewed the existing disclosure and sustainability-related reporting of agricultural and forestry companies using the TCFD framework in order to develop our perspectives. We evaluated the quality of disclosure of 60 global companies across 12 industries that we most closely associate with the agricultural and forestry space. Additionally, we leveraged the information gathered from over 130 agricultural and forestry engagements that we have conducted since 2015 to further inform our views.

As summarized in Figure 6, we found that:

- Metric, target, and risk management disclosure is strong, including how risks related to impact are mitigated.
- Disclosure can be improved regarding ways that companies adapt their business strategies to accommodate climate change and take advantage of opportunities.

Figure 6: Assessment of Climate-Risk Disclosure

Core Area	TCFD Expectation	Percent of Companies Meeting Expectations (%)	State Street Global Advisors' View
Governance	Disclose the organization's governance around climate-related risks and opportunities.	53	While most companies in these sectors have some level of board oversight, formal board oversight of climate-related risk can be strengthened.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	12	Overall, we found that there is little to no disclosure around the actual and potential impacts of climate-related risks and opportunities on the organization's specific businesses, strategy, and financial planning.
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	82	Companies in these sectors broadly recognize that climate change poses a material risk.
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	75	Companies in these sectors have strong communication regarding how they mitigate their impacts on the climate.

Source: Effective Climate-Risk Disclosure in the Agricultural and Forestry Sectors through the Lens of the TCFD.

For more information, please see the full report: <https://ssga.com/investment-topics/environmental-social-governance/2019/04/climate-risk-disclosure-in-agriculture.pdf>.

- Boards should be prepared to engage with investors on their sustainable climate strategies, which encompass both the mitigation and adaptation activities around climate change.

Changes for the 2019 Proxy Season

For State Street Global Advisors' complete 2019 Proxy Voting and Engagement Guidelines, including a summary of material changes, please visit our website: <https://ssga.com/na/us/institutional-investor/en/about-us/asset-stewardship.html>.

Enhanced Transparency into Environmental-Related and Social-Related Activities

We have a long history of engaging and voting on material environmental and social issues. Over the years, these activities have informed an informal framework that is evident in our thought leadership and activity reports. The publication of our "Global Proxy Voting and Engagement Guidelines for Environmental and Social Issues" provides additional transparency into ways that we address these important issues. The Guidelines provide additional insight into our approach to:

- Materiality Assessments — Recognizing that the relevance of specific sustainability issues varies from industry-to-industry and company-by-company.
- Engagement Prioritization — Leveraging R-Factor™ screening and thematic issue prioritization to drive our risk-based approach. For more information on R-Factor please visit: <https://www.ssga.com/na/us/institutional-investor/en/our-insights/viewpoints/r-factor.html>.
- Vote Analysis — Employing a case-by-case approach, looking at the issue being addressed and existing company practices.
- Vote Decisions — Interpreting our decisions, which is presented in Figure 7.

Figure 7: Vote Options for Sustainability-Related Proposals

State Street Global Advisors' Vote on Sustainability-Related Shareholder Proposals	Rationale for Vote Decision
For	State Street Global Advisors votes For (support for proposal) if the issue is material and the company has poor disclosure and/or practices relative to our expectations.
Abstain	State Street Global Advisors votes Abstain (some reservations) if the issue is material and the company's disclosure and/or practices could be improved relative to our expectations.
Against	State Street Global Advisors votes Against (no support for proposal) if the issue is non-material and/or the company's disclosure and/or practices meet our expectations.

Source: State Street Global Advisors 2019 Global Proxy Voting and Engagement Guidelines for Environmental and Social Issues.

Monitoring Compliance with Corporate Governance Principles in Japan

Starting in March 2019, we will review governance practices at TOPIX 100 companies for their adherence to the market governance code. We will seek to proactively engage with companies to better understand the reasons for their non-compliance. In instances of non-compliance when companies cannot explain the nuances of their governance structure effectively, either publicly or through engagement, we may vote against the board leader. Based on 2018 proxy filings, we expect over 40% of TOPIX 100 companies to be in full compliance with our expectations and fewer than 30% will be targeted for review and engagement.

