STATE STREET GLOBAL ADVISORS

Stewardship Report 2018–19

Sculpture by Kristen Visbal

To Our Clients

Rick Lacaille
Global Chief Investment Officer
State Street Global Advisors

I am pleased to present our Annual Stewardship Report, which showcases the work we undertook on your behalf in 2018 and 2019 thus far. At State Street, we believe that stewardship is our fiduciary responsibility and one of the ways we add value for clients and at portfolio companies. Our asset stewardship team is part of our investment organization, reflecting the integral role it plays in our investment processes. By engaging with boards and management teams about issues that are vital to companies' long-term profitability and using our voting power to effect change, we rigorously advocate for our clients' interests. In addition to issues related to long-term strategy and board composition, we also incorporate material Environmental, Social and Governance (ESG) concerns into our engagement efforts. This report is an integral mechanism through which we hold ourselves accountable for our stewardship activities.

Overall Engagement and Core Campaigns

In 2018, we engaged with 1,533 companies, which accounts for about 70% of our AUM in equities. Some of the highlights in this report include updates on our core multi-year campaigns of gender diversity and climate change, which will continue to be focus areas until portfolio companies effectively address these issues. I am especially pleased to announce that as of June 30, 2019, 43% or over 580 of the 1,350 companies identified as part of our Fearless Girl campaign responded to our call by either adding a female director or committing to do so. On climate change, we have conducted more than 365 engagements since we began engaging on the issue in 2014. This year, we found that while boards are starting to see climate change as a risk that needs to be mitigated, they are responding in a short-term tactical manner to a long-term strategic challenge. We believe that this is partly due to the time horizon mismatch between a typical three-year strategy-setting process and a longer time horizon over which companies expect climate risk to materialize.

Social Issues: The Next Frontier of ESG

In 2018, we observed that social issues such as gender diversity, pay equality, wage strategies, sexual harassment in the workplace and worker retraining are raising in prominence as emerging ESG issues facing companies. Overseeing and mitigating these risks are the next frontier of challenges facing boards. Consequently, one of our key collaborative efforts in 2018 was the Embankment Project for Inclusive Capitalism (EPIC) (see page 72). As a member on the Human Capital Deployment Working Group, we explored ways in which companies communicate the value of investing in their workforce and recommended that companies monitor and consider reporting on relevant metrics in this area. Our stewardship team will continue to explore how social issues are challenging our portfolio companies and have identified Human Capital Management as a thematic priority for 2019. We look forward to sharing our insights with you in the coming years.

R-Factor™ and ESG Integration

From a process perspective, I have prioritized integrating ESG across all strategies as a medium-term goal for all our investment teams. Our focus has been on incorporating financially material ESG data into the investment process. Therefore, in 2018, we invested resources into building an ESG scoring system called "R-Factor™" or Responsibility-Factor that measures the performance of a company's business operations and governance as it relates to financially material ESG issues facing the company's industry. The scoring methodology leverages transparent materiality frameworks to generate a unique ESG score for listed companies. In doing so, it provides companies with a road map for how to improve ESG practices in the areas that matter most to investors.

R-Factor™ is being systematically integrated into our stewardship program this year. By sharing R-Factor™ scores with portfolio companies, along with resources on how to improve the ESG practices and disclosure that power the basis of their score, we aim to bring financially material, consistent, comparable ESG data into the market. We are also building investment solutions powered by R-Factor™. Collectively, these offerings allow clients the ability to participate end to end in the development of more sustainable capital markets, one of the core objectives of the PRI's Blueprint for Responsible Investing.

Striving for Impact

As our portfolio companies face new challenges, strong stewardship is essential. While ESG has always been a part of our heritage, our significant investment in the development of R-Factor™ represents our view that ESG issues will only become more important over time.

As a large index investor, we are sometimes criticized for prioritizing breadth over depth or not doing enough to promote sustainability and long-term thinking in our portfolio companies. We hope that after reading this report, you come away with an understanding of how we leverage the size and scope of our investments to have a meaningful impact on companies and help create long-term value on your behalf. As always, I hope you find this report insightful and welcome your thoughts.

Sincerely,
Rick Lacaille

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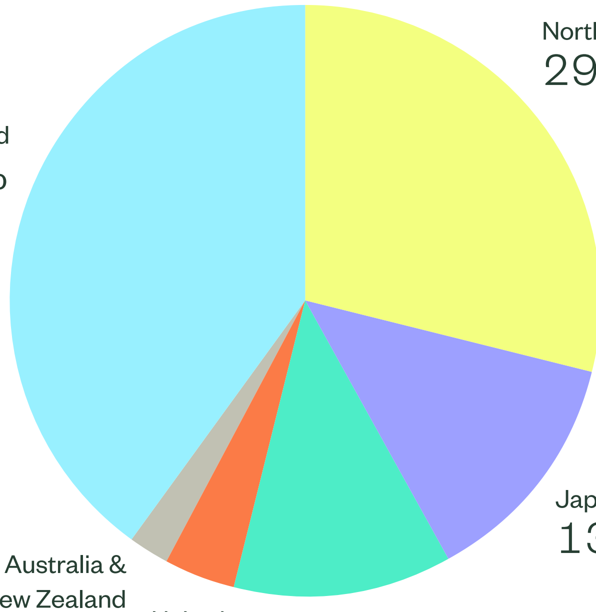
2018–19 in Review

In 2018, we voted over 17,400 meetings and engaged with 1,533 companies. Our engagement activities encompassed companies representing more than 70% of our 2018 AUM in equity. As of June 30, 2019, we voted over 12,600 meetings and have held more than 1,400 engagements. In this section, we provide highlighted insights from our voting and engagement activities, as well as core campaign, sector and thematic takeaways.

We also invested resources in developing R-Factor™, an ESG scoring system designed to build more sustainable capital markets. R-Factor™ measures the performance of a company's business operations and governance as it relates to financially material ESG issues facing the company's industry. It is being integrated into our engagement and voting activities and is a powerful new tool in guiding our approach to financially material ESG risks and opportunities facing our portfolio companies.

Vote Breakdown

Figure 1
2018 Voting by Region



Source: State Street Global Advisors Voting Statistics 2018

Number of Meetings Voted

17,478

Number of Countries

84

Management Proposals

154,087

Shareholder Proposals

3,430

Votes For

85.5%

With Management

89.0%

Votes Against

14.5%

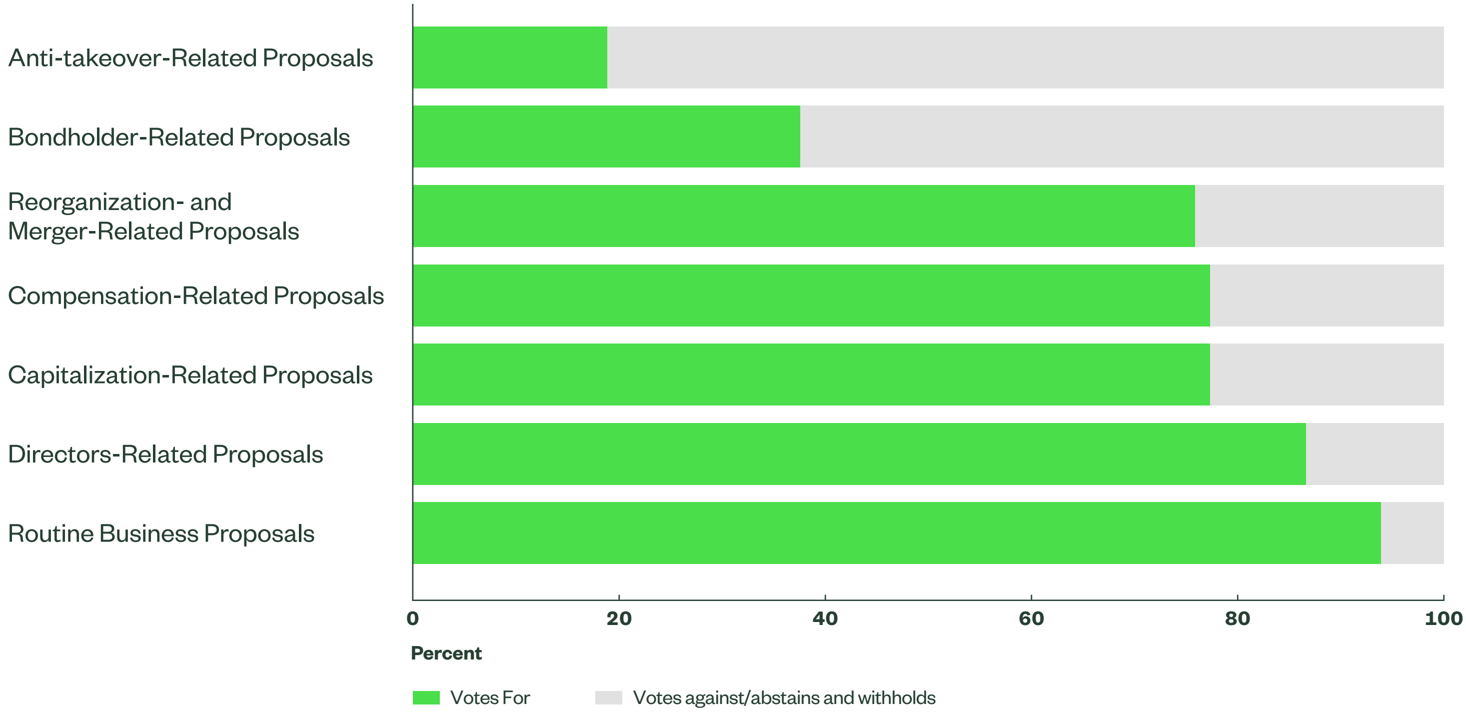
Against Management

11.0%

A comprehensive summary of all votes we undertook in 2018 is publicly available on our website. Please see the 2018 Vote Summary Report for details.

Figure 2

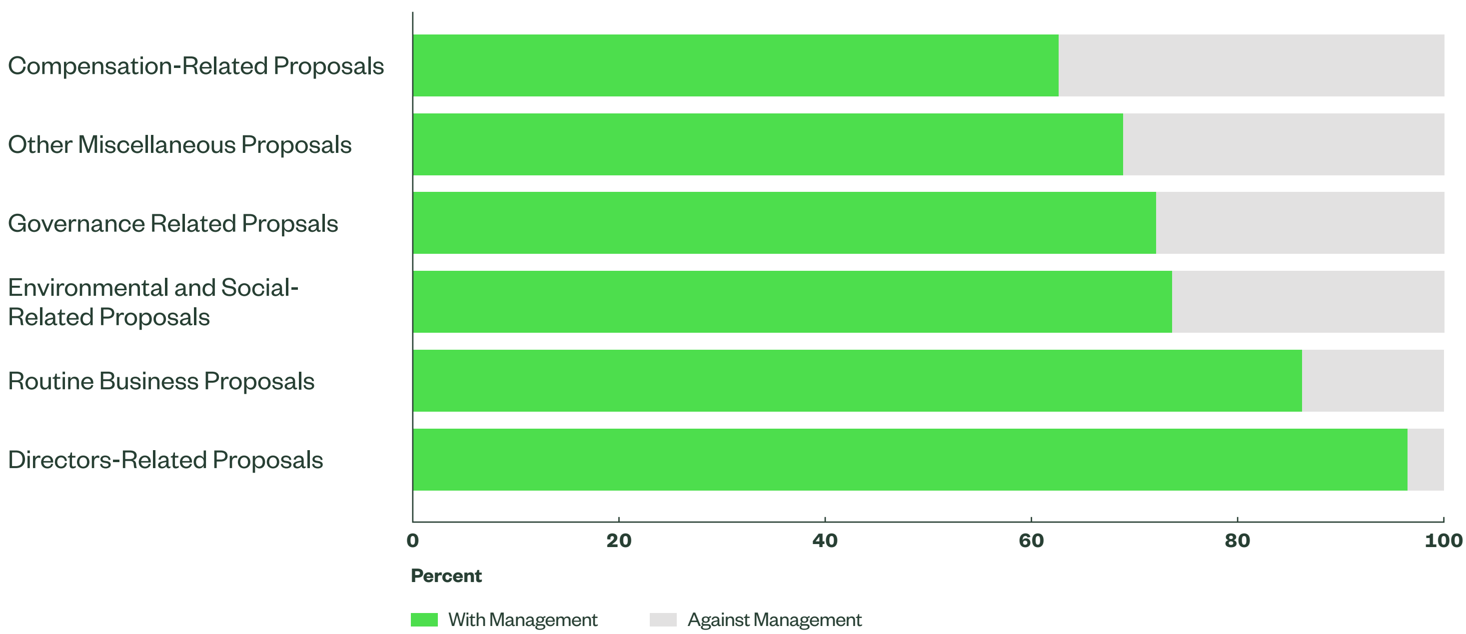
Votes on Management Resolutions by Category



Source: State Street Global Advisors Voting Statistics 2018

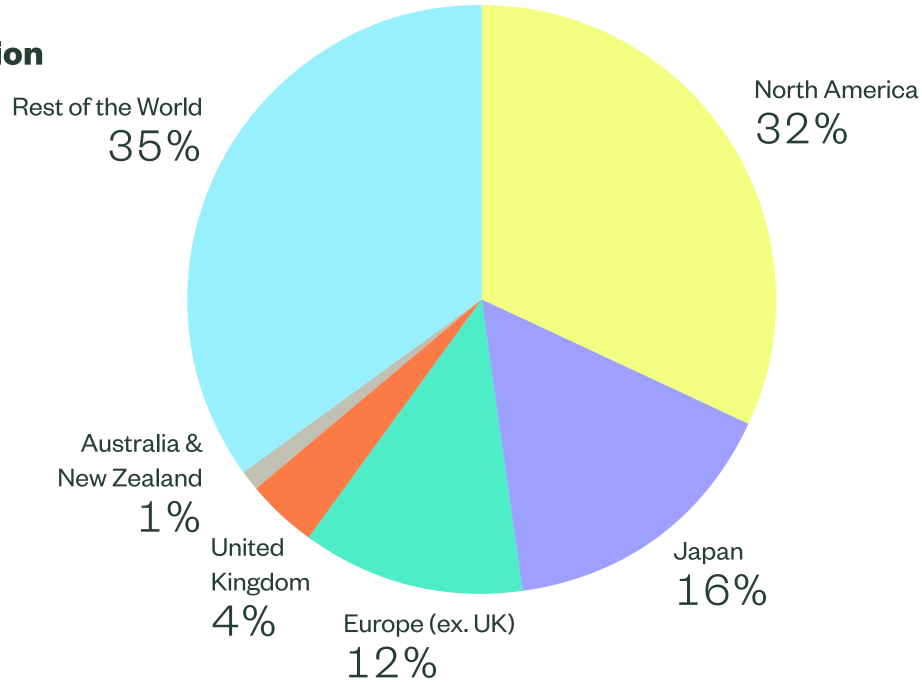
Figure 3

Votes on Shareholder Proposals by Category



Source: State Street Global Advisors Voting Statistics 2018

Figure 4
1H 2019 Voting by Region



Source: State Street Global Advisors Voting Statistics

Number of Meetings Voted

12,652

Number of Countries

72

Management Proposals

125,962

Shareholder Proposals

2,596

Votes For

86.3%

With Management

88.7%

Votes Against

13.7%

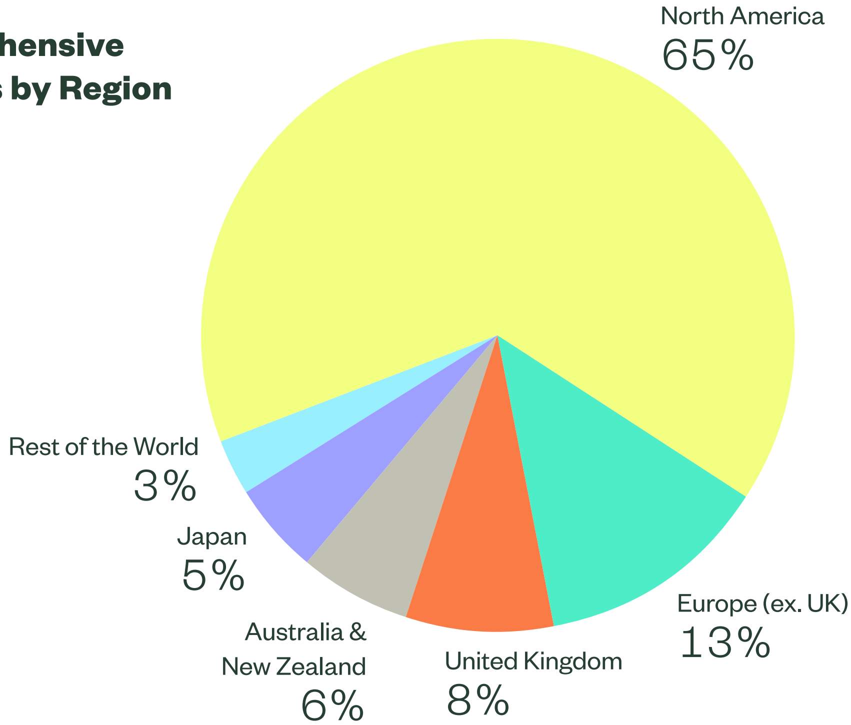
Against Management

11.3%

Engagement Breakdown

Figure 5

2018 Comprehensive Engagements by Region



Source: State Street Global Advisors Engagement Database

2018 Comprehensive Engagements

686

2018 Engagements Through Letter Writing

847

Portion of Equity AUM Engaged (%)

70

Countries

20

Engagements Statistics

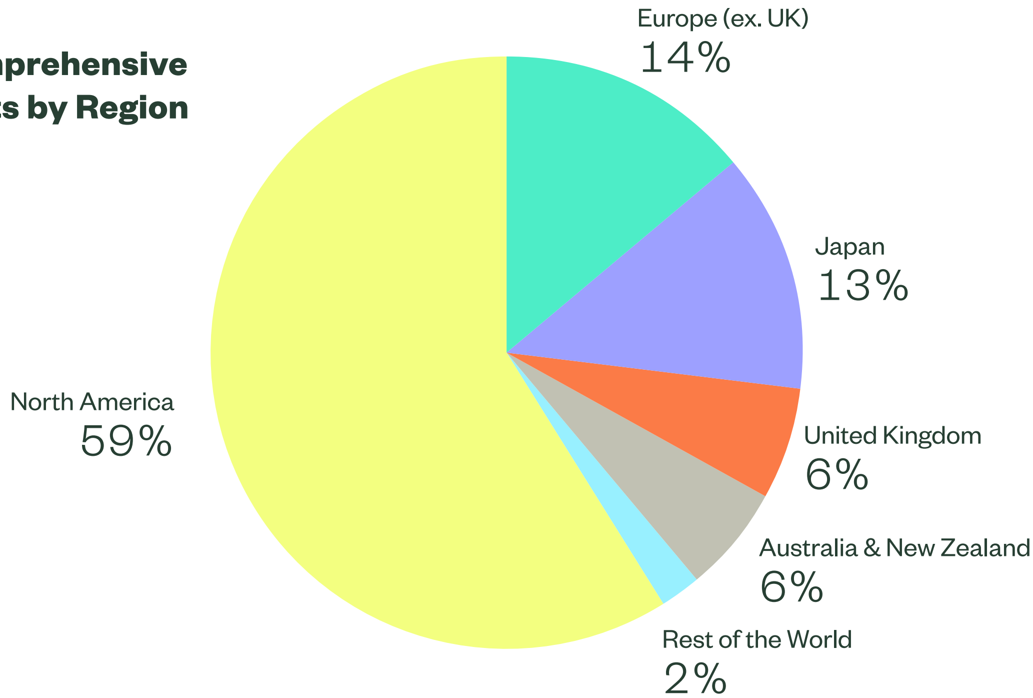
We engaged with 1,533 companies during 2018, of which 686 were comprehensive engagements conducted in-person or via conference calls and 847 were through letter-writing campaigns.

600 (90%) of our comprehensive engagements were with unique companies. We identify target companies for engagement through multiple methods, including proprietary environment, social, and governance (ESG) screens and sector and thematic priorities identified in our annual stewardship objectives. We note that 586 (85%) of our comprehensive engagements were with companies actively targeted by State Street Global Advisors.

In 2018, we sent letters to 344 companies across three markets on the thematic issue of gender diversity and 500 letters to S&P 500 companies on their compliance with the Investor Stewardship Guidelines. Details on these campaigns can be found in the Fearless Girl (p. 34) and Compliance with Corporate Governance Principles (p. 58) sections of this report.

Figure 6

H1 2019 Comprehensive Engagements by Region



Source: State Street Global Advisors Voting Statistics 2018

H1 2019 Comprehensive Engagements

474

H1 2019 Engagements Through Letter Writing

960

Countries

20

Introducing R-Factor™

In 2019, State Street Global Advisors launched R- Factor™, a new ESG scoring system. The R- Factor™ or the Responsibility-Factor Score measures the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry. It was designed to address market infrastructure challenges around ESG data quality and give companies a road map to implement and improve disclosure of financially material ESG data to all investors, thereby helping build more sustainable capital markets. The score draws on data from four ESG data providers and leverages widely accepted, transparent materiality frameworks (SASB and corporate governance codes) to generate a unique ESG score for listed companies.

In 2019, we began integrating R-Factor™ into our Asset Stewardship program. We have begun sharing companies' R-Factor™ scores with them and guiding companies towards resources on how to improve their ESG practices and ultimately their score. Because the score leverages transparent materiality frameworks, companies have the information needed to understand exactly what powers the score — and which financially material ESG issues to focus on managing and disclosing. Over time, this will bring better ESG data into the market — helping to build more sustainable companies and capital markets.

The R-Factor™ website provides more information on this exciting new capability.

R-Factor™'s Defining Characteristics

Financial Materiality
Scored based on what matters most for business: issues that have been shown to contribute to long-term sustainable returns.

Commonly Accepted, Transparent Frameworks
Puts companies in the driver's seat to improve their ESG performance and score

Multiple Data Sources
Powered by multiple data sources to minimize the bias of any one data provider and provide coverage of more companies

Strong Stewardship
Helps build sustainable capital markets by incentivizing companies to enhance ESG disclosure for all investors

Focus Area	Description	Number of Engagements per Topic	Key Insights (for more details, please see Sector and Thematic Priorities section starting on page 44)
Core Campaign Focus	Fearless Girl Campaign	443	Companies are responding to our call and making their boardrooms more diverse. As of June 2019, 43% or 583 of the 1,357 companies we have identified to date have added a woman to their board or committed to do so, up from 15% in 2017. During 2018, the second year of our Fearless Girl campaign, we built on the positive momentum from 2017 and expanded our gender diversity campaign to Europe, Canada and Japan. The big difference between the start of the campaign and today is that the conversation in boardrooms has moved from "why do we need a woman" to "why don't we need a woman" on the board. This change, which may seem subtle, has an impact that goes beyond the boardroom and has management thinking about gender diversity at all levels of organizations.
	Climate Risk and Reporting	89	While progress is being made on managing climate risk, it is not happening at the pace commensurate with the challenge. Companies are responding tactically to what is a longer term, strategic challenge. This is due partly to the mismatch between shorter term company planning cycles and the longer term nature of climate risk. More fluency is needed on boards in order to adequately manage climate risks and opportunities.
Sector Focus	Retail	48	As consumer preferences shift toward values-based brands, companies are repositioning themselves in this direction to build affinity with customers. While companies appear to be increasingly focused on building brand value, few are making the effort to improve their ESG disclosure and practices. Companies need to ensure that the action of the company and its employees are aligned with the brand messaging. Any disconnect between brand values and company action can create reputational risk for firms. One important way for retailers to do this is to focus on human capital management, particularly in the present tight labor market.
	Pharmaceuticals	64	This was our second time focusing on pharmaceuticals as a sector; we last reviewed it in 2015. The industry is being challenged on many ethical fronts, including the responsible use of personal data, genetic engineering and modification, and marketing practices, particularly around addictive substances like opioids. It is vital that companies understand and implement their core culture and ethical values in order for their management to make capital allocation decisions that mitigate any possible negative regulatory or societal backlash. Companies also need to significantly improve the disclosure of how they are managing the ESG risks material to their business.

Focus Area	Description	Number of Engagements per Topic	Key Insights (for more details, please see Sector and Thematic Priorities section starting on page 44)
Sector Focus (cont.)	Materials	50	We found that many B2B companies in this sector see ESG as an opportunity to differentiate themselves from their competitors. One benefit of this is that by doing so, they help improve the sustainability profiles of their customers. Consequently, these companies are addressing material ESG risks in a robust manner through the adoption of practices such as codifying board oversight of sustainability matters and setting financial targets to encourage the development of sustainable products or greenhouse gas emission reduction goals. Additionally, we observed that companies are increasingly incorporating safety as a compensation driver with 62% or 28 of the 45 unique companies we engaged with currently doing so. We believe this demonstrates how increased regulation around safety in this sector has elevated its importance as a significant ESG issue.
Thematic Focus	Compliance with Corporate Governance Principles in the US, UK, Australia and Europe	601	In 2018, State Street Global Advisors developed principles-based compliance screens that align with the corporate governance codes within our key markets in the US, UK, Australia and Europe. These new screens allow us to proactively monitor compliance with market governance codes and to address concerns with governance practices. 28 of the 130 companies (22%) that we voted against in 2018 improved their governance practices as a result of our vote.
	Pay Strategies	9	Companies are increasingly focusing on human capital management. They are leveraging their pay strategies to build brand with customers and see offering higher wages as a means to attract and retain talent, which in the long-term reduces employee turnover and training costs. We also found that many companies are beginning to recognize that employee performance is driven by more than just compensation; it is influenced by drivers such as work/life balance and employee benefit programs. The gender pay gap appears to largely be driven by a lower representation of women in more senior-level and higher-paying roles. This global issue needs to be addressed through a focus on improving gender diversity throughout the talent pipeline.
	Sustainability and Long-Term Strategy	153	Since 2016, we have been evaluating and ranking how effectively companies incorporate sustainability into their strategies. Based on our evaluation, about 20% or 45 of the 149 companies we evaluated in 2018 were rated top tier. 56% or 83 companies were rated Tier 2, and 14% or 21 companies were rated Tier 3. This data suggests that while a majority of companies are able to consider sustainability and communicate relevant ESG KPIs to investors, most are still failing to meet our full expectations to be classified as top tier.

Proxy Voting and Engagement

Given the size of our assets under management (AUM, US$2.9 trillion* as of 6/30/2019), the global scope of our investments, and the nature and time horizons of our investment portfolios, our stewardship role in global capital markets extends beyond proxy voting and engagement with issuer companies. It also includes promoting investor protection for minority shareholders in global markets through partnerships with local investors and regulators and working with investee companies to encourage adoption and disclosure of strong ESG practices.

* This figure includes approximately $566 billion of asset with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

Program Design and Objectives

As near-perpetual holders of the constituents of the world's primary indices, we use our voice and vote to influence companies on long-term governance and sustainability issues. Our approach to stewardship focuses on making an impact. Accordingly, our stewardship program proactively identifies companies for engagement and voting in order to mitigate ESG risks in our portfolios.

Stewardship with an Impact

To measure and demonstrate impact, we monitor and follow up with companies that we previously engaged with and evaluate company responsiveness to our feedback. This requires a long-term, multiyear approach to stewardship. In addition, in order to maximize our impact, we publish thought leadership, to both inform companies and educate market participants.

We continue to invest in resourcing our stewardship activities. Over the years, we have increased the size of our Asset Stewardship Team (Stewardship Team), which reflects the growing importance of our stewardship program. Effectively leveraging technology and using a robust prioritization approach (see page 28) ensures that our team is sized appropriately for the scope of our program. Our engagement activities encompassed companies representing more than 70% of our AUM in equity in 2018. Further, last year our Stewardship Team reviewed over 7,000 or 40% of 17,478 meetings voted using multiple proprietary ESG screens. We will continue to evaluate our resource needs annually to ensure that we are sufficiently staffed and are optimally leveraging ESG information and technology to achieve our stewardship objectives.