The introduction of this screen builds upon similar screens implemented in March 2018 in the US, UK, Australia, and the EU. We can proactively hold directors accountable for taking a thoughtful, well-disclosed approach to the establishment of the company's governance structures by actively evaluating a company against corporate governance best practices irrespective of there being a vote on any discrete topic on the ballot.

EMEA Regulatory Updates

Consultation on UK Stewardship Code

In Q1 2019, we met with the Financial Reporting Council (FRC) and other investors to exchange our views on the proposed revisions to the UK Stewardship Code. Our written [response](#) to the consultation included the following key points:

- The UK Stewardship Code shall remain consistent with other Codes and wider regulatory frameworks.
- Defining stewardship as "responsible allocation of capital" goes beyond governing the interaction between investors and investee companies, and it does not sufficiently take into account the investment style and objectives of index managers. Hence, the revised definition of stewardship should focus on maximizing the probability of sustainable long-term returns on behalf of asset owners.
- As the broad topic of corporate culture is an area of stewardship priority for our 2019 activities, we welcomed the requirement that signatories develop their organizational purpose and state how their purpose, strategy, values, and culture enable them to promote effective stewardship. However, as these are complex matters, we signaled that appropriate guidance by the FRC may be necessary in order ensure signatories' statements are meaningful, avoiding 'form over substance' and boilerplate language.
- We welcomed the FRC's intention to evaluate the quality of signatories' reporting on compliance with the Code via the establishment of an additional 'tiering' process. However, we suggested that the FRC collaborate with industry stakeholders when developing the criteria by which it will perform such an evaluation.

Consultation on German Corporate Governance Code

In a 2018 [paper](#), we found that Germany has the longest terms for directors, whereby directors stand for election only once every five years. This stands in contrast to the majority of markets in Western Europe, which mandate annual board elections. In our view, this weakens board accountability. Regardless of shareholder dissatisfaction, shareholders may have to wait several years to hold board members accountable. Consequently, in our paper we called for annual elections in Germany, and we engaged informally with German regulators on this issue.

State Street Global Advisors therefore welcomed the German Corporate Governance Code Commission's consultation on the revised Code in Q1 2019. The proposed revisions include reducing the current five-year term of office for shareholder-elected supervisory board members to three years. This aligns with our call in 2018 for shorter director terms in Germany. Ultimately, this provision was not adopted but we will continue to engage with German companies and regulators on the value of shorter director terms. In our view, companies should ultimately transition to annual elections.

In our January 2019 [response](#) to the consultation, we also stressed the following:

- The new recommendation that a majority of shareholder-elected directors should be independent from the company and management is to be applauded. However, it should be strengthened by requiring a majority of shareholder-elected directors also be independent from the controlling shareholder.
- The code should recommend that companies establish audit committees composed exclusively of independent, shareholder-elected directors.
- We support the revised Code in asking boards to address sustainability issues and ensure that the potential impact from social and environmental factors on company strategy and operating decisions is identified and addressed.
- Finally, we welcomed the addition of director independence criteria to the Code.