Stewardship Program Philosophy and Objectives

Through our overarching stewardship philosophy of protecting and promoting the long-term economic value of client investments and in an effort to fully embrace our commitment to external initiatives such as the PRI (see page 23), our stewardship objectives are as follows:

Clearly communicate our commitment to responsible investing on behalf of our clients and report on the impact of our stewardship activities We aim to achieve this objective through honest evaluation, continuous enhancement and increased transparency of our stewardship practices.

Develop effective proxy voting and engagement guidelines that enhance and evolve ESG practices in the market We aim to achieve this objective by applying higher voting standards in markets where governance and sustainability practices are below global investors' expectations, and by clearly identifying engagement priorities that focus on sector, thematic and/or market-specific issues. We collaborate with other investors in markets where we believe collective action is needed.

R-Factor™: A Transparent ESG Score to Build Sustainable Capital Markets

The R- Factor™ or the Responsibility-Factor Score measures the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry. It was designed to address market infrastructure challenges around ESG data quality and give companies a road map to implement and improve disclosure of financially material ESG data to all investors, thereby helping build more sustainable capital markets. (For more, see "The ESG Data Challenge") The score draws on data from four ESG data providers, and leverages widely accepted, transparent materiality frameworks (SASB and corporate governance codes) to generate a unique ESG score for listed companies.

In 2019, we began integrating R-Factor™ into our Asset Stewardship program. We have begun sharing companies' R-Factor™ scores with them, and using the scores as a screen for voting and engagement. Because the score leverages transparent materiality frameworks, companies have the information needed to understand exactly what powers the score — and which financially material ESG issues to focus on managing and disclosing. Over time, this will bring better ESG data into the market, ultimately helping to build more sustainable companies and capital markets.

The R-Factor™ website provides more information on this exciting new capability. For further information, please see "R-Factor™: Reinventing ESG Through a Transparent Scoring System."

State Street Global Advisors' Approach to Proxy Voting and Engagement

Who We Are		Our Process		Value Creation
Long-term shareholder with a global focus	→	Value-driven philosophy implemented by a dedicated team of ESG analysts, using a risk-based screening approach	→	Engagement and voting conducted to maximize impact and create sustainable value for clients

Ensuring that companies see us as a long-term partner as they navigate the evolution of ESG practices We aim to achieve this objective by screening our portfolio holdings on performance and ESG factors to prioritize our engagement efforts and by constructively engaging with senior management and board members to effect change in investee companies. In addition, we use thought leadership to inform and provide guidance to our investee companies on the development of ESG practices across our key markets.

Our Beliefs

Our approach to proxy voting and issuer engagement is premised on the belief that companies that adopt robust and progressive governance and sustainability practices are better positioned to generate long-term value and manage risk. As near-perpetual holders of the constituents of the world's primary indices, the informed exercise of voting rights coupled with targeted and value-driven engagement is the most effective mechanism of creating value for our clients.

Therefore, we engage as long-term investors through our asset stewardship program on those issues that impact long-term value. Our focus in recent years has been on good governance and other practices that affect a company's ability to generate positive returns for investors over the long run. Those issues span a variety of ESG topics material to sustainable performance. We approach these issues from the perspective of long-term investment value, not from a political or social agenda (aka "values").

Our Organization and Oversight Structure

All voting and engagement activities are centralized within our Stewardship Team, irrespective of investment strategy or geographic region. The Stewardship Team leverages the breadth of our investment capabilities to make informed decisions. Consolidating and harmonizing our voting decisions and engagement efforts in this way enables us to leverage the full power of our institutional discretionary holdings and exert greater influence with management and boards. By not limiting our team's expertise to specific sectors or regions, we are able to leverage our global perspective when developing insights and to share best practices across sectors and geographies.

In our voting and engagement activities, we evaluate the range of factors that play into the corporate governance framework of a country, including macroeconomic conditions, the political environment, the quality of regulatory oversight, enforcement of shareholder rights and the effectiveness of the judiciary. We complement our company-specific dialogue with targeted engagements with regulators and government agencies to address systemic industry concerns.

Our dedicated team of ESG analysts, based in Boston, London, Tokyo and Krakow, are embedded in our investment team and implement our proxy voting guidelines and engagement activities on a global basis. The Stewardship Team's activities are directly overseen by the State Street Global Advisors Investment Committee (IC). The IC is responsible for approving our annual stewardship strategy, engagement priorities, and proxy voting guidelines in addition to monitoring the delivery of objectives. The Proxy Review Committee, a dedicated subcommittee of the IC, provides day-to-day oversight of the Stewardship Team, including approving departures from proxy voting guidelines and managing conflicts of interest.

The Stewardship Team works closely with our ESG research team to leverage R-Factor™ scores and other ESG data in our activities. The Stewardship Team is also supported by several specialists within State Street Global Advisors when executing its stewardship responsibilities. These specialists include members of our proxy operations team, who are responsible for managing fund setup, vote execution, vote reconciliation, share recall and class action lawsuits, as well as members of our client reporting and compliance teams.

Alignment with the Principles for Responsible Investment

As a signatory to the Principles for Responsible Investment (PRI), we have fully aligned our stewardship program with the PRI's Blueprint (https://blueprint.unpri.org/). This initiative, launched in 2016, defines the PRI's objectives for the following 10 years across a number of areas of impact. We are particularly supportive of PRI's commitment to building sustainable markets by challenging barriers to a sustainable financial system and by driving meaningful data throughout markets. R-Factor™, our ESG scoring system launched in 2019, is designed specifically to advance these goals. (For more on R-Factor™, please see page 15).

We were pleased that both our overall firm-wide activities, as well as our stewardship program specifically, were rated an A+ by the PRI in 2019 for our activities in FY2018. These are the highest possible ratings and represent our deep commitment to responsible investing.

State Street Global Advisors' 2019 Assessment, Principles for Responsible Investment

Reporting Module	Score
Strategy & Governance	A+
Listed Equity Active Ownership	A+
Listed Equity Incorporation	A
Fixed Income Corporate Financial	A
Fixed Income Corporate Non-Financial	A
Fixed Income SSA	B
Fixed Income Securitized	B
Private Equity	C
Property	C
Infrastructure	E

Company Engagement

Through our engagement activities, we seek to encourage the building of transparent, accountable, high-performing boards and companies. We see engagements as one of the tools available to us for communicating our views to companies. The success of our engagement strategy is built on our ability to prioritize and allocate resources to focus on companies and issues that have the greatest potential impact on shareholder returns. We see engagement as a multiyear process; we monitor and report on company responsiveness to our engagements, without which, we escalate our response through voting action.

Our Stewardship Team has developed an Issuer Engagement Protocol and a framework to increase the transparency of our engagement philosophy, approach and processes. This protocol is designed to communicate the objectives of our engagement activities and to facilitate a better understanding of our preferred terms of engagement with our investee companies. A copy of the protocol can be found on our website.

We aim to limit company engagements to a single meeting per year with the same company, rather than multiple meetings. This approach allows us to efficiently prioritize our resources and engage with companies in comprehensive, substantive meetings. In these comprehensive engagements, we focus on material, long-term ESG issues that are relevant to the specific company.

In our view, this approach makes companies more responsive to our requests for engagement. It also requires us to give companies time to consider and implement the matters raised during our engagements, making multiple engagements with the same company in a given year redundant. We monitor the percentage of engagements with companies we previously identified as requiring proactive discussions and the percentage of unique engagements to ensure that our activity is aligned with the long-term, risk-based approach to stewardship that is fundamental to our program. In 2018, 90% of our engagements were with a unique company and 85% were with companies that we had identified as requiring proactive discussions.

We actively seek direct dialogue with the board and management of companies that we have identified through our screening processes. In 2018, a board member was present for 39% of our 686 comprehensive engagements.

We regularly review our Issuer Engagement Protocol to ensure that our interactions with companies remain effective and meaningful. This includes reviewing indicators incorporated into the screening models of our prioritization process and assessing emerging thematic ESG issues and trends.

Engagement Topics

Through our engagement activities, we seek to encourage the building of transparent, accountable, high-performing boards and companies. We believe that regular and constructive communication with our investee companies allows us to engage in an honest dialogue with boards and management on a spectrum of topics, including:

Governance
- Board and Management Succession Planning
- Board Composition and Effectiveness
- Bribery and Corruption
- Corporate Culture
- Executive Compensation
- Regulatory Compliance
- Shareholder Rights

Strategy
- Capital Allocation
- Corporate Reporting
- Long-Term Strategy
- Risk Management

Environmental Issues
- Climate Change
- Environmental Strategy and Management
- Supply Chain Management

Social Issues
- Diversity
- Health and Safety
- Human Capital Management
- Labor Standards and Human Rights

Prioritizing Engagements

We hold over 12,000 listed equities across our global portfolios. Therefore, the success of our engagement strategy is built on our ability to prioritize and allocate resources to focus on companies and issues that have the greatest potential impact on shareholder returns. To support this process, we have developed proprietary in-house screening tools to help identify companies for active engagement based on various financial and ESG indicators. The factors we consider in identifying target companies include:

- The size of absolute and relative holdings
- The top holdings of our commingled/pooled funds
- Systematic input from our active equity and fixed income investment teams
- Companies with poor long-term financial performance within their sector
- Companies identified as lagging market and industry standards on ESG matters
- Outstanding concerns from prior engagement
- Priority themes and sectors based on an assessment of emerging ESG risks

We endeavor to build geographic diversity within our engagement activities to reflect our economic exposure to global markets.

Types of Engagement

Active
On average, 85% of our annual company engagements are classified as active. We use screening tools designed to capture a mix of company-specific data, including governance and sustainability profiles, to help us focus our engagement activity. As noted above, we actively seek direct dialogue with the board and management of companies that we have identified through our screening processes. Such engagements may lead to further monitoring to understand and improve company practices. In these cases, the engagement process represents the most meaningful opportunity for us to protect long-term shareholder value from excessive risk due to poor governance and sustainability practices.

Reactive
On average, 15% of our annual company engagements are classified as reactive. Here, members of our Stewardship Team engage with companies that wish to solicit our votes or seek feedback on corporate governance and sustainability issues as shareholders, or on breaking news developments. These meetings are typically initiated by the companies, who drive the meeting agenda.

Measuring Engagement Success

Our stewardship activities are designed to impact company-specific and market-level ESG practices. Therefore, we define success as:

- A company implementing changes to its ESG-related programs, practices or processes consistent with our engagement or voting feedback;
- Several market participants, such as asset owners, asset managers, consultants or proxy advisory firms, being influenced by our thought leadership on thematic ESG issues; or
- Regulators responding to our concerns/collaborative initiatives.

Company-Specific Successes
Assessing the effectiveness of our company-specific engagement process is often difficult. To limit the subjectivity of measuring our success, we actively seek issuer feedback and monitor the actions taken by issuers post-engagement in order to identify tangible changes. This enables us to establish indicators to gauge how issuers respond to our concerns and to what degree these responses satisfy our requests. It is also important to note that successful engagement activity can be measured over multiple years depending on the facts and circumstances involved. These engagements not only inform our voting decisions but also allow us to monitor improvement over time and to contribute to our evolving perspectives on priority areas.

We also track the impact of our proxy votes by reviewing changing trends in market practices on specific corporate governance or sustainability-related issues that we address through voting action. We report examples of successful engagement and voting actions to clients on an annual basis in our Annual Stewardship Report, which can be found on page 80.

Market-Level Successes
We track the broader adoption of the thematic ESG issues that we have been championing by assessing the number of market participants that have embraced positions consistent with our thought leadership. Over the years, the following issues are examples of ESG topics where we have published robust thought leadership that has influenced market participants:

- Need for Board Refreshment (US market)
- Effective Independent Board Leadership (Global)
- Incorporating Sustainability into Long-Term Strategy (Global)
- Gender Diversity — Fearless Girl Campaign (Global)
- Effective Climate Change Disclosure in High-Impact Sectors (Global)
- Increasing Board Accountability (Europe)
- Aligning Corporate Culture with Long-Term Strategy (Global)
- Monitoring Compliance with Investor Stewardship Group Principles (US market)

Proxy Voting

Every year, we vote at over 17,000 meetings. We prioritize company meetings for further review based on factors such as the size of our holdings, past engagement, corporate performance and voting items identified as areas of potential concern. All voting decisions are exercised in accordance with our in-house guidelines or specific client instructions. Like engagement, we see proxy voting as a tool available to us for communicating our views to companies. In general, we rely more on proxy voting in contexts where our relative holding values are smaller compared to other investors, engagement culture is less developed, and/or companies have not been responsive to engagement efforts.

State Street Global Advisors Engagement and Proxy Voting Prioritization Process

Engagement As an investor in more than 12,000 listed companies, prioritization is essential to effectiveness. Our active target list includes companies across seven main regions/markets (Australia, Canada, EM, EU, Japan, UK, US) of our stewardship activities

Process	→	Portfolio exposure	→	Proprietary ESG Screens	→	Thematic and Sector Priorities
How we prioritize		Absolute and relative holdings		Negative screening on ESG factors		Stewardship plan

Proxy Voting Our universe comprises about 117,000 meetings per year, or about 160,000 ballot items. As such, prioritization of vote issues is an equally important aspect of our stewardship program. We review more than 7,000 meetings each year, or 40% of total meetings.

Process	→	Alignment with Investment Strategy and Value Creation	→	Proprietary ESG Screens	→	Proxy Voting Priorities
How we prioritize		Strong financial link to portfolio		Negative screening on ESG factors		Stewardship plan

Focus Areas

1 Director Elections
2 Remuneration
3 Shareholder Proposals
4 Mergers and Acquisition
5 Capital Raising
6 Restructuring
7 Debt Policies
8 Related-Party Transactions

Proxy Voting Guidelines
We vote our proxies in accordance with voting guidelines approved by our Investment Committee. The global principles and six market-specific guidelines are available for public review on our website.

Our voting guidelines have been designed to drive governance and sustainability practices at issuer companies toward global principles of good governance, while taking account of individual market nuances and standards. As such, in some instances, we may hold companies to standards that exceed local market practice.

Prioritizing Voting Issues (See Engagement and Proxy Voting Prioritization Process graphic)
Every year, we vote at over 17,000 meetings. We prioritize company meetings for further review based on factors such as the size of our holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, we allocate appropriate time and resources to meetings and specific ballot items of interest, to maximize value for our clients. All voting decisions are exercised in accordance with our in-house guidelines or specific client instructions. We have established robust controls and auditing procedures to ensure that the votes we cast through the Institutional Shareholder Services (ISS) Proxy Exchange platform are executed in accordance with our instructions.

Use of Proxy Voting Services
We have contracted ISS to assist with managing the voting process at shareholder meetings. We utilize ISS's services in three ways: (1) as our proxy voting agent (providing vote execution and administration services); (2) for applying our custom Proxy Voting Guidelines; and (3) as providers of research and analysis relating to general corporate governance issues and specific proxy items. In addition, we also have access to Glass Lewis and region-specific meeting analysis provided by IBIS.

Fixed Income Stewardship

Without an annual vote, creditors have limited ability to engage with and influence management behavior. Their relationship with issuers is largely contractual. Consequently, debt issuers have typically focused their engagement efforts on matters that directly influence their returns, such as strategy, cash-flow generation and utilization, and financial leverage. However, ESG risks can also impact returns on fixed income assets[1]. These risks need to be managed and addressed in asset managers' fixed income stewardship programs.

We formally integrated ESG stewardship into our fixed income investment process in 2015. Details of the program can be found on our website at: https://www.ssga.com/investment-topics/environmental-social-governance/2019/06/fixed-income-stewardship-program.pdf

2018–19 Initiative: Applying R-Factor™ in Fixed Income
Fixed income stewardship requires good data on holdings in order to evaluate and engage on ESG practices. However, the biggest challenge is that most data providers capture information at the parent public company level, which is difficult to link to individual fixed income issuances. Therefore, in 2018, we undertook a project to map equity ISINs to their fixed income counterparts so that our R-Factor™ score can be used across asset classes. This mapping will allow us to further integrate our fixed income holdings into our prioritization, engagement and other stewardship activities in the coming years.

Leveraging Our Global Footprint And Institutional Expertise

As a global investor, our focus, whether sector or thematic, is global in nature. Importantly, however, we allow for regional nuances and differences by conducting stewardship activities through our regional teams worldwide, which also enables us to identify and share insights into regional trends. The size of our global assets and reputation in the market gives our Stewardship Team access to the management and boards of investee companies.

Investment Integration
As noted, our Investment Committee owns and is responsible for stewardship activities through its oversight of the Stewardship Team.

Index Investment Strategies For our index investment strategies, our global and regional chief investment officers represent our investment teams by participating in company engagements and meeting regulators alongside the Stewardship Team. In addition, where appropriate, the Stewardship Team presents insights to our internal investment teams on ESG issues that are related to market policies and company-specific events. Collaboration between the stewardship and investment teams is particularly important when considering corporate restructurings and mergers and acquisitions, which may have a significant impact on benchmark index composition and rebalancing.

Active Investment Strategies The Stewardship Team works closely with our active fundamental investment teams, collaborating on issuer engagements and sharing inputs and valuable insights on company-specific fundamentals. This facilitates an integrated approach toward investment research and engagement with company management and boards. Our active fundamental equity investment teams also provide recommendations for every resolution tabled for shareholder approval at companies within their investment universe.

These recommendations and insights allow the Stewardship Team to leverage the expertise of our active investment teams when determining voting decisions for our aggregated positions.

Client Insights

The Stewardship Team works closely with our global client relationship teams to maintain an open and constructive dialogue with clients on the delivery of our stewardship activities. This provides an opportunity for clients to understand our approach, to provide feedback on our objectives and priorities, and to hold us accountable for their delivery. In addition, our network of global clients provides invaluable inputs into the Stewardship Team's understanding and analysis of local market trends and specific company events. The combination of local and global perspectives strengthens the Stewardship Team's ability to promote long-term value for our diverse global client base.

Collaborative Engagement

We carry out the majority of corporate engagements on a one-to-one basis as we believe this is critical to building trust and establishing constructive long-term relationships with companies. Nevertheless, we also collaborate with like-minded investors in certain circumstances. The Collaborative Initiatives in 2018 section of this report, beginning on page 70, provides details on our activity over the past year.

1 Corporate Bonds: Spotlight on ESG Risks, December 2013 and Sovereign Bonds: Spotlight on ESG Risks, September 2013 https://www.unpri.org/fixed-income/corporate-bonds-spotlight-on-esg-risks/41.article

Core Campaign Focus

We continue to focus on **gender diversity** and on **climate risk and reporting** as our core, multi year campaigns. Since starting to focus on these issues, we have observed meaningful progress in both areas. We are pleased that as of June 30, 2019, 43% or over 580 of the 1,350 companies identified as part of our Fearless Girl campaign responded to our call by either adding a female director or committing to do so. With respect to climate risk and reporting, in 2018, we found that most companies are beginning to respond to the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). This is a positive step, though we see more work ahead to fully implement the recommendations in a way that can help effectively manage and report on climate risk.

Fearless Girl Campaign
Positive Change on Gender Diversity Continues

Companies are responding to our call and making their boardrooms more diverse. The big difference between the start of the campaign and today is that the conversation in boardrooms has moved from “why do we need a woman” to “why don’t we need a woman” on the board. This change, which may seem subtle, has an impact that goes beyond the boardroom and has management thinking about gender diversity at all levels of organizations.

Engagement Topics	Number of Engagements
Gender and skill diversity	443
Independent oversight of the board and its key committees	
Board effectiveness, skills and experience	
Board refreshment and succession-planning process	

Did you know that since the launch of the Fearless Girl campaign ...

In the US,

44%

or 404 / 910

Russell 3000 companies we identified as not having a woman on their board added a female director or committed to do so.

In the UK,

85%

or 11 / 13

FTSE 350 companies we identified as not having a woman on their board added a female director.

In Canada,

44%

or 32 / 73

TSX companies we identified as not having a woman on their board added a female board member or committed to do so.

In Europe,

62%

or 8 / 13

companies we identified in the Stoxx 600 ex-UK as not having a woman on their board added a female director.

In Japan,

35%

or 101 / 293

TOPIX 500 companies we identified as not having a female board member added a female director to their board since the expansion of our campaign into Japan.

In Australia,

47%

or 26 / 55

companies we identified in the ASX 300 as not having a woman on their board added a female director.

Why Focus on Gender Diversity?

Research shows that companies with greater levels of gender diversity have stronger financial performance as well as fewer governance-related issues such as bribery, corruption, shareholder battles and fraud. A January 2017 report by the Conference Board suggests that the reason for the outperformance is largely attributed to the outside perspectives brought into the boardroom by adding women to the board.[2] A recent study[3] by Future Fund and Willis Towers Watson pointed to improved “cognitive diversity” as one of the key factors in helping to meet investment goals given the uncertain outlook in capital markets, and gender diversity is an essential component of achieving cognitive diversity.

Our Campaign

On the eve of International Women’s Day 2017, State Street Global Advisors placed a statue of a Fearless Girl in the heart of New York’s Financial District to raise awareness about the importance of gender diversity in corporate leadership and to call attention to our minimum expectation for companies to have at least one woman on their boards.

Fearless Girl Impact — Worldwide Numbers

	Companies identified as not having a single female board member (since March 2017)	Number of companies adding a female director	Number of companies committing to add a female director (as of July 2019)	Number of companies where State Street Global Advisors voted against a director for lack of board diversity (03/2018–02/2019)
Global	**1,357**	**577**	**6**	**667**
Breakdown by Region				
US	910	400	4	421
Japan	293	101	1	181
Canada	73	31	1	43
UK	13	11	0	4
Europe	13	8	0	2
Australia	55	26	0	16

Today, there is a global focus on the value of diversity in the boardroom; this is a far cry from where we started out just over two years ago, and this change has had a direct impact on the tone of our engagements. When we engage with companies that lack gender diversity, the conversation is no longer about "why" we are engaging on this issue. Instead, the focus is on "why not" enhance their board by embracing the value of diversity.

Extending Fearless Girl's Success

When our Fearless Girl campaign began, we announced that we would take voting action against directors on boards that did not meet our minimum expectations. We built on the strong momentum in 2017 of our campaign in the US, UK and Australia by expanding our gender diversity voting guidelines to Europe, Canada and Japan in 2018. As part of the expansion into these regions, we sent letters to 344 companies with no women on their boards to inform them of our expectations concerning board diversity and offered to engage on this matter. We further expanded our efforts to the Gulf Cooperation Council (GCC) countries, with the aim of facilitating gender diversity on boards by generating debate on the issue through active dialogue with wider stakeholders in the market. Overall, during 2018, we took voting action against 667 companies for failing to demonstrate sufficient progress on board diversity. By H12019, we took voting action against 405 companies for this reason.

The Impact of Fearless Girl in 2018/19

After two years of productive engagements and voting, we are delighted to report that since the introduction of Fearless Girl in March 2017, 577 companies or approximately 43% of the companies we identified have responded to our call by adding a female director, with another six having committed to do so.

However, 57% of the companies we identified have yet to take action. Consequently, in 2020, we will vote against the entire nominating and governance committee, not just the chair, in our target markets if we have concerns about the lack of gender diversity for four consecutive years and are unable to engage in productive dialogue.

In 2018, Fearless Girl Found a New Home on an Even Bigger Stage ...

In December 2018, we partnered with the city of New York to move Fearless Girl to a new home — on an even bigger stage — in front of the New York Stock Exchange. In early 2019, we also placed Fearless Girl in front of the London Stock Exchange. From these new locations, she is making an even greater impact, serving as a constant reminder to companies and investors that having women in leadership is good for business. Fearless Girl is truly reinventing investing because she is changing the way we think about corporate performance.

> **“We are proud to be home to the Fearless Girl. She is a potent symbol of the need for change at the highest levels of corporate America — and she will become a durable part of our city’s civic life.**
>
> —New York City Mayor Bill de Blasio

Regional Focus: Our Engagement and Voting Action in 2018

North America

United States (Russell 3000) The campaign’s momentum continued in the US in 2018, building on its positive impact in 2017. Since the launch of our Fearless Girl campaign, 400 of the Russell 3000 companies initially identified have added at least one female director to their boards. As of Q4 2018, 17% of Russell 3000 companies had all male boards, down from 24% at the start of our campaign.[4] We view these as proof points of gender diversity’s status of a mainstream boardroom issue and the ongoing impact of our campaign.

Canada (TSX) 2018 marked the first year of our Fearless Girl campaign in Canada, where 37% of companies listed on the Toronto Stock Exchange (TSX) lacked gender diversity on their board.[5] We identified 73 companies in our investable universe without a female on their boards. Among these companies, 44% have added a female board member, and one company has committed to doing so in the near term. However, it should be noted that companies are not limiting themselves to adding one female director. For example, **Norbord Inc.** set a goal to have two women on its board by 2019, and has already added its first female director.

Asia-Pacific

Japan (TOPIX 500) In 2018, we expanded our Fearless Girl campaign to Japan, where we found that 56% of TOPIX 500 (281 out of 500) listed companies had all male boards as of December 2017.[7] Despite the low levels of gender diversity, we saw significant progress in companies’ willingness to appoint women to their boards in 2018 and the first half of 2019. We informed these companies of our expectations with regard to diversity on boards. Consequently, 35% or 101 of those companies have added a female director to their boards since the expansion of our campaign into Japan.[8]

During our engagement, many companies explained that they could not identify qualified, internal female candidates to appoint in the next three-to-five years. However, as part of our engagement, we helped companies to establish a pathway to improve gender diversity levels within their organizations as this market was starting from a much lower base in terms of establishing a pipeline to improve gender diversity. This pathway included establishing goals, improving hiring practices and enhancing disclosure related to each company’s position on gender diversity.

Further, we support companies such as **Komatsu Ltd.** that appoint female directors from within their own senior management.

We voted against directors at 181 companies of Japanese companies that were unresponsive to our engagement efforts.

Australia (ASX 300) Australian companies have continued to respond well to our call to action, with the percentage of companies within the ASX 300 without a female director decreasing from 17% to 12% over a two-year period.[9]

Europe and the Middle East

UK (FTSE 350) In the UK, we continued to monitor the few remaining companies in the FTSE 350 that were lacking in board gender diversity. Of the 13 companies identified, 85% (11 companies) have added a female director to the board since Fearless Girl’s original placement.[10]

During an engagement with the executive management of **Sports Direct International plc**, we expressed our concerns that there were no female directors on the board. Due to our concerns, we voted against the re-election of the chairman of the board, who was also chair of the Nomination Committee. Following its AGM, the company appointed two new independent directors to the board, including one female director.

Figure 7

Overview of Board of Directors and Leadership Gender Diversity in GCC

Stock / Security Exchange Companies by Market Cap (%) Top 10 Companies	**% of companies with no female directors**	**Average % of women on the board**	**% of companies with no female executives**	**Average % of women on executive management team**
Oman	60	7	67	5
Bahrain	60	5	50	4
Dubai	70	4	58	7
Kuwait	80	4	22	9
Qatar	87	2	68	5
Abu Dhabi	95	0.4	60	6
Saudi Arabia	96	1	86	2

Source: State Street Global Advisors' Research as of July 2018

In addition, we also engaged with the senior independent director of **Stobart Group Ltd.** to express our concerns about the absence of a female director on the board. The company stated that it was actively addressing the lack of female representation on the board and that it was in the process of appointing a female director. Following its AGM, the company appointed a female director to the board.

Europe (STOXX 600 ex-UK) In 2018, we also expanded the Fearless Girl campaign to the STOXX 600 ex-UK. During the year, two companies identified, **Deutsche Wohnen SE** and **Porsche Automobil Holding SE**, added a woman to their boards.

Gulf Cooperation Council (GCC) countries The inclusion of Saudi Arabia within the FTSE and MSCI indexes from 2019, alongside the public commitment of all six GCC countries to increase women's participation in the workforce, led State Street Global Advisors, in collaboration with the 30% Club, to analyze gender diversity across the region.

We found that the economic opportunity from increasing gender diversity in the GCC countries is staggering: Research shows that full gender parity in workforce participation in the GCC could add US$830 billion to the region's economy, or 32% of GDP.[11] As part of a thought-leadership piece published on our website, we called attention to the need for greater board diversity levels in GCC countries. Of the 170 blue-chip companies we examined across the region, only 23 (14%) had at least one female board director.