Figure 8: Companies Engaged

Company Name	Market	Company Name	Market
Accenture plc	USA	GEA Group	EU-Germany
Adobe Systems Incorporated	USA	General Motors Company	USA
AECOM	USA	G-III Apparel Group, Ltd.	USA
AECOM (Dissident: Engine Capital LP)	USA	Global Telecom Holding	EU-Others
Airbus	EU-France	HCA Holdings, Inc.	USA
Alaska Air Group, Inc.	USA	Henkel AG & Co. KGaA	EU-Germany
Allergan plc	USA	Hess Corporation	USA
Amcor Limited	Australia	Hillenbrand, Inc.	USA
Analog Devices, Inc.	USA	Hologic, Inc.	USA
Apartment Investment and Management Company	USA	Hoya Corp.	Japan
Apple Inc.	USA	HP Inc.	USA
Archer-Daniels-Midland Company	USA	Hyundai Mobis Co.	EM-Korea
Atmos Energy Corporation	USA	Iberdrola	EU-Spain
Australian Pharmaceutical Industries Ltd.	Australia	Iino Kaiun Kaisha Ltd.	Japan
Bank of the Ozarks, Inc.	USA	International Business Machines Corporation	USA
Bankinter	EU-Others	Intertek	UK
Barrick Gold Corporation	Canada	Jefferies Financial Group Inc	USA
Bendigo and Adelaide Bank Ltd.	Australia	JFE Holdings, Inc.	Japan
BHP Billiton Limited (Dissident: International Transport Workers' Federation)	Australia	Kose Corp.	Japan
Biogen Inc.	USA	LG Electronics Inc.	EM-Korea
Brickworks Ltd.	Australia	Link Real Estate Investment Trust	EM-Others
Bristol-Myers Squibb Company	USA	Lowe's Companies, Inc.	USA
British American Tobacco	UK	Marui Group Co. Ltd.	Japan
Charter Communications, Inc.	USA	Merlin Properties	EU-Spain
Chipotle Mexican Grill, Inc.	USA	Minebea Mitsumi Inc.	Japan
Colgate-Palmolive Company	USA	Mitsubishi Corp.	Japan
Continental	EU-Germany	Mitsui & Co.	Japan
Costco Wholesale Corporation	USA	Model N, Inc.	USA
Credit Suisse Group AG	Switzerland	Mondelez International, Inc.	USA
CRH plc	UK	Navistar International Corporation	USA
Daikin Industries Ltd.	Japan	NetApp, Inc.	USA
Dentsu Inc.	Japan	NIKE, Inc.	USA
Edison International	USA	Nippon Yusen K.K.	Japan
Enagas SA	EU-Others	Nissan Motor Co. Ltd.	Japan
Enel	Eu-Spain	Nitto Denko Corp.	Japan
Exxon Mobil Corporation	USA	Nordea Bank	EU-Finland
Facebook, Inc.	USA	Nuance Communications, Inc.	USA
Fanuc Corp.	Japan	Office Depot, Inc.	USA
Flotek Industries, Inc.	USA	Omnicom Group Inc.	USA
FMC Corporation	USA	Oriental Land Co., Ltd.	Japan
Franklin Resources, Inc.	USA	Peabody Energy Corp.	USA
Fresenius Medical Care AG & Co	EU-Germany	PG&E Corporation (Dissident: Blue Mountain Capital Management LLC)	USA

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Company Name	Market
Pioneer Corporation	Japan
R.R. Donnelley & Sons Company	USA
Realty Income Corporation	USA
Recruit Holdings Co., Ltd.	Japan
Repsol	EU-Others
Rexel	EU-France
RWE	EU-Germany
Samsung Electronics Co. Ltd.	EM-Korea
Sanderson Farms, Inc.	USA
Sanofi	EU-France
Schneider Electric	EU-France
Shiseido Co. Ltd.	Japan
Siemens AG	EU-Germany
Sojitz Corporation	Japan
Sonos, Inc.	USA
Starbucks Corporation	USA
Subaru Corp	Japan
Swiss Prime Site	Switzerland
Sysco Corporation	USA
Tabcorp Holdings Ltd.	Australia
Taiwan Styrene Monomer Corp.	EM-Taiwan
Telecom Italia SpA	EU-Italy
Telecom Italia SpA (Dissident: Elliot Advisors)	EU-Italy

Company Name	Market
Teleperformance	EU-France
Tesla, Inc.	USA
The Home Depot, Inc.	USA
The Southern Company	USA
The Walt Disney Company	USA
Tokyo Electric Power Co Holdings Inc.	Japan
Toray Industries Inc.	Japan
TransDigm Group Incorporated	USA
Trend Micro Inc.	Japan
Tupperware Brands Corporation	USA
Unicredit SPA	EU-Italy
Vertex Pharmaceuticals Incorporated	USA
Vinci	EU-France
Vivendi	EU-France
Vornado Realty Trust	USA
Vulcan Materials Company	USA
Walgreens Boots Alliance, Inc.	USA
Walgreens Boots Alliance, Inc. (Resolution Co-Filers: Mercy Investment Services, Inc.)	USA
Wells Fargo & Company	USA
Woodside Petroleum Ltd.	Australia
Wyndham Destinations Inc	USA
Yamato Holdings Co Ltd	Japan

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