Within the region, Oman and Bahrain top the regional list on board gender diversity, and Kuwait ranks first at the executive management level. Considering the current levels of diversity in the region and that the GCC is an emerging market, we will not be taking voting action against companies with no female directors on the board. Instead, we aim to facilitate gender diversity on boards through an active dialogue with wider stakeholders in the market, generating debate on this issue.

Guidance for GCC Boards on Gender Diversity

- Boards need to look at diversity and inclusion across the organization, and this should include pay parity.
- Board focus on gender diversity needs to be operational and not just focused at management level. However, for this to be effective, management should be held responsible for how diversity is being practiced at team levels.
- Companies should report on how efforts to advance gender diversity are incorporated into their company culture.

For further information on the impact of our voting and engagement on gender diversity, please see the Impact of Stewardship and Stewardship in Practice sections of this annual report beginning on page 80.

2 "The Effect of Gender Diversity on Board Decision-making: Interviews with Board Members and Stakeholders" The Conference Board, Jan 2017

3 "Future Fund and Willis Towers Watson 2017 Asset Owner Study" Willis Towers Watson, June 2017.

4 2016 figures: Board profiling universe includes 2,743 companies listed on the Russell 3000. Source: ISS Analytics as of November 2016. Q4 2018 figures: https://www.equilar.com/reports/61-equilar-q3-2018-gender-diversity-index.html.

5 Institutional Shareholder Services (ISS) Analytics as of December 2017

6 Institutional Shareholder Services (ISS) Analytics as of December 2017

7 293 TOPIX 500 listed companies have been identified through the campaign through July 2019

8 Institutional Shareholder Services (ISS) Analytics as of March 2019 and State Street Global Advisors Database

9 ISS Analytics as of November 2016; January 2019

10 ISS Analytics as of March 2019 and State Street Global Advisors Database

11 "The Power of Gender Parity" McKinsey & Company Global Institute, 23 March 2016.

Climate Risk and Reporting

While progress is being made to manage climate risk, it is not happening at the pace commensurate with the challenge. Companies are responding tactically to what is a longer term, strategic challenge. This is due partly to the mismatch between shorter term company planning cycles and the longer term nature of climate risk. More fluency is needed on boards in order to adequately manage climate risks and opportunities.

Engagement Topics	Number of Engagements
Climate-change strategy	89
Board governance and oversight of climate change-related risks	
Quality of climate-related reporting and discussion	
Emissions management strategies	
Investment in technology	
Public policy engagement	

Our Views

We have been engaging with companies on climate change-related matters since 2014. In that time, we have held 367 climate-related engagements across a range of industries and markets. During 2018, we continued to be active on the topic and undertook 89 climate-related engagements. Climate change will remain a core campaign until portfolio companies effectively address this issue. In 2019, our core observations include the following:

Companies across all sectors are starting to manage climate risk.
In our 2017 annual report, we wrote that we would be expanding our stewardship focus on climate risk to sectors such as agriculture, transportation and insurance, since they have obvious connections to climate-related changes. In 2018, we looked across nine countries and 17 GICS industry groups to review how their climate reporting strategies are aligned to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and to understand how boards are overseeing climate risk. We found that most companies are responding to the recommendations of the TCFD, which has quickly become a standard overarching framework to review and assess climate risk. We view this as a positive development, and one that will, over time, help mitigate climate risk in a significant portion of our portfolio.

While we feel that while progress is being made, it is not happening at a pace commensurate with the challenge.
The 2019 Status Report of the Task Force on Climate-related Financial Disclosure (TCFD), found that:

- Disclosure of climate-related financial information has increased since 2016, but it is still insufficient for investors.
- More clarity is needed on the potential financial impact of climate-related issues on companies.
- Of companies using scenario planning, the majority do not disclose information on the resilience of their strategies.

Our engagements and research are in line with the TCFD's findings.

Investors and other key stakeholders see climate change as a more urgent issue to be addressed than do companies.
2018 was a year when investors, regulators and other stakeholders moved From Conversation to Action on climate change. We observe an impasse between investors' views of climate change as compared to those of companies. Investors view climate change as an issue that needs to be addressed urgently in a long-term strategic manner, while boards see climate change as an operational risk to be mitigated. Due to this impasse, investors are using more aggressive tactics such as shareholder proposals and collaborative engagements to influence boards. However, as highlighted in our recent publication, Climate-Related Disclosures in Oil and Gas, Mining, and Utilities, while shareholder proposals have been an effective tool for getting a company's attention and achieving certain goals, they have failed to create a much-needed sense of urgency among boards and managements.

Long-Term Challenges and Opportunities

Strong governance and cross-functional collaboration will be necessary to effect change in companies.
Mainstreaming climate-related issues requires the involvement of multiple functions at both the board and management levels. As the TCFD observed in their 2019 Status Report, these functions span not just sustainability and corporate responsibility, but also risk management, finance and executive management. We found through our engagements that in most cases, this broader set of internal senior-management level stakeholder and functions are not engaged in the TCFD or the climate risk review process.

Similarly, board engagement also needs to be structured and strengthened. For example, in our 2019 paper on Effective Climate-Risk Disclosure in the Agricultural and Forestry Sector, we observed that only 53% or 32 of 60 companies we looked at in those sectors disclose the organization's governance around climate-related risks and opportunities, despite the fact that 82% or 49 of 60 companies examined identified climate as a material risk. We are agnostic as to how board oversight should be structured, but hold firmly to the view that formal board oversight — in committees, charters and other disclosure material — is an important element of managing climate risk.

Boards need to approach climate change as a systemic risk.
One reason boards address climate risks tactically is that companies' strategic planning processes typically take into account shorter time horizons. However, climate change is a long-term risk, the impact of which may manifest over decades. This lack of alignments in time horizons means that companies' responses to climate risk are often tactical in nature.

Climate change is not a short-term risk that can be effectively addressed by setting one-to-three year emissions reduction targets. Instead, it is a major, long-term force that threatens to radically reshape global economies and living conditions around the world.

We view climate risk in a manner similar to other macro risks that have the potential to pose exogenous shocks to a business — for example, interest rates, the possibility of Brexit or trade wars. Because of this, adequately meeting the challenge of climate change requires companies to prepare for the variety of scenarios that such exogenous shocks may present, just as companies might conduct that planning to respond to other systemic issues.

Boards Need to Improve Their Fluency on Climate Change
We continue to observe that while boards are able to discuss climate risk at a high level, they lack deeper fluency in the issue. This is partly due to the tactical approach that most companies are currently taking to addressing this risk. Consequently, boards view climate change as an operational issue that is better addressed by management.

When boards approach climate change in a more systemic manner, a natural outcome is the incorporation of climate risks and opportunities into long-term strategy. This will require boards to apply a climate lens to capital allocation and non-organic growth strategies, such as mergers and acquisitions. For example, at high-impact companies, the costs of controlling emissions to meet targets should be considered when making capital allocation decisions to arrive at the true cost of an asset. As boards begin overseeing climate risks and opportunities in a more strategic manner, we expect to see the level of fluency on this topic improve.

Our Voting Record on Climate-Related Shareholder Proposals
Figure 8 highlights our voting record for 2ºC scenario proposals from 2016 to 2018. In 2018, we voted against management 75% of the time, compared to 80% in the previous year. The three companies where we supported the proposal were receiving it for at least the second time, and our vote for reflects the fact that we do not believe they have made sufficient progress on their disclosure and practices. At the company where we voted against, our vote reflects the quality of engagement and the clear alignment of the company's disclosure on climate risk to the TCFD recommendations.

SSGA Climate Efforts Align with the Climate Action 100+
We are supportive of the work of the Climate Action 100+, an investor initiative to ensure that the world's largest corporate emitters take necessary action on climate change. While we are not members of the Climate Action 100+, our efforts are aligned and working toward similar goals. Since we began engaging on climate in 2014, we have held comprehensive engagements with 102 of 161 (63%) of the Climate Action 100+ companies.

Figure 8

State Street Global Advisors' Voting on 2ºC Proposals in 2016–2018

	2018	2017	2016
With Management	1	3	1
Against Management	3	12	8
Total	4	15	9
% With Management	25%	20%	11%
% Against	75%	80%	89%

Sector and Thematic Focus

A significant challenge for asset managers with index strategies invested in thousands of listed companies globally is to provide active oversight of their holdings. As noted, our stewardship program identifies a series of strategic priorities designed to enhance the quality and define the scope of our stewardship activities for the year. Identifying these priorities enables us to plan and actively focus our engagement efforts on thematic ESG and sector-specific issues that are important to our clients. We develop our priorities based on several factors, including client feedback received in the past year, emerging ESG trends, developing macroeconomic conditions, and the regulatory environment.

Sector Focus

We identify two or three “deep dive” sectors each year. This allows us to proactively monitor and engage with companies on matters such as long-term strategy and performance.

Selecting Our Sector Focus

Reviewing our global holdings within a sector allows us to identify the business and ESG trends that are impacting our holdings. This strengthens our ability to provide inputs to the board and management when they seek feedback or guidance from large institutional investors. We select focused sectors based on a variety of factors, including:

- **Identification of Emerging Systemic Challenges** We focus on sectors that are meaningfully impacted by wider systemic challenges we observe in the market
- **Timing of Previous Selection for Sector Focus** We revisit sectors we have focused on in the past when sufficient time has passed such that progress has been made and the sector faces new challenges and opportunities
- **Alignment to Our Thematic Priorities** We seek some overlap, in order to be able to leverage viewpoints that we have developed

The following provides our insights, long-term challenges and opportunities for the retailing, pharmaceuticals and materials sectors.

Retail
(Food/Apparel/Distribution)

The global retail sector is undergoing profound transformations. Changing consumer preferences and emerging technologies continue to disrupt traditional business models faster and at a greater magnitude than ever before, creating both opportunities and challenges for companies in the consumer retail sector. In 2018, as a follow-up to our 2015 sector review, we engaged with retail companies to understand how they are navigating the changing industry landscape and positioning themselves for future success.

Engagement Topics	Number of Engagements
Corporate strategy	48
Disruptive technologies	
Big data / digitization	
Pay strategies	
Sustainability	

Our Views

In our 2015 annual report, we identified changing consumer behaviors, evolving distribution channels and increased focus on wages and employee relations as the long-term challenges facing retail sector boards. While the three areas continue to be ESG focus areas for companies, the nuances have changed.

Over the course of three years, consumer preferences are increasingly influencing brand strategy. Many companies are repositioning brands to reflect company values in order to demonstrate and build affinity with customers. With the growth of values-based brand marketing, companies need to ensure that the actions of the company and its employees are aligned with the brand messaging. Any disconnect between brand values and company actions can create reputational risk for firms. These risks are amplified through the use of social media, with customers providing instant feedback and holding companies accountable for any perceived wrongdoing. Correcting misperceptions can significantly raise expenses for companies by way of increased training and marketing costs as was the case at **Starbucks Corp.,** which closed over 8,000 stores for an afternoon to conduct racial bias training following an altercation between an employee and customers that went viral. We credit their efforts and willingness to take seriously the opportunity for further training, prioritizing long-term change despite its short-term cost implications.

On the distribution side, faced with a challenging macro environment, growing cost pressures and increased online competition, many traditional brick and mortar retailers have intensified store closures. In some cases, cost-cutting measures implemented in the last few years have not been enough to stabilize operations or deliver a return to profitability. **Sears Holding Corp., Toys "R" Us, Inc.** and **HMV Group plc** were among several major retail chains filing for bankruptcy in the year under review.

We also find that the omni-channel distribution model is now coming full circle for online companies. Many online-only retailers, including **Amazon.com Inc.** and **Wayfair Inc.,** are starting to establish flagship brick and mortar or physical pop-up stores in key markets in order to reach additional customers through a "new" distribution channel. As online company boards and management oversee this expansion, it is important to avoid repeating mistakes of the past that include creating platform-specific revenue goals that result in internal competition between the online and brick and mortar stores sales teams. Companies also need to be cognizant of possible changes to organizational culture as a result of new distribution channels.

Lastly, human capital management will continue to be a core ESG challenge for boards. In the face of increased competition, companies have to manage expenses while investing in employee onboarding, training and retention due to the growing reputational risk stemming from mistreatment of employees or by employees of customers. In tight labor markets, many companies such as **Amazon.com, Inc., Wal-Mart Stores, Inc., Costco Wholesale Corp.,** and other retailers have raised wages and added new benefits in an effort to establish a competitive advantage.

R-Factor™ in Retail

Reporting on human capital management practices is a core disclosure area under the Sustainability Accounting Standards Board's (SASB) financial materiality ESG framework that drives our R-Factor™ scores (see more on page 15). An analysis of R-Factor™ scores of the different industries within the retail sector shows that few companies are making the effort to improve their ESG disclosure and practices. In general, companies that are more customer facing or with greater physical (brick and mortar) presence such as in the apparel, accessories and footwear industries had higher R-Factor™ scores than e-commerce and specialty retail companies, highlighting the growing ESG risk for the latter.

Long-Term Challenges and Opportunities

Improve Board Level Oversight of ESG Risks Boards need to do more to incorporate sustainability into their long-term strategy. Companies are leveraging the opportunity from a brand value perspective, but risk oversight must keep pace in order to ensure the sustainability of the business and brand value.

Increased Focus on Human Capital Management Retail companies should see improving in human capital management and pay practices as a way of enhancing brand value and customer loyalty in a competitive environment. We believe it is important for boards to gain a deeper understanding of the talent and culture issues facing both the company and the industry in order to help companies incorporate these factors into their long-term strategies.

Provide Detailed Disclosure on Data Security Risk Management Processes While many retail companies acknowledge the importance of data security in their Form 10-Ks, SASB finds that this information could be clearer and more quantitative. Current disclosure leaves investors with little insight into relevant risk-management processes despite numerous cyber events that have highlighted the risks of failure in this area. Boards and management need to become more sophisticated both in how they manage consumer data and how they protect it.

Pharmaceuticals

Building on our 2015 sector review, in 2018 we engaged with pharmaceutical companies again to understand how their boards are navigating the changing industry landscape. We discussed the ways in which companies are being impacted by personalized medicine, reliance on big data and the growth of generics companies, and how they are positioning their businesses for the long term in this evolving environment.

Engagement Topics	Number of Engagements
Corporate strategy	64
Sustainable pricing models	
Digital data	
Product risks	
Product lifecycle	
Global regulations	

Our Views

During our 2015 review of the sector, we highlighted that many companies in this sector were pursuing their growth and return objectives through M&A and tax inversions. We had also identified possible disintermediation of the sector's value chain by information technology companies and the growth of personalized medicine as more health data became available.

In 2018, we found that companies were now pursuing these objectives more organically through increased investment in R&D. In particular, in an effort to maintain their profit margins in the face of upcoming patent cliffs, many companies were investing in the field of biosimilars, which unlike generic drugs, are similar to a complex brand-name drug rather than chemically identical. In addition, we found that the industry was leveraging patient data more extensively and focusing R&D toward personalized medicine.

We believe that this new growth paradigm is poised to challenge boards as R&D focuses on emerging issues that test ethical boundaries, such as genetic engineering / modification, and could create potential social controversies for companies. Using patient data to enhance outcomes and create higher margin products is also a significant emerging risk looming large over the industry as maintaining the trust required to receive the necessary personalized data is paramount. It is vital that companies understand and implement their core culture and ethical values in order for their management to make capital allocation decisions that mitigate any possible negative regulatory or societal backlash.

We see increasing pressure on pharmaceutical companies to address the rising costs of health care and for the industry as a whole to take more ownership of health epidemics such as the opioid crisis, failing which, the industry could face increased regulation. During our engagement, we found that companies that manufacture and distribute opioids are still facing numerous legal cases related to the epidemic. Despite this growing risk, many companies did not have a strong or even adequate response to combat the growing public concern.

Long-Term Challenges and Opportunities

Continued Disruption from Tech Giants Companies like Amazon.com, Inc. are a disruptive influence on the pharmaceutical industry given their use of information technology to drive innovation and reduce costs. In 2018, Amazon.com, Inc. announced its collaboration with Berkshire Hathaway Inc. and JPMorgan Chase & Co. Called Haven Healthcare, this not-for-profit company seeks to use data and analytics to drive down the cost and complexity of health-care provisions for employees of the three companies. This type of big-tech-induced market consolidation is disrupting the value chain and, in turn, is putting pressure on margins and business models of the traditional pharmaceutical companies.

Boards need to recognize that, in the long term, their business models will be disrupted. However, some companies are fighting back. In 2018, we saw several high-profile vertical integrations between health insurance companies and pharmacy benefit managers in an effort to reduce costs. Boards should find ways to better utilize innovation to drive efficiency and reduce costs in the value chain in order to protect their profit margins over the long term.

Need for Companies to Differentiate Their ESG Practices to Mitigate Reputational Risk Based on our engagements, we recognize that many companies follow fair practices. However, it is hard for individual companies to differentiate themselves in this area based on current disclosure practices. Differentiation is only possible if all companies enhance their disclosure of key ESG metrics to enable investors to differentiate the good players from those that require more oversight.

R-Factor™ in Pharmaceutical Companies
Our R-Factor™ scoring model, which leverages the SASB framework, calls on pharmaceutical companies to provide more data on issues such as access and affordability; human rights and community relations; product quality and safety; customer welfare; and selling practices and product labeling. The Biotechnology and Pharmaceuticals industry, as defined by SASB, is in the bottom third of our R-Factor™ scores globally, which points to the need for significant improvements in the disclosure of how companies in the industry are managing the ESG risks material to their businesses.

Industry Collaboration and Self-Regulation Needed to Fend off Possible Regulation As highlighted above, while companies could do more to differentiate themselves on ESG dimensions, the industry as a whole is facing significant reputational and regulatory risk stemming from the perceived lack of accountability shown by a few companies that are mired in aggressive pricing and sales practices (particularly related to opioids) controversies. Industry action is needed to establish acceptable norms that help demonstrate that companies are serious about changing practices that have been dogging this sector for years.

Shareholder resolutions and the opioid epidemic
We engaged with companies in the pharmaceutical sector to better understand the key ESG issues impacting the sector. In 2018, we reviewed three shareholder proposals targeted at pharmaceutical companies and retailers, which requested that the companies report on their governance measures and policies to address the risks associated with opioids. We abstained on shareholder proposals at **AmerisourceBergen Corporation** and **Rite Aid Corp.** and voted against a shareholder proposal at **Assertio Therapeutics, Inc. (formerly Depomed, Inc.)**. In determining our vote, we considered the quality of discussion with board members, existing publicly available disclosures and policies, each company's stated strategy, the materiality of the issue in the company's given sector, and the particularities of the given proposal. We will continue to monitor board oversight of opioid-related risks and review related shareholder proposals on a case-by-case basis.

Materials

We engaged with companies in the materials sector involved in the mining and refining of metals, chemical production, and forestry products to discuss their long-term strategies, ESG-related issues and the impact of trade disputes. Given the importance of raw materials to these industries, we focused on the challenges related to supply chains, environmental management and climate change.

Engagement Topics	Number of Engagements
Sustainability and long-term strategy	50
Strategy and capital allocation	
Compensation	
Gender diversity	
Environmental management	

Our Views

Through our engagement, we found that companies in the materials sector with globally interconnected supply chains had benefited from effective enterprise risk management programs that helped them effectively weather exogenous shocks related to changing tariffs. For example, many companies had begun sourcing materials locally to combat the looming trade wars.

We also observed that companies are increasingly incorporating safety as a compensation driver with 62% or 28 of the 45 unique companies we engaged with currently doing so. We believe this demonstrates how increased regulation around safety in this sector has elevated its importance as a material ESG issue. Namely, this risk is closely tied to a company's social license to operate, and as such, is increasingly being integrated into corporate strategy.

We expected to find that companies with a business-to-consumer (B2C) model were more focused on ESG issues than companies with business-to-business (B2B) sales models. However, we found that many B2B companies in this sector see ESG as an opportunity or a way to differentiate themselves from their competitors. Consequently, these companies are addressing material ESG risks in a robust manner through the adoption of practices such as codifying board oversight of sustainability matters and setting financial targets to encourage the development of sustainable products or greenhouse gas emission reduction goals.

Long-Term Challenges and Opportunities

Room for Growth by Further Embracing Sustainability as a Business Opportunity The sustainability practices of companies in the materials sector, as manufacturers of materials and parts, directly influence the sustainability profiles of their customers. Consequently, we found that shifts in consumer preferences, the regulatory environment, international policy, and municipal legislation have the potential to change the characteristics of the products demanded by consumers. This requires boards to proactively incorporate a sustainability lens into their oversight of strategy and capital allocation processes. While boards have begun to identify material sustainability risks, we believe they need to go further by fully communicating to investors the strategic implications of such risks and their potential impact on long-term strategy.

Focusing on Financially Material ESG Risks: R-Factor™ Scores in Materials

We analyzed the average R-Factor™ score for the myriad of industries covered in this sector. Within the sector, we found that metals and mining, pulp and paper, and container and packaging companies had better R-Factor™ scores than those of chemical and iron and steel producers. While many companies identify safety as a material risk and provide robust disclosure on the topic, there are additional financially material ESG risk areas that require oversight and disclosure. These include topics such as waste and water management, air quality, energy management, GHG emissions, and materials sourcing and efficiency. For companies looking to improve their ESG disclosure, more industry-specific guidance can be found on the SASB website. As outlined above, R-Factor™ scores are based on SASB's materiality map.

Lifecycle Assessments Are Increasingly Becoming a Strategic Sustainability Tool for the Sector We believe that companies in this sector are uniquely positioned to benefit from being early adopters of the circular economy and lifecycle assessment frameworks. These frameworks inform the product development process from a strategic perspective. Conducting lifecycle assessments not only aids in mitigating the risks throughout various phases of a material's life but can also create a financial opportunity for the company through circular-economy-related innovations and initiatives.

Thematic Focus

We take a risk-based approach to identifying thematic ESG issues that we view as having the largest material impact on the long-term value of our portfolio companies.

Selecting Our Thematic Priorities

In our view, focusing on thematic topics with the largest material impact on the long-term value of our portfolio companies is a key strength of our asset stewardship program as these topics typically require a multi year approach to effect change, drive impact and create long-term value.

Selecting our thematic priorities requires important decisions about how we identify specific thematic topics and subsequently determine their success. Every year we review the previous year's thematic topics to decide whether they should remain priorities. Topics that are no longer identified as thematic priorities still remain integral to our broader engagement process. When considering if a theme should remain a priority or become part of our ongoing engagement work, we consider whether:

- The theme has become a mainstream issue in the market and for other stakeholders;
- The theme has become part of our general voting and engagement work with investee companies.

Themes that meet both criteria are generally no longer identified as priorities and instead become an ongoing part of our program. The timeline on the right highlights examples of thematic priorities that have been incorporated into our ongoing activities since 2014.

2014

US Companies — Conflict Minerals
We engaged with US companies to understand how companies audit their supply chains to comply with the 2014 SEC rules requiring disclosure of the use of conflict minerals in company supply chains. We continue to track disclosure quality in this area.

2014–15

Board Refreshment
We engaged with companies to understand how their boards are ensuring refreshment of skills and expertise among directors to provide the oversight needed in a changing economic environment. Unlike when this theme was first introduced in 2014, board refreshment is now a standard engagement topic.

2015

Cybersecurity
We assessed companies' governance structures, internal resources and policies aimed at minimizing the risk and impact of cyber-related threats. Over time, boards have increasingly defined their role in overseeing cyber risk, which most companies face in one form or another.

2016

Supply Chain Management
We engaged with companies to assess how they manage the various risks in their supply chain. Today, this discussion is included in our broader focus on how long-term sustainability is incorporated into strategy.

2016–17

Water Management
We engaged with companies to understand their risk-mapping and disclosure practices related to water management.
We have seen steady improvement in reporting on water management and continue to engage on this topic with companies where water is a material issue.

Compliance with Corporate Governance Principles in the US, UK, Europe and Australia

In 2018, State Street Global Advisors developed principles-based compliance screens that align with the corporate governance codes within our key markets in the US, UK, Australia and Europe. These new screens allow us to proactively monitor compliance with market governance codes and to address concerns with governance practices. 28 of the 130 companies (22%) that we voted against in 2018 improved their governance practices as a result of our vote.

Engagement Topics	Number of Engagements
Board structure	601
Shareholder rights	
Board independence	
Board refreshment	
Gender diversity	

Proactive Identification of Governance Concerns (Investor Stewardship Group and Corporate Governance Principles)
Governance codes have been established in numerous markets to hold companies accountable for meeting minimum market expectations. In the US, in collaboration with other investors and stakeholders, State Street Global Advisors helped to develop a market code, the Investor Stewardship Group (ISG) Code (see box). In other markets, regulators or quasi-regulatory bodies have developed corporate governance codes.

In order to monitor compliance with these various governance codes, we have developed principles-based compliance screens for our key markets in the US, UK, Australia and Europe. These screens enable us to proactively monitor compliance with the appropriate market governance codes and to address any concerns with governance practices.

Implementing Our Governance Compliance Screens
In 2018, we proactively screened companies in our key markets to understand how they comply with minimum governance standards, monitor compliance with market governance codes, and directly address our concerns with governance practices. We focused our assessment of governance principles on board quality, highlighting independence of board leadership, overall board and committee independence, and shareholder rights among other themes.

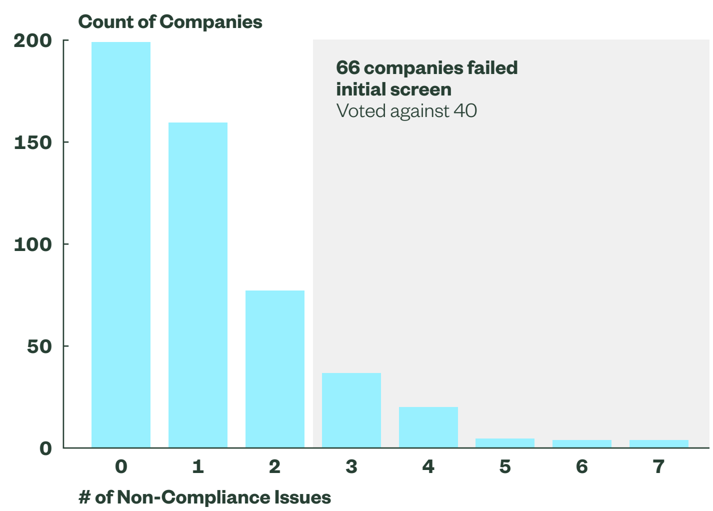
We screened out companies for review if they failed multiple screening factors. For example, in the US, UK, and Australia, we screened out companies with three or more non-compliance issues. In Europe, given the diverse legal and corporate governance systems, we had to take a more multifaceted approach. Consequently, we screened out companies within the STOXX 600 ex-UK universe with four or more non-compliance issues, using a composite set of principles based on minimum governance expectations across our key European markets.

Since most governance codes are implemented on a "comply-or-explain" basis, we engaged with companies to understand their reasons for noncompliance. In the event companies were unable to provide effective explanations for their noncompliance, we reserved the option to hold companies accountable by taking voting action against the independent leader of the board standing for election.

United States
Monitoring the S&P 500's Compliance with the ISG Governance Principles

Our initial screen in March 2018 identified 66 S&P 500 companies that were not compliant with our expectations based on our ISG compliance screen. However, before their annual general meetings, many of these companies, including **Verisk Analytics, Inc., Ford Motor Company** and **SL Green Realty Corporation**, either improved their governance practices or were able to provide sufficient rationale for their practices. Consequently, we voted against 40 companies that could not satisfy our "comply-or-explain" expectations in 2018.

Figure 9
United States: S&P 500 Compliance with ISG Screen



Source: State Street Global Advisors Voting Statistics 2018

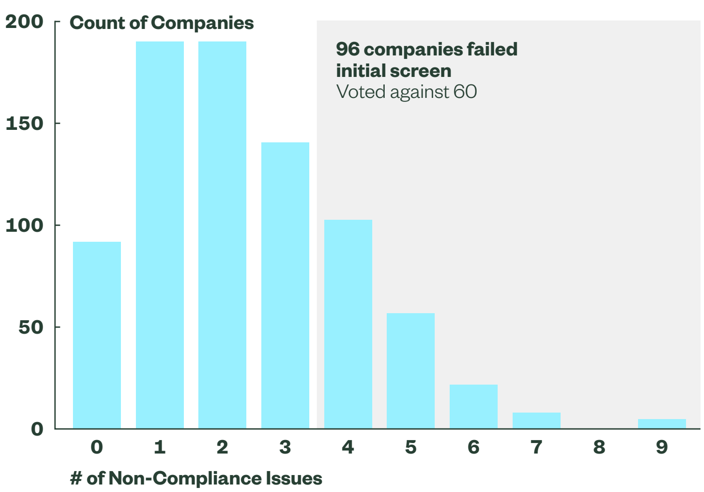
Europe

Monitoring the STOXX 600 ex UK Compliance with European Governance Principles

Mirroring our approach in the US, we developed screening factors based on our voting guidelines to apply across the STOXX 600 ex-UK Index. Our initial screen in March 2018 identified 96 STOXX 600 ex-UK companies that did not comply with our governance screen.

We observed that a few of the companies, including **Commerzbank AG, Elekta AB, Heineken N.V., Klépierre SA, MTU Aero Engines AG, Storebrand ASA, Alstom SA** and **Compagnie Financiere Richemont SA**, improved their governance practices prior to their annual general meetings. However, we still voted against 69 companies that could not satisfy our "comply-or-explain" expectations.

Figure 10
Europe: STOXX 600 Ex UK Compliance with European Governance Principles Screen



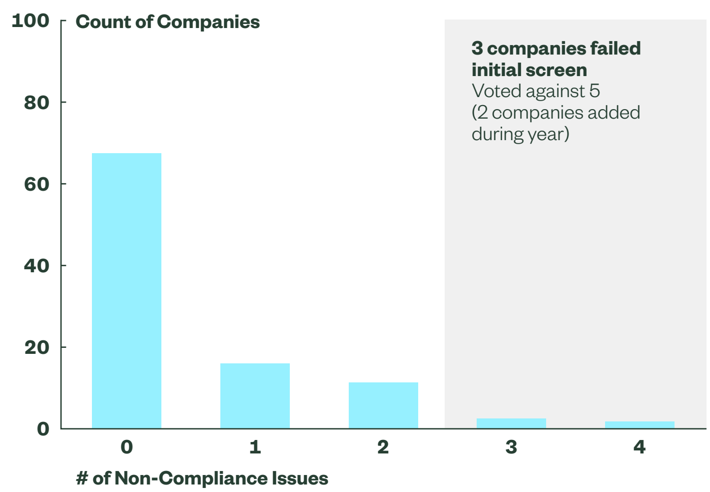
Source: State Street Global Advisors Voting Statistics 2018

UK

Monitoring FTSE 100's Compliance with UK Governance Screen

As with the US and Europe, we created screening factors based on our voting guidelines to incorporate into a compliance screen for companies in the FTSE 100 Index. Our initial screen identified three companies that were not compliant with our UK governance screen. We did not observe any improvement in governance practices at these companies and two additional companies failed our screen during the year. Consequently, in 2018, we took voting action against five companies that failed to satisfy our "comply-or-explain" expectations.

Figure 11
United Kingdom: FTSE 100 Compliance with UK Governance Screen



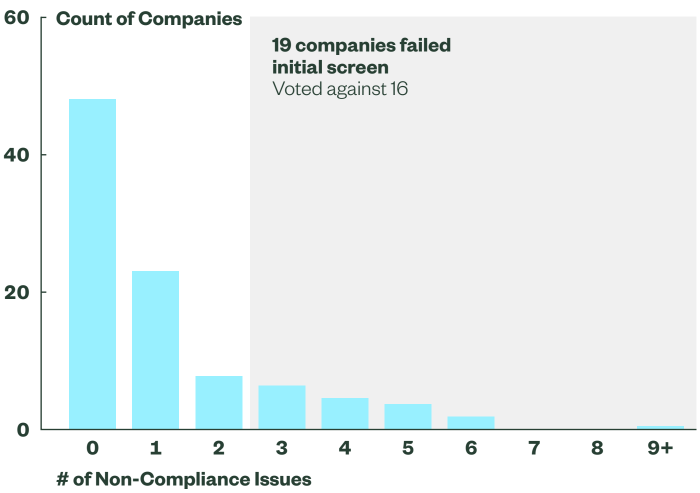
Source: State Street Global Advisors Voting Statistics 2018

Australia

Monitoring ASX 100 Compliance with the Australian Governance Screen

Consistent with our approach elsewhere, we created screening factors based on our voting guidelines to incorporate into a compliance screen for companies in the ASX 100 Index. Our screen identified 19 companies that were not compliant with our governance screen. During 2018, we were unable to take voting action at three companies with classified board structures that failed to put a senior independent director up for election. However, we took voting action against 16 companies that could not satisfy our "comply or explain" expectations.

Figure 12
Australia: ASX 100 Compliance with Australian Governance Screen



Source: State Street Global Advisors Voting Statistics 2018

Guidance for Boards

In our view, boards that are responsive to our engagements on improving their governance to meet minimum market expectations are likely to face less investor scrutiny of their governance practices and structure. We recommend that:

- Boards evaluate their compliance with their national governance codes so they can better communicate their approach to governance in the context of investor expectations
- Boards can request their R-Factor™ score at this website: https://www.ssga.com/content/ssga/pages/en/our-insights/shared/r-factor-a-roadmap-to-build-sustainable-companies.html. During our engagements in 2019, we will be disclosing to our portfolio companies their R-Factor™ scores which include an evaluation of their corporate governance practices

Issuer Compliance with Investor Stewardship Group Principles in 2018
In January 2017, State Street Global Advisors, together with 17 asset managers and asset owners, launched the Investor Stewardship Group (ISG), to establish a set of corporate governance and stewardship principles for the US market. The coalition of signatories has since grown to over 60 investors with nearly US$31 trillion in assets under management.

By incorporating both governance and stewardship principles into the ISG, we created a shared sense of accountability between investors and corporations.

In 2018, we wrote to S&P 500 companies to inform them that we would use the six ISG governance principles to screen for any governance practices not aligned with our expectations.

We have recognized four companies (**AK Steel Holding Corporation, The Proctor & Gamble Company, Prudential Financial, Inc.** and **Regions Financial Corporation**) for proactively disclosing their compliance with the ISG governance principles, and we will continue to encourage other companies to do so.

ISG Corporate Governance Principles

1 Boards are accountable to shareholders.
2 Shareholders should be entitled to voting rights in proportion to their economic interest.
3 Boards should be responsive to shareholders and be proactive in order to understand their perspectives.
4 Boards should have a strong, independent leadership structure.
5 Boards should adopt structures and practices that enhance their effectiveness.
6 Boards should develop management incentive structures that are aligned with the long-term strategy of the company.

Visit isgframework.org

Pay Strategies

Increasingly, companies are focusing on human capital management. They are leveraging their pay strategies to build brand with customers and see offering higher wages as a means to attract and retain talent, which in the long-term reduces employee turnover and training costs. We also found that many companies are beginning to recognize that employee performance is driven by more than just compensation; it is influenced by drivers such as work/life balance and employee benefit programs.

Engagement Topics	Number of Engagements
Gender pay equity	9
Income inequality	
Incentives in employee pay structures	
Competing for talent with full employment	
Technological disruption of human resources	
Reputational risk in employee and C-Suite pay	

Our Views

In recent years, we have been calling on companies to develop meaningful pay strategies that align with a company's overarching business strategy. While the number of companies being more deliberate about their pay and wages strategies are growing, they are still in the minority. Many companies still do not proactively address pay strategies with investors. However, we believe that the increased focus on human capital management will require companies to be more mindful of employee pay.

In 2018, we found some companies being more thoughtful of how they were compensating, motivating and retaining their employees. They were leveraging their pay strategies to build brand with customers and saw offering higher wages as a means to attract and retain talent, which in the long-term reduces employee turnover and training costs. We also found that many companies are beginning to recognize that employee performance is driven by more than just compensation; it is influenced by drivers such as work/life balance and employee benefit programs. For example, in the US, we have observed that in the retail sector, **Amazon.com, Inc.** and **Costco Wholesale Corp.,** and other retailers have used higher wages and new benefits as a way to establish a competitive advantage.

In addition, in the US, we have observed that education expense reimbursement and training programs are now increasingly being used by companies to retain their top talent, with one company we engaged with highlighting that nearly 75% of its store managers were hired internally. In contrast, European companies have focused on premium health-care and wellness programs as a key element of their employee benefit programs. We believe this also creates an opportunity to increase productivity as the promotion of a healthier work force through worksite wellness programs has been shown by numerous studies to increase workforce performance.

Finally, under our pay strategy workstream, we also analyzed gender-related pay issues. We found that in the UK, there is little evidence that two years of companies reporting on their gender pay gap has changed pay practices. For example, the median pay gap of large British employers in 2019 was 9.6%, virtually unchanged from 9.7% in 2018.[12] Further, within the FTSE 350, men earned on average 21% more than women.[13]

However, almost every company in the FTSE 350 explains that they pay men and women the same rate for the same job, which suggests that this gender gap is largely driven by a lower representation of women in more senior-level and higher-paying roles. The lack of women in senior management positions is a global issue that needs to be addressed over the long-term through a focus on improving gender diversity throughout the talent pipeline.

Guidance for Boards

- **Human Capital Management** Human capital management is increasingly becoming a focal social issue facing companies globally. This requires boards to identify KPIs that are material to the business and improve communication on how human capital management is aligned to long-term strategy. Boards should also review current practices around employee benefits, culture and work/life balance, as these are increasingly valuable components of a company's overall pay strategy.

- **How to Address Gender Pay Parity** We believe that boards seeking to tackle gender diversity and pay parity issues need to take four main actions:

  1. Identify organisational KPIs that matter internally
  2. Assess and review diversity and inclusion policies and programs
  3. Examine diversity below board level and hold management responsible for meeting goals
  4. Review and assess gender pay parity throughout the organization

As an investor, we were looking for impact, but the evidence from the UK market is that companies with poor gender pay gaps have not faced reputational damage or a lower share price as a result. As such, in our view, the introduction of disclosure on gender pay gaps in the UK has not had a systemic market effect.

Our focus is on the action companies are taking to close the pay differentials between men and women, which we believe is more insightful than a number in isolation. We suggest that boards take a different approach as outlined in the box on the following page.

How State Street Global Advisors is Approaching Gender Pay Parity

To evaluate shareholder proposals on this issue, we look for the following four disclosures by the company:

- The pay disparity between men and women at each level of management
- Workforce diversity statistics at each level of management
- Long-term, diversity-specific goals established for each level of management
- A description of the strategy or practices that are in place to support achieving the goals

12 https://www.bbc.com/news/business-47822291

13 The Gender Pay Gap: An Initial Review of the FTSE 100 and 250, Carnstone Partners LLP, May 2018

Sustainability and Long-Term Strategy

Since 2016, we have been evaluating and ranking how effectively companies incorporate sustainability into their strategies.

Based on our evaluation, about 20% or 45 of the 149 companies we evaluated in 2018 were rated top tier, 56% or 83 companies were rated Tier 2, and 14% or 21 companies were rated Tier 3. This data suggests that while a majority of companies are able to consider sustainability and communicate relevant ESG KPIs to investors, most are still failing to meet our full expectations to be classified as top tier.

Engagement Topics	Number of Engagements
Strategy and ESG integration	153
Risk-identification process	
Investor Communications	
Environmental issues	
Social issues	

In our 2017 annual proxy letter to large portfolio companies, we reinforced the importance of considering the impact of environmental and social sustainability issues on long-term performance. As part of this effort, we developed a framework (see below) to guide the evaluation and communication of how these risks and opportunities can affect long-term strategy.

In 2018, this topic became one of our multiyear thematic focus areas, and we led 153 engagements to understand companies' approach to sustainability in the context of our framework. This included understanding how companies identify material ESG key performance indicators (KPIs), how they assess and incorporate ESG issues into their long-term strategy, and how they communicate their processes to shareholders.

Framework for Incorporating Sustainability into Long-Term Strategy
Our evaluation framework is based on assessing each company's approach to sustainability, drawing on our past engagements with many companies on this issue. The framework reviews and categorizes a company's approach to sustainability based on three criteria:

- Step 1: Has the company identified material environmental and social sustainability issues relevant to its business?
- Step 2: Has the company assessed and, where necessary, incorporated those issues into its long-term strategy?
- Step 3: Has the company communicated its approach to sustainability issues and the influence of these factors on its strategy?

For the last three years, we have been evaluating and ranking the ways in which companies are able to effectively incorporate sustainability into their strategy. Based on the framework provided above, we rate companies as follows:

- **Tier 1** Companies fully communicate their approach to sustainability and the extent to which sustainability factors are integrated into or impact their strategy.
- **Tier 2** Companies typically have satisfied one or two of our sustainability framework criteria, but have not fully communicated their sustainability narrative.
- **Tier 3** Companies have not considered sustainability issues at all and do not include relevant information on ESG KPIs within investor presentations.

Typically, companies that we rate as Tier 1 are receptive to investor engagement and feedback and, over time, are able to effectively disclose and communicate their sustainability narrative to investors, as well as the extent to which sustainability is integrated into, and impacts, long-term strategy.

Given the in-depth nature of our analysis to determine a company's tier, we do not consistently revaluate a company year over year unless it is part of our active engagement program. Consequently, we cannot systematically compare progress unless we reengage with a company in the following year.

Our Views

Some Progress But Companies are Still Failing to Fully Align Sustainability to Strategy
Data suggests that while a majority of companies are able to consider sustainability and communicate relevant ESG KPIs to investors, most are still failing to meet our full expectations to be classified as Tier 1.

We continue to monitor progress of companies aligning strategy to financially material sustainability issues as part of our multiyear engagement approach. Of the 28 companies that we engaged with in both 2017 and 2018, we re-rated 25% or seven companies higher, including five companies that moved to a Tier 1 rating. Generally, our re-rating of these companies was based on their receptiveness to our feedback to communicate more effectively on how they are integrating sustainability practices and factors into their long-term strategy. Examples of companies that we tiered higher following positive engagements and improvements in practices and disclosure include: **Campbell Soup Company, ConocoPhillips, Kellogg Company and Occidental Petroleum Corporation.**

Investors Need Help Understanding the Financial Materiality of Sustainability Issues
In our view, the key challenge for investors is that the materiality of specific sustainability issues varies industry by industry and company by company. In seeking to address this challenge, we have adopted the Sustainability Accounting Standards Board's (SASB's) approach, which evaluates the materiality of sustainability issues by industry and recommends disclosure of factors likely to affect companies' financial position or operating performance. SASB's approach is consistent with the first part of our own sustainability framework, which evaluates whether companies have identified material environmental and social sustainability issues that are relevant to their business. We also leverage several other elements to inform our views

on the materiality of a sustainability issue at a given company. These include:

- The Task Force on Climate-related Financial Disclosures (TCFD) Framework
- Disclosure expectations in a company's given regulatory environment
- Market expectations for the sector and industry
- Other existing third-party frameworks, such as the Carbon Disclosure Project (CDP)

Long-term Challenges for Boards

Integrating sustainability into long-term strategy and clearly communicating to shareholders how that has been achieved is a difficult task, as evidenced by the low percentage of companies that receive a Tier 1 rating. As guidance, we have identified three sectors with a higher proportion of Tier 1 and 2 companies than any other sectors we have examined: Food and Beverages, Materials and Capital Goods. The following highlights best practices in those sectors.

Food and Beverages — Sustainability Risks are Business Risks

Within the Food and Beverages sector, the higher proportion of Tier 1 ratings is attributable to the recognition that poor sustainability practices around food safety and wages can lead to reputational damage and business risk. For beverage companies, the impact of climate change on local resources, such as water, has led to more disclosure on water and waste practices. Boards appear to recognize that sustainability risks are business risks. As such, we believe they will continue to face pressure to engage with investors to demonstrate their commitment to operate sustainably.

Materials — Integrating Sustainability Into Strategy Offers a Competitive Advantage

Within the materials sector, companies often perform well on tiering, as their businesses typically depend on natural resources, which has been an ESG focus area for global investors for a number of years. As such, many of these companies have integrated sustainability into their strategy in an effort to gain a competitive advantage or to keep up with competitors. For example, we have observed that paint and coating companies are increasingly providing a more robust narrative regarding the strategic benefits of their approach to sustainability, particularly their efforts to consider the end-life-cycle of their products through recycling programs, which can reduce environmental and health risks and potential regulatory penalties. We would encourage boards to provide more disclosure on how they are assessing and managing the life cycle of their products in order to mitigate potential risks and create new financial opportunities through innovation.

Capital Goods — Companies are Utilizing Innovation to Drive the Transition to a Low-Carbon Economy

We have observed that capital goods companies score well against our tiering framework as they are engaged in providing the products and solutions that high-emissions sectors, such as power generation, building and transport, require to transition to a low-carbon economy. As such, capital goods companies are increasingly utilizing innovation to harness new trends in electrification, digitization and automation that are crucial in the transition to a low-carbon economy. For example, several companies that we engaged with during 2018 stressed the importance of sustainability to their business strategy, and highlighted their commitment to drive innovation in new technologies, such as micro-grids, hybrid renewables and energy storage. We believe the key challenge for boards is to ensure that their skill set and expertise is regularly assessed to keep pace with the increasing regulation and technological innovation that is driving the transition to a low-carbon economy.

Looking Ahead
Sector and Thematic Focus in 2019

We have identified three sector focus areas for 2019: global systemically important financial institutions (GSIFIs) and large regional banks, communication services and agriculture and forestry. In addition, we have identified five thematic focus areas: Corporate culture, Board accountability, Gender diversity, Human capital and Climate-related reporting.

In terms of our voting focus, we have prioritized one area: Compliance with corporate governance principles in key jurisdictions.

We will report on these focus areas in 2020, sharing our insights and recommendations with the market and issuers.

Sector Focus

Global Systemically Important Financial Institutions (SIFIs) and Large Regional Banks
Following on from our reviews of this sector in 2014 and 2016, we are engaging with financial institutions and banks to understand the changes they are making to their strategy, particularly in response to technology-driven disruption and other ESG issues such as compensation, boards' approach to oversight of corporate culture, and the ways in which institutions are responding to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.

Communication Services
With Communication Services becoming a new headline sector within the Global Industry Classification Standard (GICS), we are engaging with companies in the sector to discuss their long-term strategy and approach to ESG issues such as diversity and inclusion, human capital management, and data privacy.

Agriculture and Forestry
Agriculture and forestry are among the sectors most likely to bear the greatest financial impacts of climate change. We are engaging with companies in these industries to understand how long-term business strategy, including supply chain management and capital allocation decisions, is being designed to ensure that companies' assets and operations are resilient to the impacts of climate change.

Thematic Focus

Corporate Culture
We are engaging with boards to understand their role in assessing and monitoring corporate culture, given its integral role in enabling companies to achieve their strategic objectives.

Board Accountability
Board quality in our portfolio companies can be further strengthened by increasing board accountability. We believe that annual director election cycles improve board accountability and encourage board members to be more responsive to shareholder interests. We are engaging with companies on how their board structures hinder or strengthen board accountability.

Gender Diversity
We are continuing our Fearless Girl campaign to focus on enhancing board quality, by engaging with companies to understand how they bring cognitive diversity into the boardroom. We are also engaging with companies to understand how management promotes diversity at all levels and reviewing company disclosure on diversity practices and metrics.

Human Capital
Human capital, a company's workforce, is a core asset and driver of long-term sustainable performance. We are continuing to engage with companies to understand how they measure, monitor and manage their workforce as well as how they align their incentives with long-term strategy and invest in creating a workforce for the future.

Climate-related Reporting
As a signatory of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations, we are engaging with companies to review the quality of their climate reporting and to understand how boards oversee climate-related risks.

Voting Focus

Compliance with Corporate Governance Principles in Key Jurisdictions
We are working to advance the corporate governance practices of companies listed in Australia, Japan, Europe, the UK and the US. We will screen companies with governance processes and practices that do not align with the core corporate governance principles of each market's leading corporate governance code or framework.

Our Collaborative Initiatives

We participate annually in a variety of collaborative initiatives and continually assess opportunities for collaborative work. One of our key determinants when considering collaborative opportunities is the impact of our existing efforts on an issue, and whether they can be enhanced through collaboration. Here, we provide examples of our collaborative work in 2018, which spanned topics such as human capital management, standardizing material ESG disclosure, regulatory oversight of auditors, accountants, and actuaries in the United Kingdom, and civilian firearms in the United States.

Collaborative efforts of institutional investors and associations play an important role in advancing thinking about stewardship and ESG investing. We are proud participants in these collaborations through our membership in a number of global investor bodies including:

- The United Nations Principles for Responsible Investment
- The Council of Institutional Investors
- The Asian Corporate Governance Association
- The UK Corporate Governance Forum
- The Investor Network on Climate Risk (INCR)/CERES
- The SASB Investor Advisory Group
- Task Force on Climate Related Financial Disclosures (TCFD)
- University of Cambridge Institute for Sustainability Leadership, Investment Leaders Group
- Japan Investment Advisers Association

We continually assess opportunities for collaborative work, with the impact of our existing efforts on an issue as a key determinant when considering these opportunities. In addition, when determining the merits of collaborative action, we also consider a range of other factors. These include:

- Agreement among investors on core areas of concern and potential solutions
- Development of a market position on a new and emerging thematic issue
- Systemic market-wide concerns and the regulatory environment
- Responsiveness of management and boards to prior individual engagements
- Potential market concerns related to common ownership
- Market culture and acceptance of shareholder engagement

During 2018, we collaborated on a number of projects, some of which are detailed below.

Embankment Project for Inclusive Capitalism (EPIC) — Global (Social)

The Embankment Project for Inclusive Capitalism (EPIC) was organized by the Coalition for Inclusive Capitalism and Ernst & Young to engage leaders across business, government and civil society. The project's goal is to make capitalism more equitable, sustainable and inclusive. The ultimate objective of the 18-month project was to identify and create new metrics to measure long-term value creation in order to better understand the portion of an organization's market value that is considered intangible. This portion is estimated to be 52% of an organization's market value and in some sectors as much as 90%.[14]

Together with 10 asset managers, 11 asset owners and nine companies, we set the scope for the project, identified the value drivers of long-term growth and sought metrics to measure and report on these drivers. The work of identifying metrics was divided among eight working groups; each group focused on one of the key value drivers of long-term growth.

As a member of the Human Capital Deployment Working Group, we sought to understand the ways in which companies communicate the value created by investment in the workforce. This is imperative given that, unlike investment in other assets, investment in the workforce is treated as an expense using traditional accounting measures.

As a working group, we recommended companies track and consider reporting on 12 metrics associated with the value created by a company's workforce. One of the more interesting metrics was return on investment in talent (ROIT). Identified by Dr. Anthony Hesketh of Lancaster University, ROIT measures the return generated by each dollar invested in talent. Evidence suggests that a higher ROIT is associated with higher returns.[15] Further, this metric enables shareholders and management to compare the rate of return from talent against return on other assets of the business and have meaningful discussions about the relationship between capital allocation, human capital strategy and corporate performance. However, ROIT can only be reliably calculated for firms that employ the International Financial Reporting Standards (IFRS), which require disclosure of total employee costs. Companies that follow US GAAP are not required to disclose this metric.

In November 2018, EPIC released its report, which identifies value drivers that are imperative for driving sustainable and inclusive growth. The report also highlights potential metrics to assess the value drivers, which resulted from the analysis of each of the working groups. While there remains much effort ahead to capture intangible value, EPIC made important strides toward identifying the information that companies should consider measuring and reporting in order to provide investors with the data necessary to advance the inquiry.

Sustainability Accounting Standards Board (SASB): Investor Advisory Group — Global (Sustainability)

State Street Global Advisors is a member of the Investor Advisory Group (IAG) of the Sustainability Accounting Standards Board (SASB). The IAG is composed of more than 30 global asset owners and asset managers, representing over $33 trillion in assets under management.[16] During 2018, State Street Global Advisors met four times with other members of the IAG to discuss how we could expand the group and participate in more collaborative engagements with IAG members.

Through our involvement in the IAG, State Street Global Advisors worked together with other asset owners and asset managers to encourage companies to disclose material and decision-useful ESG information to investors. Consequently, in 2019, as an IAG member, we engaged with four companies to encourage them to provide decision-useful information to investors by disclosing the metrics recommended by SASB for their industry. We found that all of the companies we engaged found the transparent nature of the SASB framework beneficial, and were open to further exploring the integration of SASB into their reporting efforts.

Our engagement was enhanced by the use of our R-Factor™ score to demonstrate how investors are using the SASB framework to measure the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry. The R-Factor™ score provided companies with tangible feedback on how well they were meeting our need for material ESG information, and the SASB framework creates clarity on what that information is.

The work of the IAG is of great importance to us, as it underscores the need for a market standard for ESG disclosure. We will continue to encourage companies to participate in SASB's ongoing standards development process to ensure that outcomes reflect both issuer and investor viewpoints. Further, we will also educate companies on how SASB standards can be used with other reporting frameworks/standards to reduce the need for companies to report against multiple reporting frameworks.

UK Investment Association: Consultation on Financial Reporting Council Governance Structure — EMEA (Governance)

The purpose of this consultation was to explore whether the Financial Reporting Council (FRC) remained fit for purpose in its role as an independent regulator responsible for regulating auditors, accountants and actuaries, and setting the UK's Corporate Governance and Stewardship Codes.

As a member of the Investment Association, we provided our views on the proposed options outlined in the UK government's Independent Review, drawing on our experience as a global investor with active engagement and voting programs across key global markets as well as input from our active investment teams.

We stated that, in our view, the disbanding of the FRC was unnecessary; rather, the Council requires greater clarity and purpose if it is to be effective as the standalone, de facto regulator and standard setter of corporate reporting, governance and the audit profession. As such, we proposed that amendments to the FRC strive to:

- Establish clear objectives, including details on how it is accountable to key stakeholders;
- Define the objectives within a legal framework to ensure it has the correct powers, resources and legal accountability;
- Create a new mission statement that sets out the Council's remit and re-establishes a clear link with its intended activities to promote investments in the UK;
- Simplify the organizational structure with the goal of increasing diversity across the organization, including its board and sub-committees.

The regulatory section (page 76) of this report details our independent views on the FRC consultation.

Cambridge Institute for Sustainability Leadership: Investment Impact Framework — EMEA (Sustainability)

In 2018, we joined the Investment Leaders Group (ILG), a global network of pension funds, insurers and asset managers committed to advancing responsible investment.[17] As a member of this group, we collaborated with the Cambridge Institute for Sustainability and Leadership (CISL) to launch The Investment Impact Framework.[18] The purpose of this Framework is to offer a new approach for institutional and retail investors, and their advisors, to assess the long-term sustainability orientation of the investment funds that they are being offered. An additional Long-Term Disclosure Framework[19] could also be used by asset managers to demonstrate the long-term orientation of funds when reporting on these funds' characteristics.

As a member of the ILG, we participated with the CISL in four meetings during 2018 to develop the Investment Impact Framework, based primarily on six outcomes derived from the 17 Sustainable Development Goals: resource security, healthy ecosystems, climate stability, basic needs, well-being and decent work. In our view, by offering a common approach to reporting investment impact, the framework will improve the credibility of investment managers' impact claims, allow comparability across funds and build trust along the entire investment value chain.

The impact framework was subsequently rolled out to nine funds between September and November of 2018. However, we found that, overall, the disclosures being provided, even by funds that self-identify as long term, fell far short of the disclosures required to enable investors to effectively assess the full sustainability impacts of financial services.

Consequently, on January 31, 2019, as a member of the ILG, we launched the Cambridge Impact Framework at a public event in London attended by more than 100 people. The group published its findings in a research report titled, In Search of Impact, Measuring the Full Value of Capital, which was downloaded by 800 people after the launch event.

In 2019, we will be working with ILG members to organize roundtables outside the UK to educate key contacts and clients on the use of the new Cambridge Impact Framework.

30% Club: Gender Diversity in the Gulf Cooperation Council (GCC) Countries — EMEA (Governance)

We collaborated with the 30% Club, which advocates for 30% female representation on boards, to provide an assessment of gender diversity at both the board and executive levels at 170 of the largest companies across the region, and found that only 23 (14%) had at least one female board director.[20] We believe that the GCC has great potential to grow its economy by addressing gender imbalances, and we provided guidance to companies to help them facilitate gender diversity on boards and throughout their organizations. We subsequently presented our findings at a joint event with the 30% Club in Dubai in December 2018.

Considering the current levels of diversity in the region and that the GCC is an emerging market, we will not be taking voting action against companies with no female directors on the board. Instead, we aim to facilitate gender diversity on boards through an active dialogue with wider stakeholders in the market, generating debate around this issue.

For further information on our findings, please see the Fearless Girl section of this annual report.

Principles for a Responsible Firearms Industry — United States (Social)

In 2018, we joined an effort led by California State Teachers' Retirement System (CalSTRS) along with 11 other investors to craft a set of principles to guide disclosure and engagement for the civilian firearms industry. The Principles are designed to address the risk to the industry's social license to operate stemming from the misuse of its products. The Responsible Civilian Firearms Industry Principles are applicable to global public and private companies involved in the manufacture, sale and distribution of civilian firearms in the US.

Ultimately, the Principles serve as a framework for institutional investors seeking to improve engagement with public and private companies that operate within the civilian firearms industry in order to:

- Address an industry-wide risk that continues to attract attention;
- Mitigate reputational/financial risk by identifying and communicating expectations that will reduce risks and improve the safety of civil society at large;
- Ensure the long-term financial health of the civilian firearms industry through ongoing monitoring and engagement with companies, particularly those that adopt responsible practices.

14 https://brandfinance.com/images/upload/gift_report_2017_bf_version_high_res_version.pdf

15 Hesketh, A., McMinn, H. and Lewis, H. (2012) Bringing Talent into the Boardroom: A New Metric for Establishing the ROI of Talent (London: Deloitte). https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/deloitte-analytics/what-price-talent.pdf

16 https://www.bloomberg.com/press-releases/2019-05-22/sasb-expands-investor-advisory-group

17 As of January 2019 the membership of the ILG included: Aegon Asset Management, AON, HSBC Pension Fund, La Banque Postale, PIMCO, State Street Global Advisors', First State Investments, HSBC Global Asset Management, Nordea, Nuveen, Union Bancaire Preivee (UBP) and Zurich

18 https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group/measuring-investment-impacts

19 University of Cambridge Institute for Sustainability Leadership (CISL). (2019 March). Applying the Long View to Investment Funds: Introducing the Long-term Disclosure Framework. Cambridge, UK: Cambridge Institute for Sustainability Leadership

20 https://www.ssga.com/investment-topics/environmental-social-governance/2017/guidance-on-enhancing-gender-diversity-on-boards.pdf

State Street Global Advisors is the only large index provider to become a signatory of the Principles, which are:

Principle 1 Manufacturers should disclose measures taken to make civilian firearms safer, more secure and easier to trace.

Principle 2 Manufacturers should adopt and follow responsible business practices that establish and enforce responsible dealer standards and promote training and education programs for owners designed around firearms safety.

Principle 3 Civilian firearms distributors, dealers and retailers should establish, promote and follow best practices to ensure that no firearm is sold without a completed background check in order to prevent sales to persons prohibited from buying firearms or those too dangerous to possess firearms.

Principle 4 Civilian firearms distributors, dealers and retailers should educate and train their employees to better recognize and effectively monitor irregularities at the point of sale, to record all firearm sales, to audit firearms inventory on a regular basis and to proactively assist law enforcement.

Principle 5 Participants in the civilian firearms industry should work collaboratively, communicate and engage with the signatories of these Principles to design, adopt and disclose measures and metrics demonstrating both best practices and their commitment to promoting these Principles.

As of the end of 2018, the signatories to the Principles include:

- California Public Employees Retirement System (CalPERS)
- California State Teachers' Retirement System (CalSTRS)
- Connecticut Retirement Plans and Trust Funds
- Florida State Board of Administration
- Maine Public Employees Retirement System
- Maryland State Retirement and Pension System
- Nuveen, the asset manager of TIAA
- OIP Investment Trust
- Oregon Public Employees Retirement Fund
- Rockefeller Asset Management
- San Francisco Employees' Retirement System
- State Street Global Advisors
- Wespath Investment Management

For more information, please see firearmsprinciples.com.

Regulatory Initiatives and Public Speaking

Public advocacy through responding to requests for comments by regulators, and by speaking at gatherings of key stakeholders, allows the stewardship team to advance market debate on a range of governance and ESG topics. Where appropriate, the stewardship team aligns its advocacy with the same key themes and focus areas that underpin our proxy voting, engagement and thought leadership work. As detailed below, examples of our advocacy in 2018 include responding to requests for comments by key regulatory bodies such as the Securities and Exchange Commission and the Financial Reporting Council and speaking at gatherings of key stakeholders.

Board Accountability (Germany)

In 2018, we engaged informally with German regulators on a number of occasions, sharing our thoughts on board accountability in Germany. With its five-year board terms, Germany lags its European peers that have facilitated annual director elections. Subsequently, we published a thought-leadership paper highlighting this issue.

Longer board terms reduce board accountability because shareholders may have to wait several years to hold board members accountable for their dissatisfaction. We therefore welcomed the German Commission's Corporate Governance Code (Kodex) Consultation in November 2018, in which the Commission proposed to reduce the current five-year term of office for shareholder-elected supervisory board members to a three-year term, which 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 is that a majority of shareholder-elected directors should be independent from the company and management is to be applauded. It should be strengthened by requiring a majority of shareholder-elected directors to 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.

Revisions to the Corporate Governance Code (United Kingdom)

Also in 2018, the Financial Reporting Council (FRC) issued its long-awaited consultation on the UK Corporate Governance Code. In our response to the consultation:

- We welcomed the inclusion of a specific reference to the UN's Sustainable Development Goals (SDGs) in the Code's guidance. However, we stressed that this alone would not be sufficient to guide corporate thinking on sustainability objectives. In our view, specific guidance from the FRC would help companies to report on their adherence to, and strategic alignment with, these goals.
- We cautioned against introducing a hard-coded nine-year term limit for independent directors and chairs. This could lead to UK companies simply enforcing the new tenure limit in order to comply with the Code, as opposed to retaining directors who they believe provide a valuable contribution via their insights and independence of thought. Instead, attention should be placed on the overall manner in which a company empowers the board chair to be more independent.
- We noted our support for the FRC's proposal to require FTSE 350 companies to disclose within their annual report the gender balance on the Executive Committee and among its direct reports. However, we stated that we do not believe it goes far enough. In our view, FTSE 350 companies should be required to report to investors the current gender balance at all levels of the organization, as well as their strategic plans to increase the number of women at the Executive Committee level.

Our full response to the FRC's consultation is available here.

ASX Corporate Governance Council Consultation (Australia)

In July 2018, we responded to the ASX Corporate Governance Council's consultation on updating its governance principles and recommendations. In our response, we raised our concern that the prevalence of staggered boards in Australia means that no matter how dissatisfied shareholders are with director performance, they have to wait several years to hold appropriate board members accountable or take action against the directors standing for election in a given year, which may have unintended long-term consequences.

In our response, we acknowledged the Council's focus on proposing revisions to strengthen board effectiveness and improve board quality. However, we strongly urged the Council to address the current limitations on investors seeking to hold directors accountable, by recommending that Australian companies move to annual board election cycles. While the revised code ultimately omitted recommending annual director elections, our views in this area were echoed by the recommendations from the Australian Council of Superannuation Investors (ACSI).

Finally, we commend the ASX Council for incorporating a principle on board oversight of corporate culture in the revised code, as culture is a thematic priority of our stewardship program.

State Street Global Advisors' Public Speaking

In addition to responding to consultations and white papers, we also participate in industry and stakeholder gatherings as panelists or keynote speakers. We use speaking opportunities to amplify our message on stewardship or share our views on developing ESG issues. Below is an illustrative list of our speaking activities on a range of topics:

Stewardship and Corporate Governance Best Practices

- As a participant of a high-profile SEC roundtable on the proxy process, we shared our views on proxy advisory firms and the current and future landscape for proxy voting.
- On an SEC panel on ESG disclosure, we shared our views and experience on ESG investing, particularly the lack of standardization in company reporting of ESG data.
- At the Pension & Investments' Global Pension Symposium, we shared our views on effective stewardship and ESG best practices in the Asia-Pacific region.
- At a Society for Corporate Secretaries regional conference, we gave our perspective on effective sustainability disclosure focused on human capital, data privacy and cybersecurity.
- On a panel organized by the Centre on Executive Compensation, we shared our views on incorporating ESG factors into executive compensation.
- We spoke on a panel hosted by FTI Consulting in London on the current state of affairs in UK corporate governance.
- We presented a briefing on our asset stewardship program to corporate directors as part of a panel session hosted by PricewaterhouseCoopers.
- We participated in a panel session on stewardship at an event hosted by a corporate board member.

Climate-Related Risk

- At a climate change conference sponsored by the Principles for Responsible Investment (PRI), we shared our views on climate change and best practices for companies incorporating sustainability into their long-term strategy.
- At the Council for Institutional Investors Fall Conference, we shared our views on understanding climate change-related risks and opportunities in portfolio holdings.
- At an Organisation for Economic Co-operation and Development (OECD) Roundtable on Corporate Governance, we shared our perspectives on best practices for boards in assessing and communicating climate-related risks.

Gender Diversity

- At the annual Pensions and Lifetime Savings Association Conference in the UK, we shared our perspective as an institutional investor engaging on board diversity as part of a panel session focused on the impact of stewardship.
- We presented our work on board diversity in the GCC as part of our Global Markets Outlook presentation to clients in Dubai.
- In a webcast hosted by Women in ETFs (WE) we shared our perspective and work on gender diversity.
- At an IR Japan-hosted seminar, we outlined the importance of gender diversity and presented the impact of our Fearless Girl campaign to over 300 Japanese corporate attendees.

Impact of Stewardship

Voting and Engagement Stories

Our stewardship activities are designed to maximize impact. We use our vote and voice to influence companies on long-term governance and sustainability issues across geographical regions. This section provides examples of how our stewardship program can enhance the ESG practices of our portfolio companies through our voting and engagement activities.

Impact of Voting

We take voting action in line with our global and regional proxy voting guidelines and track wether companies are responsive to our votes. Here, we provide illustrative examples of notable successes in 2018 related to board refreshment, companies with corporate governance principles in key regions and gender diversity.

Board refreshment

Board refreshment is the mechanism through which companies can update board skills and seek director candidates with diverse backgrounds and skills to complement the expertise of serving directors. Since 2014, we have voted against 1,270 companies for board refreshment or tenure concerns.

Of the 359 companies we voted against in 2017, 193 of them fell off our screen in 2018, meaning that 54% of the companies we voted against in 2017 improved their board refreshment practices. The number of new companies we are identifying for tenure concerns also continues to fall as we voted against 244 companies in 2018 due to poor refreshment practices, down 68% from the previous year.

Compliance with Corporate Governance Principles in the US, UK, Australia and Europe

In 2018, we proactively screened companies in the US, UK, Australia and Europe to understand how they comply with minimum corporate governance standards for their market or explain their noncompliance. For those companies we voted on in both 2018 and 2019, we continue to see significant improvement in both their governance practices and explanations for their noncompliance. Overall, 28 (22%) of the 130 companies we voted against in 2018 fell off our screen in 2019.

- US: Of the 40 companies we voted against in the S&P 500, nine (23%) have improved their disclosure to meet our minimum governance expectations.
- UK: Of the five companies we voted against in the FTSE 100, three (60%) have improved their disclosure to meet our minimum governance screen expectations.
- Europe: Of the 69 companies we voted against in the STOXX 600 Ex-UK, 15 (22%) have improved their disclosure to meet our minimum governance expectations.
- Australia: Of the 16 companies we voted against in the ASX 100, one (6%) has improved its disclosure to meet our minimum governance expectations.

Gender diversity (Australia, Canada, Europe, Japan, United Kingdom and United States)

In 2018, as part of our Fearless Girl campaign, we adopted new voting guidelines requiring the boards of Japanese (TOPIX 500) Canadian (TSX) and European (STOXX 600 ex-UK) companies to have at least one female director. This change complemented existing voting guidelines that we launched in 2017, which expected the boards of ASX 300, FTSE 350 and Russell 3000-listed companies to have at least one female director.

In response to our engagement on gender diversity, we have observed significant improvements across our key markets:

- US: 44% or 404 of the 910 Russell 3000 companies we identified as not having a woman on their board have added a female director or committed to doing so.
- Canada: 44% or 32 of the 73 TSX companies we identified as not having a woman on their board have added a female board member or committed to doing so.
- Japan: 35% or 101 of the 293 TOPIX 500 companies we identified as not having a female board member have added a female director to their boards since the expansion of our campaign into Japan.
- UK: 85% or 11 of the 13 FTSE 350 companies we identified as not having a woman on their board have added a female director.
- Europe: 62% or eight of the 13 companies we identified in the STOXX 600 ex-UK as not having a woman on their board have added a female director.
- Australia: 47% or 26 of the 55 companies we identified in the ASX 100 that did not have a woman on their board have added a female director.

Ultimately, we took voting action against 667 companies in 2018 for failing to demonstrate sufficient progress on board diversity.

For further information, please see the Fearless Girl section of this annual report.

Impact of Engagement

We successfully worked with several of our investee companies to enhance their governance, compensation and/or sustainability practices. Here we provide examples of notable successes from 2018. We monitor and track the impact of our engagement activities on a multiyear basis, with those successes and insights being reported in the Thematic and Stewardship in Practice areas of this report.

Enhancing Gender Diversity

United States In 2017, we engaged with **Bluerock Residential Growth REIT Inc.** on the lack of gender diversity on their board. After a productive engagement, the company committed to add diversity to its board. Consequently we did not take voting action against the chair of the nominating committee at the company's 2017 AGM. In July 2018, in line with their commitment to us, the company added a female director to its board.

United Kingdom During an engagement with the Executive Management of **Sports Direct International plc**, we expressed our concerns regarding the lack of majority independence and the lack of gender diversity at the board level. Based on our concerns, we voted against the re-election of the chair of the board, who was also the chairperson of the Nomination Committee. Following the annual meeting, the company appointed two new independent directors to the board, including one female director. The board now has a majority of independent directors and meets our expectations for minimum gender diversity.

Europe **Deutsche Wohnen SE** and **Porsche Automobil Holding SE** both added a woman to their boards as a result of our engagement efforts that specifically targeted the lack of female representation at the board level.

Canada We engaged with **Norbord Inc.** to express our concerns about the absence of female directors on the board. In response to our engagement, the company established a goal of adding two female independent directors by 2019. The company recently appointed a female director, making progress toward its goal.

Japan We engaged with **Asahi Group Holdings, Ltd.** to discuss the lack of female representation on the board. The company responded to our call to action by adding a female director to their board in 2018.

Improving Board Accountability and Effectiveness

United States After a multiyear engagement with the company's lead independent director, **Chevron Corporation** significantly strengthened disclosure around the role of its independent board leadership. In particular, the company added disclosure on management succession planning, as well as evaluation of both the CEO and the board.

We also engaged with **Illinois Tool Works Inc.** to better understand the role and responsibilities of the company's lead independent director. During the engagement, we called on the company to enhance its public disclosure on the role of this director. We noted that in its 2018 proxy disclosure, the company provided a more robust description of the role and responsibilities of the lead director than previously disclosed and a clear statement linking the lead director's role to strategy.

Until 2018, **Exxon Mobil Corporation** had maintained a policy that allowed for investors to engage with directors only through written communication. We found this policy to be overly restrictive, particularly as we were seeking to engage with the board to discuss their oversight of climate-related issues. Consequently, we withheld support from the chair of the Nominating and Governance Committee for maintaining such a policy. In 2018, the company changed its policy and we subsequently held our first meeting with a board member.

Japan We engaged with **Idemitsu Kosan Co., Ltd** and **Showa Shell Sekiyu K.K.** leading up to their special meetings on the proposed merger between the two companies. Our discussions centered on understanding the long-term strategic rationale supporting the combination and the roadmap for effectively integrating the companies' corporate cultures. We expressed our preference for establishing a board that is strong, independent and effective upon completion of the merger, and were encouraged by the combined company's responsiveness in appointing an additional outside director with direct industry experience to address our request. We are continuing to engage with the board of the combined company to enhance the level of climate-related disclosure.

Compensation

Reducing Quantum of Pay

United Kingdom We engaged with the senior independent director and newly appointed chair of the Remuneration Committee of **Persimmon plc** and expressed concerns with the exceptionally high value of the long-term awards that vested for the CEO in 2017. This payment, which was a result of the absence of a cap on payments under the 2012 Long-Term Incentive Plan (LTIP), represented 40% of the overall award granted to the CEO under the 2012 LTIP. The remaining 60% (second-tranche vesting) of the total award was due to vest in July 2018. In light of investor concerns, the Remuneration Committee took action to reduce the size of the second vesting tranche by 50% and extended the holding period until 2021. In addition, a cap was placed on the absolute value of the remaining second tranche of shares.

United States Executive compensation has been an ongoing engagement topic with **The Walt Disney Company**. During the 2018 proxy season, we were concerned with the CEO's equity grant following a contract extension. We engaged with the company to develop a better understanding of how the grant aligned with the company's long-term strategy, especially in light of the proposed transaction with 21st Century Fox. Further, we expressed concern that the significant increase in salary and incentives in the new contract may lead to a ratchet effect on compensation in the sector. Recognizing that the grant size was seen as problematic in light of ongoing shareholder concerns with compensation, the board took action prior to the annual meeting. Specifically, it introduced return on invested capital (ROIC) as an additional performance metric for the grant.

Improving Structure of Compensation Plans

United Kingdom We engaged with the chair of the Remuneration Committee of **Reckitt Benckiser Group plc** in 2018 to discuss the company's new proposed remuneration framework for 2019. In prior years, we had expressed concerns about the use of a single earnings-per-share (EPS) performance metric under the company's LTIP. We had suggested that the committee include an additional return-on-capital-employed (ROCE) target to better align executive compensation with business strategy. Reckitt Benckiser responded to this feedback by improving its remuneration structure through the addition of two new performance metrics to its proposed 2019 LTIP, one based on ROCE and one on like-for-like revenue growth. We believe the proposed LTIP provides alignment with business strategy, encouraging top-line growth and profit-generating efficiency, while retaining a focus on profitability.

United States We engaged with the compensation committee of **CVS Health Corporation** in 2017 to express our concerns regarding the comparison of the total shareholder return (TSR) metric relative to a broad index rather than to a specific peer group. We also raised concerns with the long-term cash component of the plan, as it limits executives' ongoing alignment with shareholders. In response to our concerns, the company adjusted the competitive universe employed for the relative TSR metric from the S&P 500 Index to a group of companies that more closely reflects the company's business and strategy, and announced plans to replace the long-term cash plan with performance share units.

Sustainability

Enhancing Board Governance on Sustainability Matters

United States **Exxon Mobil Corporation** published its 2018 Outlook for Energy: A View to 2040 report under the leadership of its CEO and chair, who was appointed in 2017. We believe that the level of disclosure that Exxon has provided on climate change has improved substantially in contrast to previous years as a result of our multiple engagements with the company. During our engagements, we encouraged **Exxon Mobil Corporation** to provide more disclosure on the risks of climate change and its impact on the company's long-term strategy. Additionally, we note that **Exxon Mobil Corporation** has responded to our requests to focus on the introduction of emission-reduction goals by introducing reduction goals related to methane emissions for the first time in its history. These goals aim to reduce methane emissions by 15% and flaring by 25% by 2020.

Japan In recent years, we have extensively engaged with **Asahi Group Holdings, Ltd.** on sustainability matters, including water management as it relates to its business. During 2018, we were pleased to learn that the company had expanded its consideration of and disclosure about water consumption beyond its own operations to include its suppliers both domestically and internationally.

Incorporating the Impact of Climate Change into Long-Term Strategy

United States **Chevron Corporation** published its Climate Change Resilience: a Framework for Decision Making report, which is aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework, as well as to our guidance on climate disclosure. These actions resulted from prior feedback on the need for **Chevron Corporation** to increase its disclosure on the impact of climate change on its long-term strategy.

We engaged with **Dominion Energy, Inc.** prior to its 2018 shareholder meeting to discuss a shareholder proposal requesting a report on methane emissions. While we voted against a similar proposal in 2017, during engagement, we suggested that the company enhance its climate-related disclosure by adding goals related to GHG emissions reductions. Following our subsequent engagement in 2018, the company announced that it would add GHG goals to its existing sustainability reporting for the first time.

Cybersecurity

United Kingdom We met with the chairperson of **Intertek Group plc** during 2018 and suggested that the board could benefit from increased cybersecurity training as the company continues to execute its digital transformation strategy. The chair acknowledged that cybersecurity is now an agenda item for the board and stated that the board is considering the implementation of additional training and disclosure on cyber risks and security.

Stewardship in Practice

Creating Sustainable Value for our Clients

Our asset stewardship program is aimed at engaging our portfolio companies on ESG issues that have a long-term impact on value creation. Our approach to proxy voting and issuer engagement is premised on the belief that companies that adopt robust and progressive governance and sustainability practices will be better positioned to generate long-term value and to manage risk. As a near-perpetual holder of the constituents of the world's primary indices, our informed exercise of voting rights, in accordance with in-house voting guidelines, coupled with targeted and value-driven engagement, is the most effective mechanism for creating value for our clients.

Engagement Statistics Overview

During 2018, we undertook a total of 1,533 engagements, of which 847 engagements were through a letter-writing campaign and 686 were in-person meetings or conference calls on various environmental, social and governance issues.

In this section, we provide an overview of the range of issues that we discussed with companies that go beyond our focused engagement priorities discussed in the Sector and Thematic Priorities section beginning on page 44.

A comparative breakdown of our engagements by region in 2017 and 2018 is shown in Figure 13. We conducted 676 comprehensive engagements in 2017, compared to 686 in 2018. Figure 13 shows that during both years, the majority of our engagement efforts were focused on companies domiciled in North America (US and Canada), the UK, Europe, Australia and Japan. Figure 14 provides an analysis of the main areas of engagement focus in 2018. During 2018, the Stewardship Team engaged on broader governance and board issues such as strategy, risk and board refreshment in approximately 39% of cases (40% in 2017), on compensation- or remuneration-related issues in approximately 28% of the cases (36% in 2017), and on environmental and social issues in approximately 27% of cases (24% in 2017). In 2018, proxy contests and M&A situations contributed to 6% of engagements (5% in 2017).

Engagement and Voting Highlights: General Governance-Related Matters

Board Governance and Quality

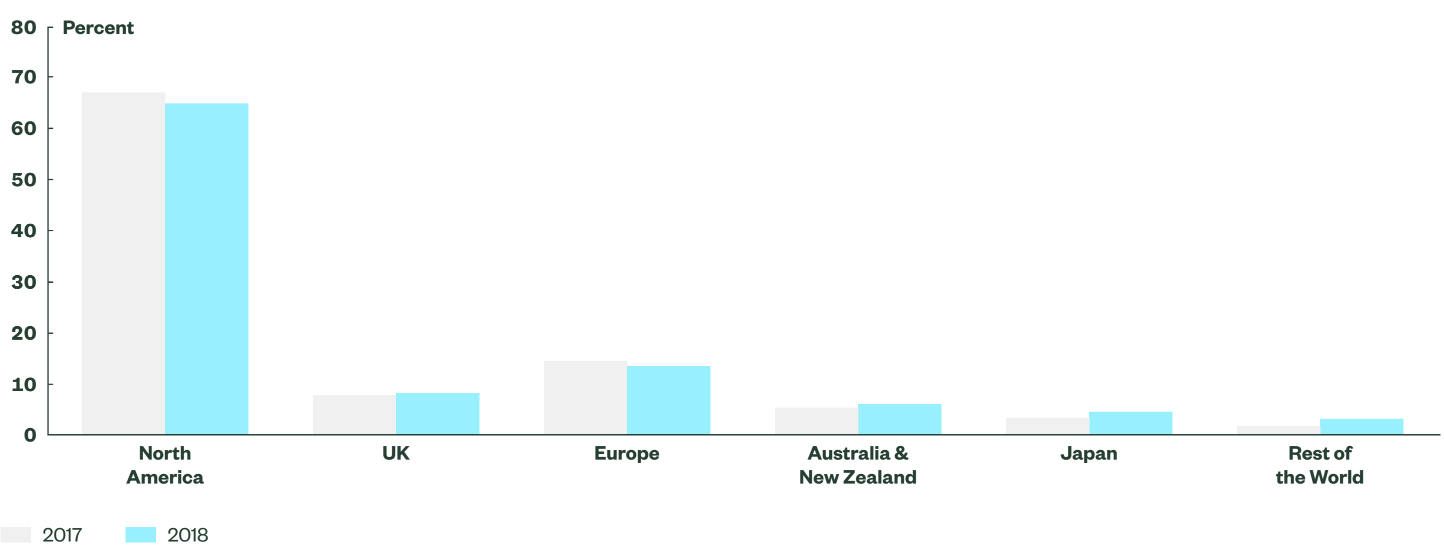
At State Street Global Advisors, our focus is on electing strong, effective, independent boards. We believe that a well-constituted board of directors, with a good balance of skills, expertise and independence provides the foundation for a well-governed company. We view board quality as measured by director independence, director succession planning, board diversity, director evaluation and refreshment, and company governance practices.

During 2018, we conducted 66 engagements with companies on the topic of board leadership. Below, we provide highlights from our regional engagements on this issue.

United States The effectiveness of a lead independent director acting as a counter balance to combined CEO and chair roles is a perennial topic in the US. We are agnostic about board leadership structures, but we have created clear expectations for an effective lead independent director. We engaged with 45 US companies regarding their board leadership structures during the year. In addition, we voted on 50 shareholder

Figure 13

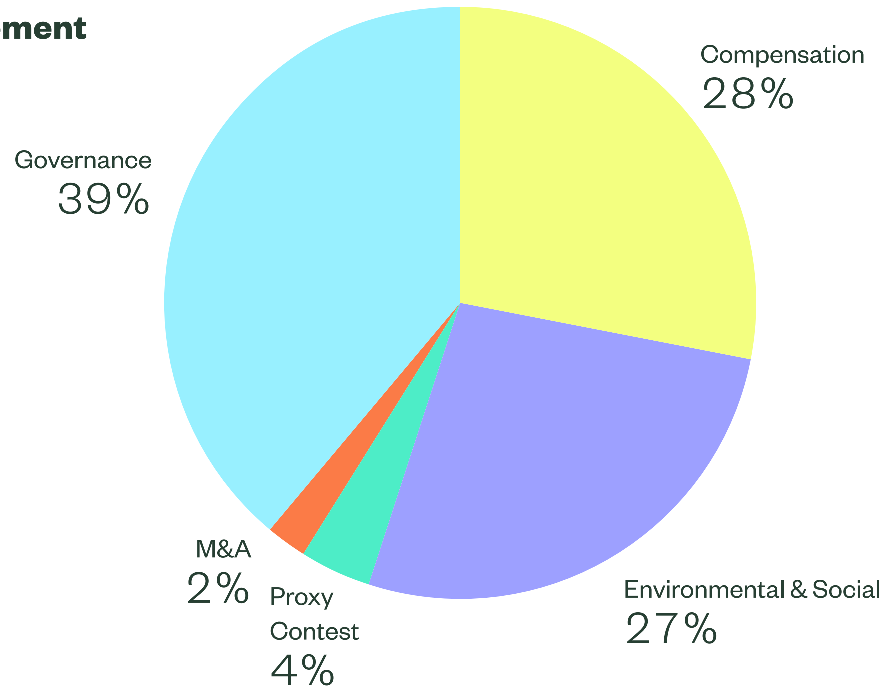
Engagements by Region



Source: State Street Global Advisors 2017-18 Engagement Database

Figure 14

Topic of Engagement



Source: State Street Global Advisors 2017–18 Engagement Database

proposals that were seeking an independent board chair at US companies. Among the companies receiving such proposals, we engaged with lead independent directors at 35 companies (70% of companies receiving shareholder proposals on this topic) to better understand their roles and responsibilities. We supported 20 or 40% of the proposals and voted against 30 or 60% of the proposals. A key driver of our vote was the robustness of a company's description of the lead independent director role, especially as it pertains to strategy and succession planning, combined with insights from our engagement.

Some of the companies we spoke to on this issue include **AmerisourceBergen Corporation, The Clorox Co., Eastman Chemical Company, Exxon Mobil Corporation, General Motors Company** and **Sanderson Farms Inc.**

Europe & United Kingdom How a company navigates a period of transition can provide insights into the strength of its board and leadership. We frequently engage with companies at these times to understand the interaction between the board and management and the role each play in setting the company's strategy.

We engaged with **Novartis AG** to better understand the company's new strategy and approach to sustainability as a result of the appointment of a new CEO. The company explained that the CEO's strategic objectives are heavily focused on culture, which is integrated into his compensation and tied to five specific objectives: ethical behaviors, pricing and access, neglect of diseases, transparency and environmental neutrality (carbon, energy and plastic). Novartis AG is also prioritizing its digital strategy through the appointment of a chief digital officer. This person will lead the company's digital implementation strategy, which the company believes can create real innovation. We welcomed the integration of culture as a component of the new CEO's compensation scorecard and the use of digital strategy to create innovation.

We engaged with **BHP Billiton** to discuss the succession planning for a new board chair, which was started in 2016, but was subsequently delayed following the failure of the Fundão tailings dam at Samarco. During our engagement, the company explained the key criteria underpinning the appointment process: strategic capital allocation experience and the ability to spend significant time in Australia.

As part of our discussion on board gender diversity, we urged the company to focus on gender diversity at all levels of management. BHP believes it is more advanced on the issue of gender representation below board level based on its target to achieve gender parity within senior executive positions by 2025. We welcomed the company's renewed focus on appointing a new board chair and its response regarding the focus on gender diversity below the board level.

Activism Continues to Impact the Interests of Long-Term Shareholders

As holders of near-permanent capital, our main goal is to ensure that activists are helping to promote long-term value creation in whatever way they choose to engage with companies. However, at the same time, we believe boards should protect the interests of long-term shareholders in all activist situations and carefully evaluate settlement agreements. We continue to have concerns about quick settlements that concede board seats to activists. We issued guidance to companies in October 2016 in order to establish our expectations for boards and to put forth our long-term thinking on the process of negotiating settlements. We also believe as long-term owners that boards and activists should debate and develop principles that protect the interests of long-term shareholders in settlement agreements.

During 2018, we observed activists continuing to reshape board rooms through settlement, rather than proxy fights. 126 (78%) out of 161 board seats were won by activists without a proxy contest during 2018 compared to 86 (86%) out of 100 board seats conceded in 2017.[21] However, in many cases even when an activist situation does not end with a vote, our team engages with the company and the dissident to understand how both sides are promoting long-term sustainable value creation.

This trend is reflected in our 2018 engagement with management and dissidents at 27 North American companies that were targeted by activist investors, compared to the 20 contests we ultimately voted on. These included **Campbell Soup Company, Detour Gold Corporation** and **Qualcomm Inc.**

In addition, activist campaigns have continued to increase within European markets, accounting for nearly 37% of total campaigns run globally in 2018.[22] We believe that investor support for activists in European companies has grown as activists have increasingly targeted companies that have existing governance issues and that have not been responsive to shareholder concerns.

During 2018, we also observed a number of notable European activist campaigns, including **Pernod Ricard, Telecom Italia SpA** and **Barclays plc**. Dissidents in these contests all received significant investor support. The success of these campaigns can be attributed to activist investors adjusting their campaigns away from a pure returns-focused narrative that has been successful with US investors to a more nuanced governance- and sustainable-returns-focused narrative that resonates with domestic investors.

Examples of Noteworthy Activist Proxy Contests During the Year

Activist Shareholder Wins Battle to Improve Board Independence (Italy)
Ahead of **Telecom Italia SpA's** AGM in April 2018, Elliott Management Corp. proposed a slate of independent directors representing 67% of the board due to perceived corporate governance failures and the influence of the largest shareholder, Vivendi SA, over the strategic direction of the company.

We engaged with representatives of Elliott Management Corp. on several occasions. They made the case that Vivendi has effective control over the board given its ability to appoint 67% of the board, and this has led to weaker governance and shareholder rights. For example, the board faced CEO departures in both 2016 and 2017 due to tensions with Vivendi. In addition, in 2017, the Italian government made the decision to activate its "golden share"[23] in order to maintain its influence over specific strategic decisions. We voted in support of Elliott Management Corp.'s director slate to appoint 10 independent directors to the board, which won 49.8% of the vote, compared to Vivendi's slate, which won only 47.2% of shareholder votes.

Activist Investor Targets Campbell Soup Company (United States)
Campbell Soup Company was one of the most high-profile campaigns in 2018. Our Stewardship Team engaged with the company's board and management, as well as the dissident, Third Point LLC.

Dialogue with the company focused on how it had aligned its strategy with evolving consumer preferences, specifically with the context of the growing organic foods market. **Campbell Soup Company** also recognized the need to streamline its portfolio and balance sheet to address changing consumer demands. In addition, the company acknowledged that it was in the process of aligning the skills of the board with long-term strategy in order to meet shareholders' concerns about the pace of board refreshment.

Our engagement with Third Point focused on its support for the sale of the company and other potential strategic alternatives. Third Point believed that **Campbell Soup Company's** most recent strategic review had not yielded any compelling offers or strategic changes and that the company should consider putting itself up for sale.

While Third Point initially sought to replace the entirety of the 12-member **Campbell Soup Company board,** it reduced its demands to five board nominees before entering into a settlement agreement prior to the AGM. Ultimately, Third Point received two seats on an expanded board, consultation rights on a third director, and the opportunity to provide input into the CEO succession planning process.

Shareholder Rights and Board Accountability

We believe that board accountability is fundamental to strong corporate governance; shareholder rights, such as annual director elections and the ability to call a special meeting, provide increased accountability and encourage board members to be more responsive to shareholder interests, thereby improving board quality. There is significant variation in shareholder rights across the globe, and our engagement and voting on the issue is tailored to specific market dynamics.

Calling a Special Meeting Preferable to Written Consent (United States)
The rights to act by written consent and to call a special meeting of shareholders are frequently viewed as interchangeable. They both achieve the same effect, allowing shareholders to take action independent of the board and annual meeting. The ability for independent action is an important shareholder right, one which we have always supported. However, we believe that the two mechanisms are not equal.

Since late 2017, the SEC has found that management could exclude a shareholder proposal to lower the threshold to call a special meeting to 10%–15% of shares outstanding if it put forth a “competing” proposal to affirm its existing special meeting threshold (usually 20%–25% of shares outstanding). In 2018, there were seven meetings where there was both a shareholder proposal to lower the threshold and a management proposal to affirm the existing practices on the ballot. In all cases, we supported the management proposal and voted against the shareholder proposal because shareholders representing 25% or fewer of the shares outstanding could call a special meeting. Overall, we supported seven of the 67 shareholder proposals asking the company to implement or reduce the threshold to call a special meeting. While the tactic of offering a competing proposal is not without controversy, the result is a shift toward shareholder proposals calling for written consent.

Unlike special meetings, which are generally governed by the same rules as an annual meeting, not all shareholders must be solicited when acting by written consent; only the minimum number of shareholders needed to pass a provision has to be contacted. As a result, using written consent may result in shareholders being unable to voice their concerns and views through a vote or engagement with an issuer. In some cases, major changes to the board or M&A transaction may occur without the proactive notification or input of many shareholders. Alternatively, an activist could use written consent to replace a board member without notifying all shareholders.

In order to protect our rights as shareholders, we will only support shareholder proposals on written consent if the current ownership threshold to call a special meeting at a company is above 25% and the company has a poor governance profile. In 2018, we voted against 37 (93%) of the 40 proposals seeking the ability for shareholders to act by written consent because shareholders could already act by calling a special meeting at the companies.

Board Accountability (Europe) and Annual Board Elections (Australia)
Please see the Regulatory Initiatives section (page 76) for details on these topics.

Engagement and Voting Highlights: Compensation-Related Matters

In 2018, there were 5,986 proposals on compensation practices or policies across our global investment portfolios. We supported approximately 81% of pay-related proposals, down from 89% support in 2017. The decrease in support was due to the introduction of “abstain” as a vote option, which provides additional transparency into the companies where we had some concerns with compensation practices. In the past, we supported or voted “for” all such proposals.

During the year, our votes against compensation proposals were mainly due to growing concerns about pay-for-performance misalignment, poor disclosure of pay structures and increasing pay quantum in the prior year. In contrast, our rationale for abstaining on pay-related proposals was the result of situations where we could not provide unqualified support or where companies had responded to some, but not all, of our concerns on pay. Our use of abstain as a vote option is discussed in more detail within this section of the annual report.

Figure 15

Votes on All Pay Proposals

Country	Number of Proposals	Proposals Screened	Proposals Supported	Proposals Abstained	Proposals Voted Against
North America	2,742	732 (27%)	2,476 (90%)	89 (3%)	177 (7%)
United Kingdom	820	454 (55%)	732 (89%)	17 (2%)	71 (9%)
Europe (ex. UK)	1,791	674 (38%)	1,211 (68%)	39 (2%)	541 (30%)
Australia & New Zealand	321	176 (55%)	223 (69%)	37 (12%)	61 (19%)
Rest of the World	312	154 (49%)	232 (75%)	7 (2%)	73 (23%)
All Regions	**5,986**	**2,190 (37%)**	**4,874 (81%)**	**189 (3%)**	**923 (16%)**

Source: State Street Global Advisors 2017–18 Engagement Database

We relied upon proprietary compensation screens to help identify and prioritize the 5,986 pay-related proposals for further review. A company may be screened for a variety of reasons, including:

- Overall pay and performance alignment
- Absolute levels of compensation
- Compensation concerns in previous years
- Identified as laggards with respect to compensation plan structure or disclosure

Consequently, we reviewed 2,190 proposals at companies in greater detail, or 37% of the total proposals up for a vote. While we supported 81% of pay-related proposals globally, we supported fewer than half of the proposals that we screened for manual review by the team. Figure 15 provides a breakdown of our votes on all pay proposals in 2018 while Figure 16 presents our votes on only those proposals that were screened out for manual review. On average, we supported the compensation practices/policies at the screened companies 49% of the time, voted against their practices 42% of the time, and chose to abstain on 9% of the proposals due to some concerns with pay structure.

Similar to our findings in 2017, we continue to find that poor disclosure (32%) and poor structure (31%) remain the two key factors driving our voting rationale on pay proposals as presented in Figure 17. We have found that, in terms of structure,

Introducing "Abstain" as a Vote Option to Enhance Transparency
For the 2018 proxy season, we introduced "abstain" as a vote option, in addition to the use of "for" and "against" vote options, on management compensation resolutions. We use an "abstain" vote in situations during which we cannot provide unqualified support for compensation proposals or companies have responded to some, but not all, of our concerns on pay. This change applies to all global markets in which we invest where "abstain" is a valid vote option. For more information on our new policy, please see our paper: Transparency in Pay Evaluation: Adoption of Abstain as a Vote Option on Management Compensation Resolutions.

The option of using an "abstain" vote has allowed us to increase the transparency we provide to both companies and clients. It also allows us to demonstrate more clearly our qualified support for pay proposals when we have concerns. Figure 15 illustrates our votes for and against pay, as well as circumstances in which we may consider the use of an abstain vote.

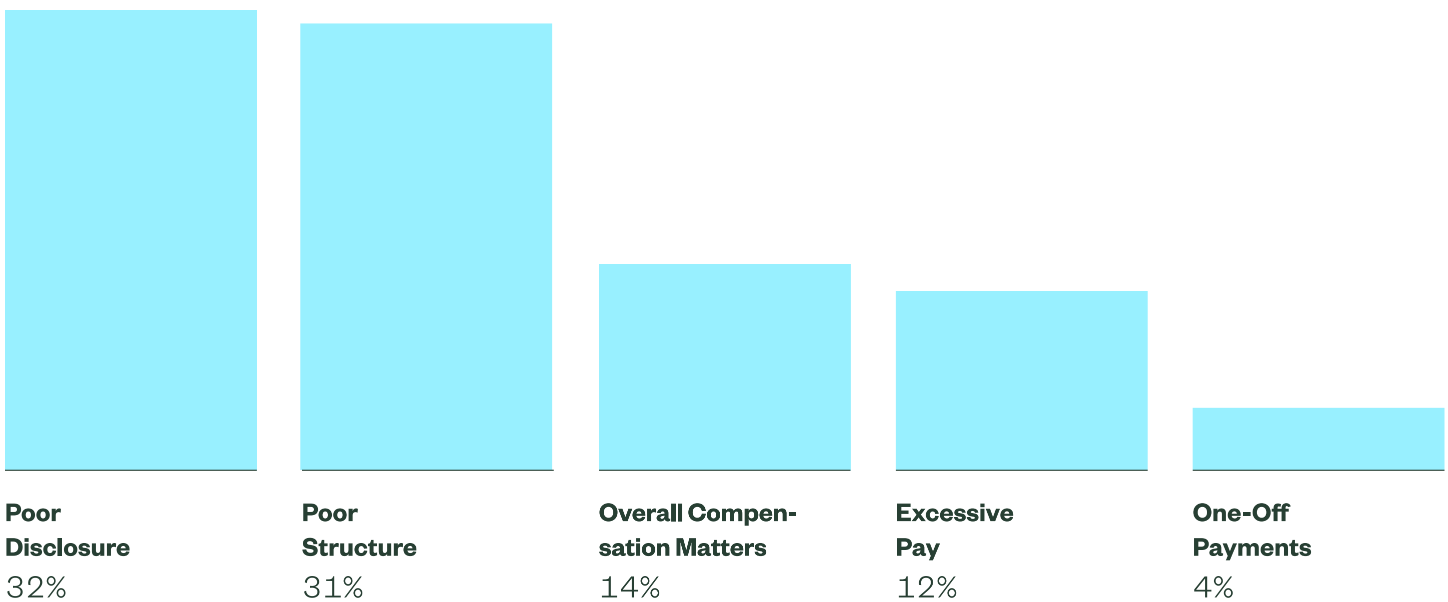
Figure 16

Votes on Screened Pay Proposals

Source: State Street Global Advisors 2018 Engagement Database

Figure 17

Top 5 Reasons Driving Our Voting Rationale on Pay Proposals



Source: State Street Global Advisors 2017–18 Engagement Database incentive design is still in need of improvement and that there is not always a strong link between pay and business strategy.

Examining the Regional Differences in Our Voting

United States and United Kingdom
The higher level of "for" votes for compensation proposals in the US and UK markets is based on the fact that companies within both markets have provided detailed disclosure of their compensation structures for many years.

Further, the consistency of reporting in the US and UK markets on pay has made it easier for investors to analyze and compare pay levels and drive change in specific areas such as holding periods for long-term awards. Consequently, companies in the US and UK markets are much more aware of the specific pay practices that may concern investors and lead to a negative vote.

Europe
The high level of "against" votes is a consequence of the lack of consistency and transparency in reporting on pay structures across European markets, and market variations in the ability of investors to approve remuneration structures/policy through an annual advisory or binding shareholder vote. We expect companies to improve the level of disclosure and structure of their remuneration plans going forward because of the implementation of the European Union's Shareholder Rights Directive (SRD), which came into effect for European member states in June 2019 and aims to create a consistent framework for remuneration disclosure by issuers.

Australia
We voted against companies that had poor remuneration structures, inadequate disclosure or a misalignment between pay and performance. We find that Australian remuneration plans are shifting toward short-term priorities and away from

Figure 18

Examples of Vote Decisions on Compensation Proposals

State Street Global Advisors' Vote On Compensation	Potential Rationale for Vote Decision
For	Pay metrics are clearly disclosed and aligned to strategy, and the pay structure supports long-term value creation.
	Pay is aligned with long-term company performance.
Against	Pay quantum is excessive despite poor performance.
	Disclosure of the specific performance targets for long-term/short-term plans is inadequate.
	The pay program includes a re-testing feature.
Abstain	A one-time award grant is made for retention purposes and is not deemed to be excessive, and company performance is strong.
	The company has responded to some of our concerns on pay, but other significant concerns persist.
	There is a lack of adequate disclosure or some concerns with performance metrics but there is evidence of strong long-term performance.

Source: State Street Global Advisors Asset Stewardship Team.

long-term targets. Concerning practices encouraging short-term priorities include the continued use of retesting features, as well as the combining of short-term incentive and long-term incentive plans into a single pay plan. While Australian companies have improved disclosure on the metrics used within their short-term incentive plans, our expectation is that companies will also disclose their performance against such targets when making remuneration decisions. Further, the benchmarking of total remuneration against much larger US companies without sufficient justification resulted in a ratcheting up of pay to senior executives in some companies. We have increased our engagement with Australian companies with a focus on ensuring compensation plans are linked to long-term performance and do not include aspirational peers.

Engagement on Compensation-Related Matters

As a part of our asset stewardship program, we prefer to effect change through engagement with companies on concerns we may have with various aspects of pay. During engagement, we clearly communicate our concerns with executive pay, and we monitor companies on their responsiveness to the concerns we raise. If engagement is not an effective tool for promoting change, we use our vote to highlight our concerns with pay practices.

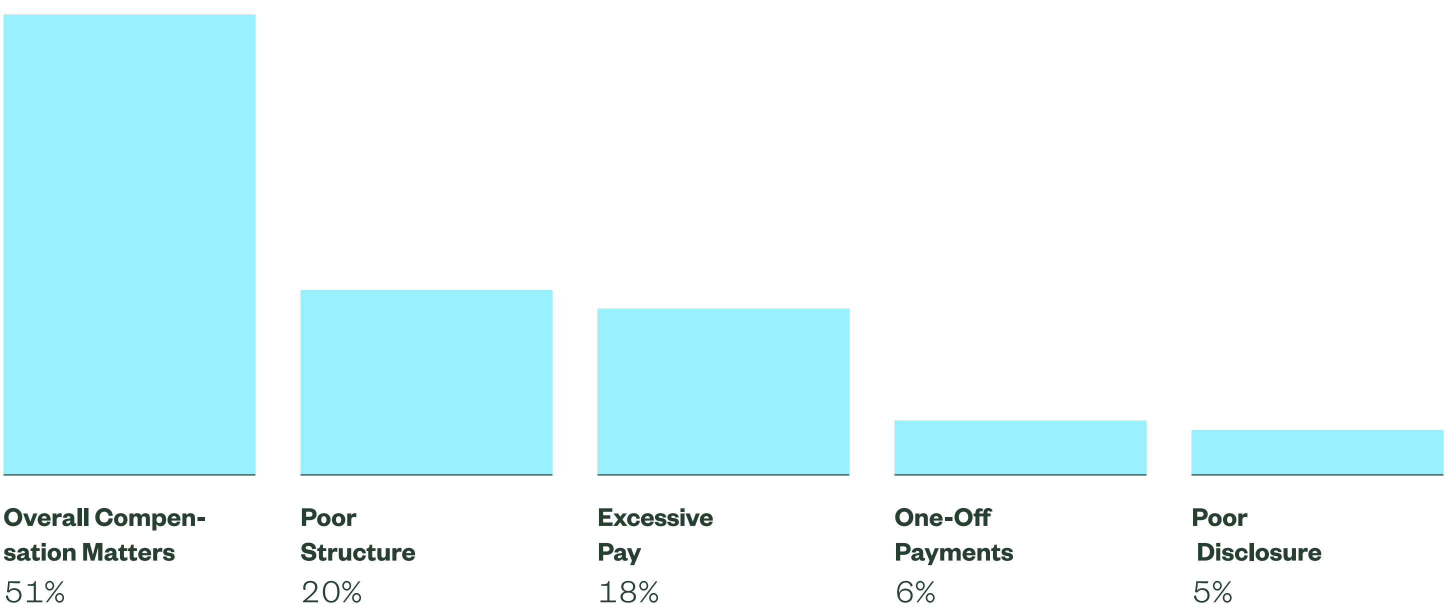
Figure 19 illustrates the specific engagement topics related to pay that we discussed with companies in 2018. We discussed pay-related issues with 322 companies. Of these engagements, we discussed overall compensation programs with 51% of the companies, concerns about poor executive compensation structures at 20%, and concerns with the quantum of pay at 18%.

This topic typically included remuneration consultations, whereby companies engage with shareholders to gain feedback on pay considerations, such as new proposals and the link between pay and strategy, well before the vote so they can be responsive to shareholders. Companies with poor remuneration structures or excessive pay comprised approximately 36% of our engagements.

Insights into 2018 Pay Trends in Australia, France, the UK and the US

High level of Shareholder Dissent (Australia)
During 2018, the average support levels on remuneration reports dropped to 89% in 2018 from 92% in 2017, and 26 companies in the S&P/ASX300 received a "strike" in 2018, up from 11 companies in 2017.[24,25] State Street Global Advisors reviewed remuneration-related proposals at 299, or 82%, of the 365 shareholder meetings that we voted.

Figure 19
Top 5 Engagement Topics on Remuneration



Source: State Street Global Advisors 2018 Engagement Database

When setting long-term performance targets, we look for boards to identify the key metrics associated with the company's long-term strategy and incorporate those metrics into the long-term remuneration program. Plans should be balanced and incorporate a mixture of base pay, short-term and long-term incentives. Examples of companies we engaged with on compensation matters include **Crown Resorts Ltd, Domino's Pizza Enterprises Ltd., Goodman Group, Ramsay Health Care Ltd., and Wesfarmers Ltd.**

Growing Shareholder Dissent (United States)

The number of say-on-pay proposals that failed at Russell 3000 companies increased from 1.5% in 2017 to 2.6% in 2018. This increase is even more significant because 203 companies with a triennial vote did not hold a vote in 2018, and the number of companies failing to receive majority support nearly doubled from 35 to 57. There was also a reversal in the overall support trend, with companies receiving on average 90.2% support, down from 91.7% in 2017, the second-lowest average support since a market-wide vote was introduced in 2011.[26] While our votes against proposals increased slightly to 7%, our overall support fell from 94% to 90%, as we abstained on an additional 3% of proposals.

Using our proprietary screening methodology, we voted against 166 (23%) of 713 pay proposals screened for further review, and we engaged with more than 180 US companies on the topic of executive compensation. Our discussions with companies often addressed the increasing complexity of compensation programs and the need to create clear links between the incentives included in plans and the company's strategy. Following the introduction of a quantum screen in 2017, we also continued to address the risks associated with excessive compensation levels.

Beginning in 2018, companies in the US started disclosing the ratio of CEO pay to the average employee. We opted not to take voting action based on pay ratios, as we need to evaluate the data from pay ratio analysis before incorporating this information into voting frameworks. While there are clear variations in pay ratios across sectors, company sizes and other factors, we have yet to identify actionable information with only two years of data. We will continue to monitor this new metric to determine if and how it should be incorporated into our vote analysis.

We engaged with various US companies regarding pay concerns, including **Bed Bath & Beyond, Inc., EnPro Industries, Inc., Intel Corporation, Microsoft Corporation, Palo Alto Networks, Inc.** and **Shutterfly, Inc.**

Remuneration Continued to Dominate the UK AGM Season While Shareholder Concerns over Director Accountability Are on the Rise (United Kingdom)

High-profile individual cases of exceptionally high payouts once again brought executive pay under the media spotlight and led to greater shareholder scrutiny during the 2018 UK AGM season. However, they were limited to a small number of companies, and the majority of executive remuneration committees in the UK continued to take a cautious approach to increases in pay and respond to shareholder feedback.

State Street Global Advisors' Framework for Analyzing Pay Votes:

- Assess quantum relative to peer group and long-term performance.
- Analyze structure of total compensation — seek balance between short-term and long-term pay components.
- Understand link between long-term strategy and pay drivers.

Short-term pay:

- Prefer operational metrics, such as revenue, margins and safety, which are often highlighted in investor reports and tracked by equity analysts.

Long-term pay:

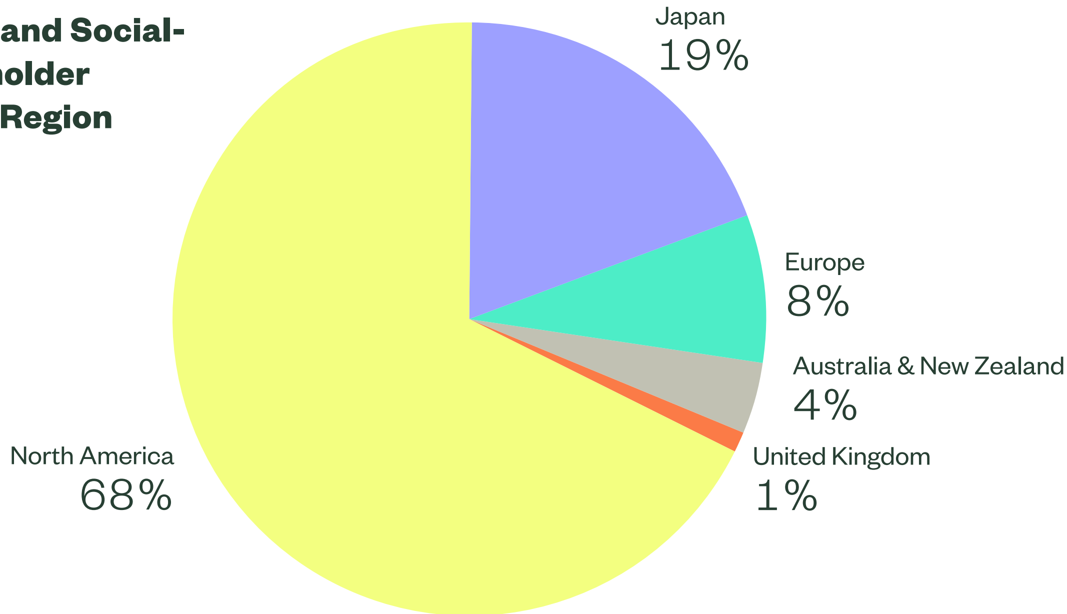
- Seek balance between performance-vesting shares (PSU) and time-vested stock (RSU).
- PSU should be based on at least a three-year performance period and linked to drivers such as TSR performance relative to a competitive peer group, ROE, ROIC or other relevant long-term metrics.
- RSU — provides retention element.

Other factors considered:

- Large one-off payments that are not tied to performance
- Re-testing of performance metrics or re-pricing of options
- Hedging and pledging activities of senior management
- Total named executive officers' (NEO's) pay and pay disparity between chair/CEO and other NEOs.
- Significant improvements in structure that will impact future pay

Figure 20

Environmental and Social-Related Shareholder Resolutions by Region



Source: State Street Global Advisors 2018 Voting Statistics.
January 1 to December 31, 2018

As a result, in general, shareholder support for pay proposals remained high. The Investment Association's public register, which tracks vote outcomes, published data showing that the number of remuneration report resolutions that received more than 20% shareholder opposition fell from 48 in 2017 to 47 in 2018. Only 32 companies received less than 80% shareholder support in the 2018 voting season, which represents a slight increase from 28 companies in 2017.[27] We voted against 15% of reviewed remuneration proposals in 2018.

We engaged with various UK companies regarding pay concerns, including **Direct Line plc, Foxtons Group plc, Royal Dutch Shell plc, Barclays plc, Tate & Lyle plc, Royal Mail, ZPG plc, Severn Trent plc** and **WPP plc.**

New Regulation Creates Complexity for Both Investors and Issuers in France (Europe)

The Sapin II Act, which was adopted into French law in 2016, established binding annual say-on-pay votes with one part of the act addressing the forward-looking remuneration policy of each executive corporate officer (ex-ante vote), while the other addressed the compensation elements paid in the year under review (ex-post vote).

Below. we highlight the key findings from our engagements with French companies in 2018:

- **Say-on-Pay Now More Stringent in Comparison to Other Markets** The combination of an annual ex-ante binding vote on remuneration policy based on the UK model, followed by an ex-post binding vote based on the Swiss model, is unique to France. Further, the current use of two binding remuneration votes establishes one of the most stringent say-on-pay systems in the world.
- **Increased Complexity for Issuers and Investors** French companies are now required to put forward separate resolutions outlining their remuneration policy and fixed, variable and exceptional elements of remuneration awarded to directors. The directors captured under Sapin II are the chairs, chief executives and deputy chief executives (in a one-tier board structure), and the sole chief executive and members of the management and supervisory boards (in a two-tier board structure).
- **Little Transparency on Remuneration Paid to Executives** We found that some small and medium-sized French companies pay their main executives through employment contracts (or service agreements in the case of controlled companies); in other words, they are not paid based upon the title of their corporate mandate. Consequently, remuneration paid to executives in these cases may not be fully covered by the new binding remuneration votes. This led to us taking voting action against companies seeking shareholder approval for remuneration votes that cover only a proportion of the total pay provided to executives in the previous year.

Engagement and Voting Highlights: Environmental and Social (E&S)-Related Matters

The number of shareholder proposals related to environmental and social (E&S) issues was down from 528 proposals in 2017 to 255 proposals in 2018, a decrease of 52%. This decline is the result of a significant increase in the number of E&S proposals not making it on to the ballot as a result of being withdrawn or omitted. As in 2017, the majority of these proposals came from the US market, where we have observed that investors are still focused on the sustainability practices of their investee companies and are utilizing thematic vote campaigns to expand disclosure on climate-related, as well as other, issues.

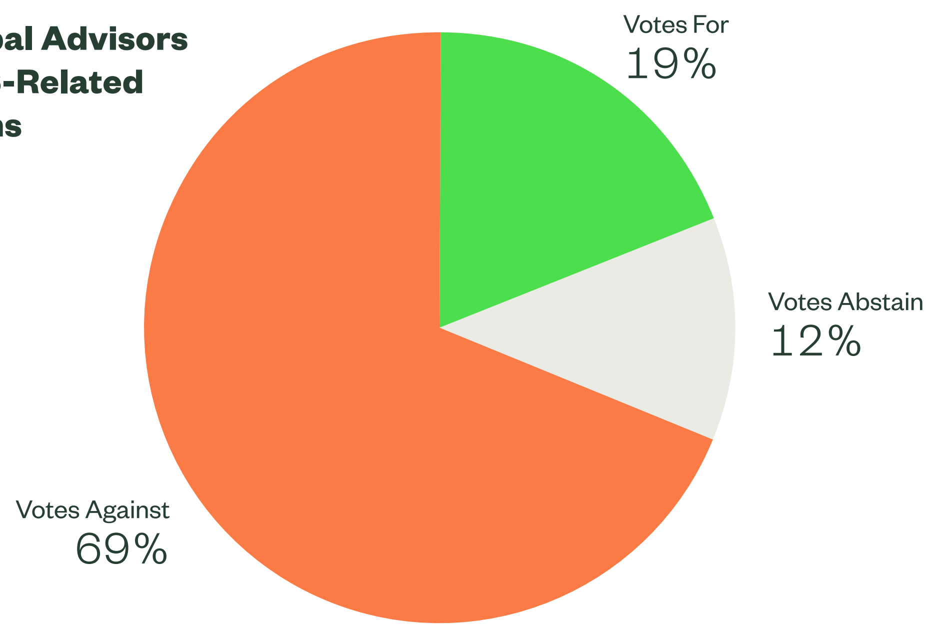
On average, we supported 19% of E&S-related proposals, up from 12.5% in 2017, voted against such proposals 69% of the time, down from 82% in 2017, and abstained on 12%, up from 6% in 2017 (see Figure 21). Our vote decisions reflect the overall trend in the US market, where companies have continued to improve their reporting on sustainability issues in recent years (please see our Thematic Focus on Sustainability and Long-Term Strategy on page 65 of this Report).

Engagement on Environmental and Social Matters
We have a long history of engaging and voting on material environmental and social issues. Over the years, these activities have resulted in 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 the ways we address these important issues. Additionally, in 2019, we created R-Factor™, an innovative solution to address ESG data challenges in the market. R-Factor™ supports the efforts of our Stewardship Team to provide clear expectations of company performance on financially material ESG factors. We screen companies for voting and engagement based on their scores. We disclose companies' R-Factor™ scores during our engagement, giving boards and management teams a road map for the specific dimensions that investors are evaluating to assess a company's sustainability efforts. It also helps companies identify which metrics to disclose and manage to improve future scores, creating a positive feedback loop in the market.

In Figure 22, we provide an analysis of specific engagement topics related to the E&S issues that we have discussed with companies. During 2018, we engaged with 301 companies in global markets on various E&S issues. Of these engagements,

Figure 21

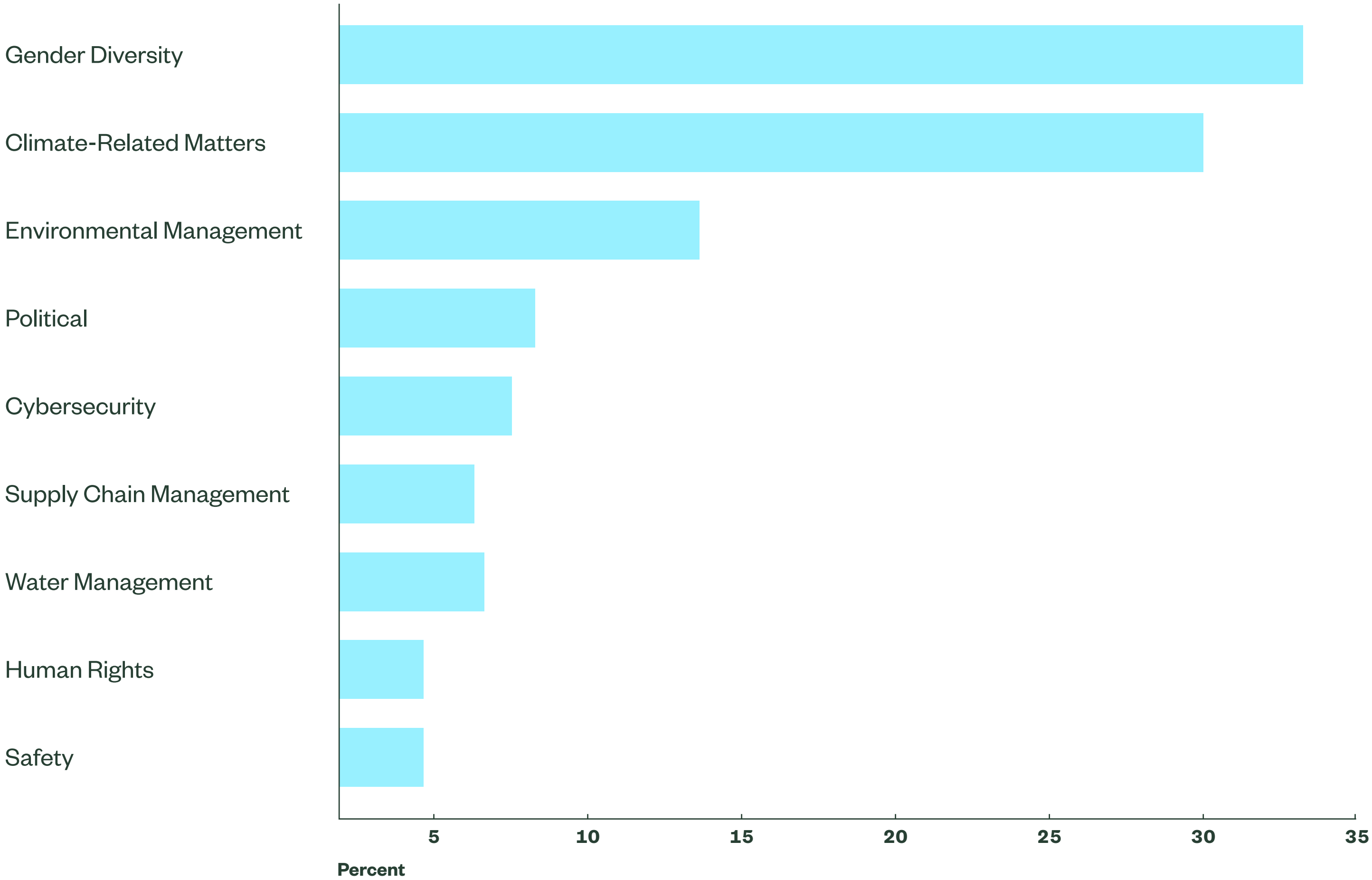
State Street Global Advisors Decisions on E&S-Related Shareholder Items



Source: State Street Global Advisors 2018 Voting Statistics

Figure 22

Environmental and Social Engagement Topics



Source: State Street Global Advisors 2018 Engagement Database

99 (32%) discussed diversity, 89 (30%) discussed climate change, 37 (12%) discussed environmental management, 18 (6%) discussed cybersecurity issues, 15 (5%) engagements focused on water resource management, 14 (5%) focused on supply-chain management, and 13 (4%) discussed human capital management.

Details about our observations on engagements related to climate change, sustainability and long-term strategy, diversity, and pay strategies are provided under the Sector and Thematic Focus section of this report. Below are examples of our engagement with companies on other E&S-related issues, as further illustration of our engagement activities in 2018.

Environmental Management

We engaged with 37 companies across 14 sectors about their environmental management practices. During our discussions, we focused on how companies are assessing the life-cycle impacts of their products and how these impacts are aligned to their sustainability strategies. For example, **Ameren Corporation**, a utility company, noted that when it looks at its water waste management, it looks beyond compliance expectations and to best practices in the market. As a result, the full board has assumed responsibility for environmental policy and performance matters and the company has hired a toxicologist to look at its wastewater and assess the potential impacts on human and environmental health.

We also found that increasing consumer consciousness about sustainability is creating new opportunities for companies around packaging and resource management. For example, **WestRock Co.,** a materials company, discussed the ways in which customer demand for increased recycled content in its packaging is creating new opportunities for the company. In addition, the company has focused on water consumption for decades, as it is a heavy user and takes the view that conserving water has a correlation to energy costs.

However, we continue to find examples of companies that are engaged in a wait-and-watch approach or that are backing away from improving sustainability practices, due to the potential easing of environmental regulations in the US. In these conversations, we clarified that regulatory risk was just one aspect of ESG risks and urged companies to consider the physical and economic/transition risks that are not influenced or abated by regulation.

Water Management

Water management was a priority thematic topic and part of our focused engagement efforts in 2016 and 2017. Through our nearly 80 engagements on the topic over the past two years, we found that many companies are examining the direct and indirect water-related risks stemming from their supply chains rather than just considering their own operations, although many companies lack goals in these areas. While water management was not one of our 2018 stewardship priorities, we continued to engage on the topic with 15 companies across five countries in 2018.

As we highlighted earlier in this report, we are leveraging the SASB framework in determining the materiality of environmental and social issues across sectors. One of the advantages of this framework is that the general issue areas are interconnected, hence we are able to include water management in our discussions on climate. For example, in an engagement with **Anheuser-Busch InBev SA/NV**, we discussed how the company is building out water stress mapping and subsequently setting targets to improve water availability in communities where it has identified water stress. In addition to water stress, other water-related issues could be exacerbated by the physical impacts of climate change, such as changes in precipitation patterns leading to more extreme weather events. During an engagement with **Conagra Brands, Inc.,** the company described how it is mapping extreme flooding, which could disrupt both its operations and its supply chain. Companies should consider how extreme water-related weather events, including droughts and floods, could impact their business and expose them to risks.

Other companies we engaged with on water management include **Asahi Group Holdings, Ltd., Bayer AG, Kellogg Company, The Kraft Heinz Company, The Sherwin-Williams Co.** and **United States Steel Corporation**.

Human Capital Management

SASB includes a 'Human Capital' dimension in its framework, which captures the three core areas of Labor Practices, Employee Health & Safety, and Employee Engagement, Diversity & Inclusion. These and other areas of human capital are important in supporting a company's long-term strategy and for ensuring an effective workforce for the future. With this in mind, we engaged with 13 companies in nine sectors to understand how companies measure, monitor and manage their workforce, and capture and measure the impacts of human capital. As we found that few companies focused on human capital management in the context of culture or pay strategies, we have chosen Human Capital Management as one of our thematic engagement priorities in 2019. Companies we engaged with in 2018 on human capital management include **Accenture plc, McDonald's Corporation** and **M&T Bank Corporation**.

Cybersecurity

Historically, cybersecurity has been viewed as more of an ESG issue than a financially material risk. However, companies are increasingly recognizing that these two things aren't mutually exclusive. For instance, as companies increasingly understand the financial implications of cybersecurity, the oversight of these issues has strengthened and has become a focus for many boards. In an engagement with **Swiss Re Group,** the insurer stated that "Cyber Attack Insurance" is a fast growing market, with a lot of corporate interest. However, due to the nature of the threat, some insurers are worried about accumulation risk (i.e., a large number of their clients may be impacted by the same attack) and are hesitant to enter that market.

As boards and companies are becoming better prepared to discuss their strategy for managing how their data and information is protected from external cyber threats, regulators and consumers are beginning to express an interest in how companies are managing and utilizing their data. Companies that manage personal information must not lose sight of the data privacy issues that may result in reputational and regulatory risks and could expose them to detrimental financial impacts from fines, lost business or lawsuits. We engaged with **Comcast Corporation** to understand how the company balances a diverse array of cyber threats both as a cable provider collecting personally identifiable information and as a critical infrastructure provider through its provision of internet services. We will continue to engage with companies on cybersecurity both from a data security and data privacy standpoint.

Other companies we engaged with on cyber security include **CVS Health Corporation, Equifax Inc., Eversource Energy** and **Lonza Group AG.**

Supply Chain Management

We have been engaging on supply chain management issues since 2013. During this time frame, we have held over 100 engagements on the topic, including 14 engagements in 2018.

We have found that the subjects covered in supply chain management are extremely diverse and span the full spectrum of sustainability issues, including both environmental and social areas. Environmental issues in supply chain management include deforestation, scope 3 indirect GHG emissions from the value chain, and product life cycle, among many others. We have also discussed numerous social issues in the supply chain including, but not limited to, human rights, community relations, modern slavery, wages and gender equality. Acknowledging the diverse nature of supply chain management, since the start of this year, we have been undertaking specific supply-chain-related engagements to provide additional transparency into our stewardship activities in this area. Examples of companies that we engaged with on supply chain issues in 2018 include **Domino's Pizza, Inc., Honda Motor Co. Ltd., The TJX Companies, Inc.** and **Yum China Holdings, Inc**.

21 https://www.lazard.com/media/450805/lazards-2018-review-of-shareholder-activism.pdf

22 Ibid.

23 A golden share is a nominal share that is able to outvote all other shares in certain specified circumstances such as M&As. This type of share is often held by government organizations.

24 ISS, "2018 Australia & New Zealand Proxy Season Review"

25 Glass Lewis, "2018 Australia Season Review"

26 Semler Brossy 2018 Say on Pay and Proxy Results End of Year Report, available at semlerbrossy.com/sayonpay

27 The Investment Association website: https://www.theinvestmentassociation.org/publicregister.html

Appendix

Companies Engaged by Topic

In the following pages, we provide a comprehensive list of all 2018 engagements, as well as both the methods through which we engaged and the high level topics that were discussed.

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
3D Systems Corporation	USA		●		●	●
3M Company	USA	●	●	●	●	
77 Bank Ltd.	Japan	●				●
A. O. Smith Corporation	USA	●				
Abbott Laboratories	USA	●				
AbbVie Inc.	USA	●	●	●	●	●
Acacia Research Corporation	USA		●			
ACADIA Pharmaceuticals Inc.	USA		●		●	
Accenture plc	EU-Ireland	●	●	●	●	●
Acom Co., Ltd.	Japan	●				●
Acs, Actividades de Construccion y Servicios S.A	EU-Others		●		●	
Activision Blizzard, Inc.	USA	●	●	●	●	
Acuity Brands, Inc.	USA	●				
Adeka Corp.	Japan	●				●
Admiral Group plc	UK		●			
Adobe Systems Incorporated	USA	●				
Advance Auto Parts, Inc.	USA	●				
Advanced Micro Devices, Inc.	USA	●				
Advantest Corp.	Japan	●				●
AECOM	USA		●			
Aegon NV	EU-Others		●		●	
Aetna Inc.	USA	●				
Affiliated Managers Group, Inc.	USA	●	●	●	●	
Aflac Incorporated	USA	●				
Agenus Inc.	USA		●		●	●
Agilent Technologies, Inc.	USA	●				
AGL Energy Ltd.	Australia		●		●	●
Aica Kogyo Co. Ltd.	Japan	●				●
Aiful Corp.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Air France Klm	EU-France		●		●	●
Air Products and Chemicals, Inc.	USA	●				
Airbus SE	EU-France		●		●	
AK Steel Holding Corporation	USA		●		●	●
Akamai Technologies, Inc.	USA	●	●	●	●	●
Alaska Air Group, Inc.	USA	●				
Albemarle Corporation	USA	●				
Alexander & Baldwin, Inc.	USA		●			●
Alexandria Real Estate Equities, Inc.	USA	●	●	●	●	
Alexion Pharmaceuticals, Inc.	USA	●	●	●	●	
Alibaba Group Holding Limited	EM-China		●		●	●
Align Technology, Inc.	USA	●				
Allegion plc	USA	●				
Allergan plc	USA	●	●	●	●	
Alliance Data Systems Corporation	USA	●				
Alliant Energy Corporation	USA	●	●	●	●	
Alphabet Inc.	USA	●	●	●	●	●
Alpine Electronics (Dissident: Oasis)	Japan		●		●	
Alpine Electronics Inc.	Japan		●	●	●	
Alps Electric Co. Ltd.	Japan	●				●
Altice NV	EU-Others	●				●
Altria Group, Inc.	USA	●				
Amada Holdings Co., Ltd.	Japan	●				●
Amadeus IT Group SA	UK		●		●	
Amazon.com, Inc.	USA	●	●	●	●	●
AMC Networks Inc.	USA		●			
Amcor Limited	Australia		●		●	●
Ameren Corporation	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
American Airlines Group Inc.	USA	●	●	●	●	
American Electric Power Company, Inc.	USA	●				
American Express Company	USA	●	●	●	●	
American International Group, Inc.	USA	●	●	●	●	
American Outdoor Brands Corporation	USA	●	●	●		●
American Tower Corporation	USA	●				
American Water Works Company, Inc.	USA	●				
Ameriprise Financial, Inc.	USA	●	●	●	●	
AmerisourceBergen Corporation	USA	●	●	●	●	●
AMETEK, Inc.	USA	●				
Amgen Inc.	USA	●	●	●	●	●
AMP Limited	Australia		●		●	
Amphenol Corporation	USA	●				
AmTrust Financial Services, Inc.	USA		●			
Anadarko Petroleum Corporation	USA	●	●	●	●	●
Analog Devices, Inc.	USA	●	●	●	●	
Andeavor	USA	●				
Anheuser-Busch InBev SA	EU-Others		●			●
Anixter International Inc.	USA		●		●	
Ansys, Inc.	USA	●				
Anthem, Inc.	USA	●	●	●	●	
Antofagasta plc	UK		●		●	
Aon plc	USA	●				
Aoyama Trading Co. Ltd.	Japan	●				●
Aozora Bk Ltd	Japan	●				●
APA Group	Australia		●			●
Apache Corporation	USA	●	●	●	●	●
Apartment Investment and Management Company	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Apple Inc.	USA	●	●	●	●	●
Applied Materials, Inc.	USA	●	●	●	●	●
Approach Resources Inc.	USA		●		●	●
Aptiv PLC	USA	●				
Aptose Biosciences Inc.	Canada	●				●
Aramark	USA		●			
Archer-Daniels-Midland Company	USA	●				
Arconic Inc.	USA	●	●	●	●	
Ares Commercial Real Estate Corporation	USA		●		●	
Arkema	EU-France		●		●	●
Array BioPharma Inc.	USA		●		●	
Arthur J. Gallagher & Co.	USA	●				
Artis Real Estate Investment Trust	Canada	●				●
Asahi Holdings, Inc.	Japan		●		●	●
Asanko Gold Inc.	Canada	●				●
Ashland Global Holdings Inc.	USA		●		●	●
Asics Corp.	Japan	●				●
Aspen Technology, Inc.	USA		●		●	
Assicurazioni Generali Spa	EU-Italy		●		●	●
Assurant, Inc.	USA	●				
AT&T Inc.	USA	●				
Atacadão SA (Carrefour Brasil)	EM-Brazil		●		●	
Athabasca Oil Corporation	Canada	●				●
Atlantic Power Corporation	Canada		●			●
Atos SE	EU-France		●	●	●	
Aurinia Pharmaceuticals Inc.	Canada	●				●
AusNet Services	Australia		●		●	
Australia and New Zealand Banking Group Ltd.	Australia		●		●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Autodesk, Inc.	USA	●				
Automatic Data Processing, Inc.	USA	●				
AutoZone, Inc.	USA	●				
AvalonBay Communities, Inc.	USA	●				
Avery Dennison Corporation	USA	●	●	●	●	●
Avigilon Corporation	Canada	●				●
Aviragen Therapeutics, Inc.	USA		●			
Aviva plc	UK		●		●	
Axa	EU-France		●		●	●
Azbil Corp.	Japan	●				●
B2Gold Corp.	Canada		●		●	
Baker Hughes a GE Co	USA	●				
Ball Corporation	USA	●				
Banco Bilbao Vizcaya Argentaria, S.A.	EU-Spain		●		●	●
Banco de Sabadell S.A	EU-Spain		●		●	
Bank of America Corporation	USA	●	●	●	●	
Bank of the Ozarks, Inc.	USA		●			
Barclays plc	UK		●		●	
Barnes & Noble Education, Inc.	USA		●			
Barnes & Noble, Inc.	USA		●		●	
Baxter International Inc.	USA	●				
Bayer AG	EU-Germany		●	●	●	●
Bayerische Motoren Werke AG (BMW)	EU-Germany		●		●	
BB&T Corporation	USA	●	●	●	●	
Becton, Dickinson and Company	USA	●	●	●	●	●
Bed Bath & Beyond Inc.	USA		●		●	
Benesse Holdings Inc	Japan	●				●
Berkshire Hathaway Inc.	USA	●				
Best Buy Co., Inc.	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
BHP Billiton Limited	UK		●	●	●	
BioCryst Pharmaceuticals, Inc.	USA		●			
Biogen Inc.	USA	●	●	●	●	●
BlackPearl Resources Inc.	Canada	●				●
BlackRock, Inc.	USA	●	●	●	●	●
Bluerock Residential Growth REIT, Inc.	USA		●		●	●
Bluescope Steel Ltd.	Australia		●			●
Bonterra Energy Corp.	Canada	●				●
BorgWarner Inc.	USA	●				
Boston Properties, Inc.	USA	●				
Boston Scientific Corporation	USA	●				
Brambles Ltd	Australia		●		●	●
Brighthouse Financial Inc	USA	●				
Bristol-Myers Squibb Company	USA	●	●	●	●	
Bristow Group Inc.	USA		●		●	
Broadcom Inc	USA	●				
Broadcom Limited	EM-Others		●			
Brother Industries Ltd.	Japan	●				●
Brown-Forman Corp	USA	●				
Bunge Limited	USA		●			●
Burberry Group plc	UK		●		●	
C.H. Robinson Worldwide, Inc.	USA	●				
Cabot Oil & Gas Corporation	USA	●				
Cadence Design Systems, Inc.	USA	●	●	●	●	●
Caixa Geral de Depositos SA	EU-Others					
Calfrac Well Services Ltd.	Canada	●				●
Callidus Capital Corporation	Canada	●				●
Cambrex Corporation	USA		●			●
Campbell Soup Company	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Campbell Soup Company (Dissident: Third Point)	USA		●		●	●
Canadian Pacific Railway Limited	Canada		●		●	
Canfor Corporation	Canada	●				●
Canon Inc.	Japan	●				●
Canon Marketing Japan Inc	Japan	●				●
Canopy Growth Corporation	Canada	●				●
Capcom Co. Ltd.	Japan	●				●
Capital One Financial Corporation	USA	●	●	●	●	
Cara Operations Limited	Canada	●				●
CARBO Ceramics Inc.	USA		●			●
Cardinal Health, Inc.	USA	●				
Cardiome Pharma Corp.	Canada	●				●
Cargojet Inc.	Canada	●	●	●	●	●
CarMax, Inc.	USA	●				
Carnival Corporation	USA	●				
Carrefour	EU-France	●	●	●	●	
Carriage Services, Inc.	USA		●		●	●
Casey's General Stores, Inc.	USA		●		●	●
Casio Computer Co. Ltd.	Japan	●				●
Caterpillar Inc.	USA	●	●	●	●	●
CBOE Holdings, Inc.	USA	●				
CBRE Group, Inc.	USA	●				
CBS Corp	USA	●				
Celgene Corporation	USA	●				
Centamin Plc	EU-Others	●				●
Centene Corporation	USA	●				
CenterPoint Energy, Inc.	USA	●				
Central Glass Co. Ltd.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Central Japan Railway Co.	Japan	●				●
CenturyLink, Inc.	USA	●				
Cerner Corporation	USA	●				
CF Industries Holdings, Inc.	USA	●	●	●	●	
Charter Communications, Inc.	USA	●	●	●	●	●
Check Point Software Technologies Ltd.	EM-Others		●			
Chegg, Inc.	USA		●		●	
Cheniere Energy, Inc.	USA		●			
Chesapeake Energy Corporation	USA	●	●	●	●	●
Chevron Corporation	USA	●	●	●	●	●
China Gold International Resources Corp. Ltd.	Canada	●				●
Chipotle Mexican Grill, Inc.	USA	●				
Chiyoda Corp.	Japan	●				●
Chubb Ltd	USA	●				
Chubu Electric Power Co	USA	●	●	●	●	●
Chubu Electric Power Co. Inc.	Japan		●		●	●
Church & Dwight Co., Inc.	USA	●				
Cigna Corporation	USA	●			●	
Cimarex Energy Co.	USA	●				
Cimpress N.V.	USA		●			
Cincinnati Bell Inc.	USA		●			
Cincinnati Financial Corporation	USA	●				
Cintas Corporation	USA	●				
Cisco Systems, Inc.	USA	●	●	●	●	●
Citigroup Inc.	USA	●	●	●	●	●
Citizen Watch Co., Ltd.	Japan	●				●
Citizens Financial Group, Inc.	USA	●				
Citrix Systems, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Clariant AG	Switzerland		●		●	●
Clearwater Paper Corporation	USA		●			●
Cliffs Natural Resources Inc.	USA		●			
CME Group Inc.	USA	●				
CMS Energy Corporation	USA	●	●	●	●	●
CNOOC Ltd.	Canada	●				●
Coca-Cola Bottlers Japan Inc.	Japan	●				●
Cognex Corporation	USA		●		●	
Cognizant Technology Solutions Corporation	USA	●				
Colgate-Palmolive Company	USA	●	●	●	●	●
Colopl, Inc.	Japan	●				●
Columbia Property Trust, Inc.	USA		●			
Comcast Corporation	USA	●	●	●	●	
Comerica Incorporated	USA	●				
Commercial Metals Company	USA		●			
Commonwealth Bank of Australia	Australia		●	●	●	●
Compagnie de Saint Gobain	EU-France		●	●	●	●
Compagnie Financiere Richemont SA	Switzerland		●		●	
COMSYS Holdings Corp.	Japan	●				●
Conagra Brands, Inc.	USA	●	●	●	●	●
Concho Resources Inc.	USA	●				
Concordia Financial Group Ltd.	Japan	●				●
ConocoPhillips	USA	●	●	●	●	●
CONSOL Energy Inc.	USA		●			
Consolidated Edison, Inc.	USA	●				
Constellation Brands, Inc.	USA	●				
Constellation Software Inc.	Canada	●				●
Contango Oil & Gas Company	USA		●		●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Copart, Inc.	USA		●		●	●
Corning Incorporated	USA	●				
Coronation Fund Managers Ltd	EM-South Africa		●	●	●	
Corridor Resources Inc.	Canada	●				●
COSMOS PHARMACEUTICAL CORP	Japan	●				●
Costco Wholesale Corporation	USA	●	●	●	●	●
Coty Inc.	USA	●				
Coway Co. Ltd.	EM-Korea		●		●	●
Credit agricole SA	EU-France		●	●	●	
Credit Suisse Group AG	Switzerland		●			
Crest Nicholson Holdings plc	UK		●		●	
Crew Energy Inc.	Canada	●				●
Crown Castle International Corp.	USA	●				
Crown Resorts Ltd.	Australia		●		●	
CSRA Inc.	USA	●				
CSX Corporation	USA	●	●	●	●	
Cullen/Frost Bankers, Inc.	USA		●		●	●
Cummins Inc.	USA	●	●	●	●	
Customers Bancorp, Inc.	USA		●			
CVS Health Corporation	USA	●	●	●	●	●
CyberAgent, Inc.	Japan	●				●
CYBG plc	UK		●			
D.R. Horton, Inc.	USA	●				
Dai Nippon Printing Co. Ltd.	Japan	●				●
Daido Steel Co. Ltd.	Japan	●				●
Daifuku Co. Ltd.	Japan	●				●
Dai-Ichi Life Holdings Inc.	Japan		●		●	●
Daiichi Sankyo Co. Ltd.	Japan	●				●
Daikin Industries Ltd.	Japan		●		●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Daimler AG	EU-Germany		●		●	●
Daishi Bank Ltd.	Japan	●				●
Danaher Corporation	USA	●	●	●	●	●
Danone	EU-France		●	●	●	
Darden Restaurants, Inc.	USA	●	●	●	●	●
Darden Restaurants, Inc. (Dissident: Green Century Equity Fund)	USA		●			●
DaVita Inc.	USA	●				
Deere & Company	USA	●	●	●	●	
Delphi Energy Corp.	Canada	●				●
Delta Air Lines, Inc.	USA	●				
Denka Co., Ltd.	Japan	●				●
Denso Corp.	Japan	●				●
DENTSPLY SIRONA Inc.	USA	●	●	●	●	
Depomed, Inc.	USA		●		●	●
Detour Gold Corporation	Canada		●		●	
Deutsche Bank AG	EU-Germany		●		●	
Deutsche Lufthansa AG	EU-Germany		●		●	●
Deutsche Telekom AG	EU-Germany		●		●	●
Deutsche Wohnen AG	EU-Germany	●				●
Devon Energy Corporation	USA	●				
Digital Realty Trust, Inc.	USA	●				
Direct Line Insurance Group PLC	UK		●	●	●	
Disco Co.	Japan	●				●
Discover Financial Services	USA	●				
Discovery Communications, Inc.	USA	●				
DISH Network Corporation	USA	●				
DKSH Holding AG	Switzerland	●				●
DMG Mori Seiki Co. Ltd.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Dollar General Corporation	USA	●				
Dollar Tree, Inc.	USA	●				
Dominion Resources, Inc.	USA	●	●	●	●	●
Domino's Pizza Enterprises Ltd.	Australia		●		●	
Domino's Pizza, Inc.	USA		●			●
Don Quijote Holdings Co., Ltd.	Japan	●				●
Donnelley Financial Solutions, Inc.	USA		●		●	●
Dover Corporation	USA	●				
DowDuPont Inc	USA	●				
Dr Pepper Snapple Group, Inc.	USA	●				
DSP Group, Inc.	USA		●			
DTE Energy Company	USA	●				
Duke Energy Corporation	USA	●	●	●	●	●
Duke Realty Corporation	USA	●				
Dundee Corporation	Canada	●				●
DXC Technology Company	USA	●	●	●	●	●
E*TRADE Financial Corporation	USA	●				
E.ON SE	EU-Germany		●		●	
Eagle Bancorp, Inc.	USA		●			
Eagle Pharmaceuticals, Inc.	USA		●		●	
Eastman Chemical Company	USA	●	●	●	●	●
Eaton Corporation plc	USA	●				
eBay Inc.	USA	●	●	●	●	
Ecolab Inc.	USA	●				
Edison International	USA	●				
Edwards Lifesciences Corporation	USA	●				
Electric Power Development Co. (J-Power)	Japan	●	●	●	●	●
Electricite de France	EU-France		●		●	
Electronic Arts Inc.	USA	●	●	●	●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Eli Lilly and Company	USA	●	●	●	●	●
ELLAKTOR SA	EU-Others		●			
Ellaktor SA (Dissidents)	EU-Others		●			
EMCORE Corporation	USA		●		●	●
Emerson Electric Co.	USA	●	●	●	●	●
Enagas S.A.	EU-Spain		●		●	●
Endeavour Silver Corp.	Canada	●				●
Endo International plc	USA		●			
Energy XXI Gulf Coast Inc.	USA		●		●	
Enghouse Systems Limited	Canada	●				●
Eni S.p.A.	EU-Italy		●	●	●	●
EnPro Industries, Inc.	USA		●		●	
Entergy Corporation	USA	●	●	●	●	●
Envision Healthcare Corporation	USA	●				
EOG Resources, Inc.	USA	●	●	●	●	●
EQT Corporation	USA	●				
Equifax Inc.	USA	●	●	●	●	●
Equinix, Inc.	USA	●	●	●	●	●
Equitable Group Inc.	Canada		●		●	
Equity Residential	USA	●				
Essex Property Trust, Inc.	USA	●	●	●	●	
Etrion Corporation	Canada	●				●
Etsy, Inc.	USA		●			
Everest Re Group, Ltd.	USA	●				
Eversource Energy	USA	●	●	●	●	●
Evertz Technologies Limited	Canada	●				●
Exelixis, Inc.	USA		●		●	
Exelon Corporation	USA	●				
Expedia, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Expeditors International of Washington, Inc.	USA	●	●	●	●	●
Express Scripts Holding Company	USA	●	●	●	●	●
Express, Inc.	USA		●		●	●
Exterran Corporation	USA		●		●	●
Extra Space Storage Inc.	USA	●				
Exxon Mobil Corporation	USA	●	●	●	●	●
Exxon Mobil Corporation (Proponent: New York City Comptroller)	USA		●		●	●
F.N.B. Corporation	USA		●		●	●
F5 Networks, Inc.	USA	●				
Facebook, Inc.	USA	●	●	●	●	●
Fair Isaac Corporation	USA		●		●	
FamilyMart UNY Holdings Co Ltd	Japan	●				●
Fanuc Corp.	Japan	●	●	●	●	●
FARO Technologies, Inc.	USA		●			
Fast Retailing	Japan	●				●
Fastenal Company	USA	●				
Federal Realty Investment Trust	USA	●				
FedEx Corporation	USA	●	●	●	●	●
Fidelity National Information Services, Inc.	USA	●				
Fifth Third Bancorp	USA	●				
FireEye, Inc.	USA		●			
First Horizon National Corporation	USA		●			
FirstEnergy Corp.	USA	●	●	●	●	●
Fiserv, Inc.	USA	●				
FleetCor Technologies, Inc.	USA		●			
FLIR Systems, Inc.	USA	●	●	●	●	
Flowserve Corporation	USA	●				
Fluor Corporation	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
FMC Corporation	USA	●	●	●	●	
FMC Technologies	USA	●				
Foot Locker, Inc.	USA	●				
Ford Motor Company	USA	●	●	●	●	●
Forest City Realty Trust, Inc.	USA		●			
Forest City Realty Trust, Inc. (Dissident: Albert Ratner)	USA		●			
Fortive Corporation	USA	●				
Fortune Brands Home & Security, Inc.	USA	●				
Foxtons Group PLC	UK		●			
Franklin Resources, Inc.	USA	●				
Franklin Street Properties Corp.	USA		●		●	
Freeport-McMoRan Inc.	USA	●				
Fuji Electric Co., Ltd.	Japan	●				●
Fuji Media Holdings, Inc.	Japan	●				●
FUJIFILM Holdings Corp.	Japan	●				●
Fujikura Ltd.	Japan	●				●
Fukuoka Financial Group Inc.	Japan	●				●
Furukawa Electric Co. Ltd.	Japan	●				●
Gap Inc.	USA	●				
Garmin Ltd.	USA	●				
Gartner, Inc.	USA	●				
GEA Group AG	EU-France		●	●	●	
General Dynamics Corporation	USA	●	●	●	●	
General Electric Company	USA	●	●	●	●	
General Finance Corp.	USA		●		●	
General Growth Properties	USA	●				
General Mills, Inc.	USA	●	●	●	●	●
General Motors Company	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Genuine Parts Company	USA	●				
Georg Fischer AG	Switzerland		●		●	
Getty Realty Corp.	USA		●		●	●
GGP Inc.	USA		●			
G-III Apparel Group, Ltd.	USA		●		●	
Gilead Sciences, Inc.	USA	●	●	●	●	●
GKN plc	UK		●			
Global Payments Inc.	USA	●				
Glory Ltd.	Japan	●				●
Goodman Group	Australia		●	●	●	●
Government Properties Income Trust	USA		●			
Great Lakes Dredge & Dock Corporation	USA		●			
Grifols SA	EU-Spain		●			
Groupe Eurotunnel SE	EU-France		●		●	
GS YUASA CORP.	Japan	●				●
Guess?, Inc.	USA		●		●	
Guidewire Software, Inc.	USA		●		●	●
Gunma Bank Ltd.	Japan	●				●
GVC Holdings PLC	UK		●		●	
GVIC Communications	Canada	●				●
H&R Block, Inc.	USA	●				
H.B. Fuller Company	USA		●			
Hakuhodo Dy Holdings Inc.	Japan	●				●
Halliburton Company	USA	●	●	●	●	
Hanesbrands Inc.	USA	●				
Hankyu Hanshin Holdings Inc.	Japan	●				●
Hanwa Co. Ltd.	Japan	●				●
Harley-Davidson, Inc.	USA	●	●	●	●	●
Harris Corporation	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Hasbro, Inc.	USA	●	●	●	●	
Haseko Corp.	Japan	●				●
HCA Holdings, Inc.	USA	●	●	●	●	
HCP, Inc.	USA	●				
HEICO Corporation	USA		●		●	
Heineken NV	EU-Others		●		●	●
Helmerich & Payne, Inc.	USA	●				
Henry Schein, Inc.	USA	●				
Hess Corporation	USA	●				
Hewlett Packard Enterprise Company	USA	●	●	●	●	
Hikari Tsushin Inc	Japan	●				●
Hilltop Holdings Inc.	USA		●		●	
Hilton Worldwide Holdings Inc.	USA	●				
Hino Motors Ltd.	Japan	●				●
Hirose Electric Co. Ltd.	Japan	●				●
Hisamitsu Pharmaceutical Co. Inc.	Japan	●				●
Hitachi Capital Corp.	Japan	●				●
Hokuetsu Kishu Paper Co Ltd	Japan	●				●
Hokuhoku Financial Group Inc.	Japan	●				●
Hokuriku Electric Power	Japan	●				●
Hologic, Inc.	USA	●	●	●	●	
HomeStreet, Inc.	USA		●		●	
HomeStreet, Inc. (Dissident: Blue Lion Capital)	USA		●		●	
Honda Motor Co. Ltd.	Japan		●	●	●	●
Honeywell International Inc.	USA	●				
Honghua Group Limited	EM-Others		●		●	●
Horizon Pharma plc	USA		●		●	●
Hormel Foods Corporation	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Hospitality Properties Trust	USA		●		●	
Host Hotels & Resorts, Inc.	USA	●				
House Foods Group Inc.	Japan	●				●
HP Inc.	USA		●		●	●
Humana Inc.	USA	●	●	●	●	
Hunting plc	UK		●			
Huntington Bancshares Incorporated	USA	●				
Huntington Ingalls Industries, Inc.	USA	●				
Huron Consulting Group Inc.	USA		●		●	
Iberdrola S.A.	EU-Spain		●		●	
IBERIABANK Corporation	USA		●		●	
Idemitsu Kosan Co., Ltd.	Japan		●	●	●	●
IDEXX Laboratories, Inc.	USA	●				
IHI Corporation	Japan		●		●	●
IHS Markit Ltd.	USA	●				
Iida Group Holdings Co., Ltd.	Japan	●				●
Illinois Tool Works Inc.	USA	●	●	●	●	●
Illumina, Inc.	USA	●				
Imperial Metals Corporation	Canada	●				●
Incyte Corporation	USA	●	●	●	●	
Independent Bank Group, Inc.	USA		●		●	
ING Groep NV	EU-Others		●			
Ingersoll-Rand Plc	USA	●				
Ingredion Incorporated	USA		●		●	●
InnerWorkings, Inc.	USA		●		●	
Insteel Industries, Inc.	USA		●		●	●
Intel Corporation	USA	●	●	●	●	
Intercept Pharmaceuticals, Inc.	USA		●			●
Intercontinental Exchange, Inc.	USA	●	●	●	●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Interface, Inc.	USA		●			●
International Business Machines Corporation	USA	●	●	●	●	
International Flavors & Fragrances Inc.	USA	●				
International Paper Company	USA	●				
Interserve plc	UK		●		●	
Intertek Group plc	UK		●		●	●
Intesa San Paolo SpA	EU-Italy		●			●
Intuit Inc.	USA	●				
Intuitive Surgical, Inc.	USA	●				
Invesco Ltd.	USA	●	●	●	●	
Investors Bancorp, Inc.	USA		●		●	
Ionis Pharmaceuticals, Inc.	USA		●		●	
IQVIA Holdings Inc.	USA	●	●	●	●	
Iron Mountain Incorporated	USA	●	●	●	●	
Isetan Mitsukoshi Holdings Ltd	Japan	●				●
Isuzu Motors Ltd.	Japan	●				●
Ito En Ltd.	Japan	●				●
Iwatani Corporation	Japan	●				●
Izumi Co. Ltd.	Japan	●				●
J Sainsbury plc	UK		●		●	●
J. Alexander's Holdings, Inc.	USA		●		●	
J.B. Hunt Transport Services, Inc.	USA	●				
Jacobs Engineering Group Inc.	USA	●				
JAFCO Co. Ltd.	Japan	●				●
Jaguar Mining Inc.	Canada	●				●
Japan Airport Terminal Co. Ltd.	Japan	●				●
Japan Steel Works Ltd.	Japan	●				●
JetBlue Airways Corporation	USA		●			●
JFE Holdings, Inc.	Japan	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
JGC Corp.	Japan	●				●
Johnson & Johnson	USA	●	●	●	●	
Johnson Controls International plc	USA	●				
JPMorgan Chase & Co.	USA	●	●	●	●	
JSR Corp.	Japan	●				●
JTEKT Corp.	Japan	●				●
Julius Baer Gruppe AG	Switzerland		●		●	●
Juniper Networks, Inc.	USA	●	●	●	●	●
Juroku Bank Ltd.	Japan	●				●
K12 Inc.	USA		●		●	
Kaiser Aluminum Corporation	USA		●		●	●
Kaken Pharmaceutical Co. Ltd.	Japan	●				●
Kamigumi Co Ltd	Japan	●				●
Kaneka Corp.	Japan	●				●
Kansai Electric Power Co. Inc.	Japan	●	●	●	●	●
Kansas City Southern	USA	●	●	●	●	●
Kao Corp.	Japan	●				●
Katanga Mining Limited	Canada	●				●
Kawasaki Heavy Industries, Ltd.	Japan	●				●
Kawasaki Kisen Kaisha Ltd	Japan	●				●
KB Financial Group Inc.	EM- Korea		●		●	
Keihan Holdings Co.,Ltd.	Japan	●				●
Keio Corp	Japan	●				●
Keisei Electric Railway	Japan	●				●
Kellogg Company	USA	●	●	●	●	●
Kemper Corporation	USA		●		●	
Kenedix Inc.	Japan		●			●
KeyCorp	USA	●	●	●	●	
Keyence Corp.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Kikkoman Corp.	Japan	●				●
Kilroy Realty Corporation	USA		●			●
Kimberly-Clark Corporation	USA	●				
Kimco Realty Corporation	USA	●				
Kinden Corp.	Japan	●				●
Kinder Morgan, Inc.	USA	●	●	●	●	●
Kintetsu Group Holdings Co Ltd	Japan	●				●
Kissei Pharmaceutical Co. Ltd.	Japan	●				●
KLA-Tencor Corporation	USA	●				
Klepierre	EU-France		●		●	
Kobe Steel Ltd.	Japan	●				●
Kohl's Corporation	USA	●				
Koito Manufacturing Co. Ltd.	Japan	●				●
Kokuyo Co. Ltd.	Japan	●				●
Komatsu Ltd.	Japan	●				●
Komeri Co. Ltd.	Japan	●				●
Konica Minolta Inc.	Japan	●				●
Koninklijke Ahold Delhaize NV	EU-Others		●		●	●
Koninklijke DSM NV	EU-Others		●		●	
Koninklijke Philips NV	EU-Others		●			●
Kose Corp.	Japan	●				●
K's Holdings Corp.	Japan	●				●
Kubota Corp.	Japan	●				●
Kuraray Co. Ltd.	Japan	●				●
Kyocera Corp.	Japan	●				●
KYORIN Holdings Inc	Japan	●				●
Kyushu Financial Group, Inc.	Japan	●				●
L Brands, Inc.	USA	●	●	●	●	
L3 Technologies Inc.	USA		●		●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Laboratory Corporation of America Holdings	USA	●				
Ladder Capital Corp	USA		●			●
LafargeHolcim Ltd.	EU-France		●	●	●	
Lagardere SCA	EU-France		●		●	
Lam Research Corporation	USA	●				
Lantheus Holdings, Inc.	USA		●		●	
LaSalle Hotel Properties	USA		●		●	
LaSalle Logiport REIT	Japan		●		●	●
Leggett & Platt, Incorporated	USA	●	●	●	●	
Lennar Corporation	USA	●	●	●	●	
Leucadia National Corporation	USA	●	●	●	●	
Liberty Gold Corp	Canada	●				●
Lincoln National Corporation	USA	●				
LINE Corporation	Japan	●				●
Lion Corp.	Japan	●				●
Lithia Motors, Inc.	USA		●		●	
LKQ Corporation	USA	●				
Lockheed Martin Corporation	USA	●				
Loews Corporation	USA	●	●	●	●	●
Lonza Group Ltd.	EU-Germany		●	●	●	
Lowe's Companies, Inc.	USA	●				
LyondellBasell Industries N.V.	USA	●				
M&T Bank Corporation	USA	●	●	●	●	●
M.D.C. Holdings, Inc.	USA		●		●	
Mabuchi Motor Co. Ltd.	Japan	●				●
Macquarie Group Limited	Australia		●			●
Macquarie Infrastructure Corporation	USA		●			●
Macy's, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Maeda Corp.	Japan	●				●
Maeda Road Construction Co. Ltd.	Japan	●				●
Magellan Financial Group	Australia		●		●	
Makita Corp.	Japan	●				●
Marathon Oil Corporation	USA	●				
Marathon Petroleum Corporation	USA	●				
Marriott International, Inc.	USA	●				
Marsh & McLennan Companies, Inc.	USA	●				
Martin Marietta Materials, Inc.	USA	●	●	●	●	
Maruha Nichiro Corp.	Japan	●				●
Maruichi Steel Tube Ltd.	Japan	●				●
Masco Corporation	USA	●				
Mastercard Incorporated	USA	●	●	●	●	
Matsui Securities	Japan	●				●
Matsumotokiyoshi Holdings Co Ltd	Japan	●				●
Mattel, Inc.	USA	●	●	●	●	
Matthews International Corporation	USA		●			
Mazda Motor Corp.	Japan	●				●
MCBC HOLDINGS, INC.	USA		●		●	●
McCormick & Co Inc/MD	USA	●				
McDonald's Corporation	USA	●	●	●	●	●
McKesson Corporation	USA	●	●	●	●	●
MDU Resources Group, Inc.	USA		●		●	
Mebuki Financial Group Inc.	Japan	●				●
Mediaset Spa	EU-Italy		●		●	
Medical Properties Trust, Inc.	USA		●			
Medtronic plc	USA	●	●	●	●	●
Mega Uranium Ltd.	Canada	●				●
Meitec Corp.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Melrose Industries PLC	UK		●			
Merck & Co., Inc.	USA	●				
Merck KGaA	EU-Germany		●			●
Merlin Properties SOCIMI, SA	EU-Spain		●			
MetLife, Inc.	USA	●				
Metropolitan Bank & Trust Company	USA		●		●	
Mettler-Toledo International Inc.	USA	●				
MGE Energy, Inc.	USA		●			●
MGM Resorts International	USA	●	●	●	●	●
Michael Kors Holdings Limited	USA	●				
Microchip Technology Incorporated	USA	●				
Micron Technology, Inc.	USA	●	●	●	●	
Microsoft Corporation	USA	●	●	●	●	●
Mid-America Apartment Communities, Inc.	USA	●				
Minebea Mitsumi Inc.	Japan	●				●
MISUMI Group Inc.	Japan	●				●
Mitsubishi Corp.	Japan		●		●	●
Mitsubishi Estate Co Ltd	Japan		●		●	
Mitsubishi Gas Chemical Co. Inc.	Japan	●				●
Mitsubishi Logistics Corp.	Japan	●				●
Mitsubishi Tanabe Pharma Corp.	Japan	●				●
Mitsubishi UFJ Lease & Finance Co.	Japan	●				●
Mitsui & Co.	Japan		●		●	●
Mitsui Engineering & Shipbuild	Japan	●				●
Mitsui Mining & Smelting Co Ld	Japan	●				●
Miura Co. Ltd.	Japan	●				●
Mobile Mini, Inc.	USA		●	●	●	●
Mochida Pharmaceutical Co. Ltd.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Mohawk Industries, Inc.	USA	●				
Molina Healthcare, Inc.	USA		●			
Molson Coors Brewing Company	USA	●				
Mondelez International, Inc.	USA	●	●	●	●	
MonotaRO Co Ltd	Japan	●				●
Monro Muffler Brake, Inc.	USA		●		●	
Monsanto	USA	●				
Monsanto Company	USA		●		●	●
Monster Beverage Corporation	USA	●	●	●	●	●
Moody's Corporation	USA	●	●	●	●	
Morgan Stanley	USA	●	●	●	●	●
Morguard North American Residential Real Estate Investment Trust	Canada	●				●
Morguard Real Estate Investment Trust	Canada	●				●
Motorola Solutions, Inc.	USA	●	●	●	●	●
Muenchener Rueckversicherungs-Gesellschaft AG	EU-Germany		●			
Murata Manufacturing Co. Ltd.	Japan	●				●
Mylan N.V.	USA	●				
Nabors Industries Ltd.	USA		●		●	●
Nachi-Fujikoshi Corp.	Japan	●				●
Nagase & Co., Ltd.	Japan	●				●
Nankai Electric Railway Co. Ltd.	Japan	●				●
Nasdaq, Inc.	USA	●				
National Australia Bank Limited	Australia		●	●	●	
National Bank of Greece SA	EU-Others		●		●	
National Fuel Gas Company	USA		●			●
National Instruments Corporation	USA		●		●	
National Oilwell Varco, Inc.	USA	●				
Natus Medical Incorporated	USA		●			

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Natus Medical Incorporated (Dissident: Voce Capital)	USA		●			
Navient Corporation	USA	●	●	●	●	●
Navistar International Corporation	USA		●		●	●
NetApp, Inc.	USA	●				
Netflix, Inc.	USA	●	●	●	●	
New York Community Bancorp, Inc.	USA		●		●	
Newell Brands Inc.	USA	●				
Newfield Exploration Company	USA	●				
Newmont Mining Corporation	USA	●	●	●	●	●
News Corporation	USA	●				
NexGen Energy Ltd.	Canada	●				●
NEXON Co.,Ltd.	Japan	●				●
NextEra Energy, Inc.	USA	●				
Nichi-Iko Pharmaceutical Co. Ltd.	Japan	●				●
Nielsen Holdings plc	USA	●				
Nifco Inc.	Japan	●				●
Nihon Kohden Corp.	Japan	●				●
Nihon M&A Center Inc	Japan	●				●
Nihon Parkerizing Co. Ltd.	Japan	●				●
NIKE, Inc.	USA	●	●	●	●	●
Nikkon Holdings Co., Ltd.	Japan	●				●
Nikon Corp.	Japan	●				●
Nintendo Co. Ltd.	Japan	●	●	●	●	●
Nippon Electric Glass Co. Ltd.	Japan	●				●
Nippon Kayaku Co. Ltd.	Japan	●				●
Nippon Light Metal Holdings Company, Ltd.	Japan	●				●
Nippon Paint Holdings Co., Ltd.	Japan	●				●
Nippon Paper Industries Co., Ltd.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Nippon Sheet Glass Co. Ltd.	Japan	●				●
Nippon Shokubai Co. Ltd.	Japan	●				●
Nippon Steel & Sumitomo Metal Corp.	Japan	●				●
Nippon Telegraph & Telephone Corp.	Japan	●				●
Nippon Television Holdings Inc.	Japan	●				●
Nippon Yusen K.K.	Japan		●		●	●
Nishi Nippon Railroad Co. Ltd.	Japan	●				●
NiSource Inc.	USA	●				
Nissan Chemical Industries Ltd.	Japan	●				●
Nissan Motor Co. Ltd.	Japan	●				●
Nissan Shatai Co. Ltd.	Japan	●				●
Nisshin Seifun Group Inc.	Japan	●				●
Nitori Holdings Co Ltd	Japan	●				●
Nitto Denko Corp.	Japan	●				●
Noble Energy, Inc.	USA	●	●	●	●	●
NOF Corp.	Japan	●				●
NOK Corp.	Japan	●				●
Norbord Inc.	Canada	●	●	●	●	●
Nordic American Tankers Limited	USA		●		●	●
Nordstrom, Inc.	USA	●				
Norfolk Southern Corporation	USA	●	●	●	●	●
North American Palladium Ltd.	Canada	●				●
Northern Dynasty Minerals Ltd	Canada	●				●
Northern Oil and Gas, Inc.	USA		●		●	
Northern Trust Corporation	USA	●	●	●	●	●
Northrop Grumman Corporation	USA	●	●	●	●	
NorthWest Healthcare Properties Real Estate Investment Trust	Canada	●				●
Norwegian Cruise Line Holdings Ltd.	USA-Bermuda	●	●	●	●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
NovaGold Resources Inc.	Canada		●		●	
Novartis AG	Switzerland		●		●	●
NRG Energy, Inc.	USA	●	●	●	●	●
NSK Ltd.	Japan	●				●
NTN Corp.	Japan	●				●
NTT Data Corp.	Japan	●				●
NTT Urban Development Corp.	Japan	●				●
Nuance Communications, Inc.	USA		●			
Nucor Corporation	USA	●				
NVIDIA Corporation	USA	●				
NVR, Inc.	USA		●			
Obayashi Corp.	Japan	●	●	●	●	●
OC Oerlikon Corporation AG	Switzerland	●				●
Occidental Petroleum Corporation	USA	●	●	●	●	●
OFG Bancorp	USA		●			
Ogaki Kyoritsu Bank Ltd.	Japan	●				●
Oji Holdings Corp.	Japan	●				●
Okasan Securities Group Inc	Japan	●				●
Oki Electric Industry Co. Ltd.	Japan	●				●
Okuma Corp.	Japan	●				●
Olympus Corp.	Japan	●				●
Omnicom Group Inc.	USA	●				
ONEOK, Inc.	USA	●				
Ono Pharmaceutical Co. Ltd.	Japan	●				●
Onward Holdings Co Ltd	Japan	●				●
Opus Bank	USA		●		●	●
Oracle Corporation	USA	●	●	●	●	●
Orange	EU-France		●		●	
O'Reilly Automotive, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Orica Ltd.	Australia		●		●	●
Orient Corp.	Japan	●				●
Origin Energy Ltd (Proponent: ACCR)	Australia		●			●
Origin Energy Ltd.	Australia		●			●
Orthofix International NV	USA		●		●	●
Osaka Gas Co. Ltd.	Japan	●				●
OSG Corporation	Japan	●				●
Otsuka Corporation	Japan	●				●
Otsuka Holdings Co Ltd	Japan	●				●
Owens Realty Mortgage, Inc.	USA		●			
PACCAR Inc	USA	●	●	●	●	
Packaging Corporation of America	USA	●				
PacWest Bancorp	USA		●		●	
Paddy Power Betfair plc	UK		●		●	●
Palo Alto Networks, Inc.	USA		●			
Park 24 Co.	Japan	●				●
Parker Drilling Company	USA		●			●
Parker-Hannifin Corporation	USA	●				
Patterson Companies, Inc.	USA	●				
Paychex, Inc.	USA	●				
PayPal Holdings, Inc.	USA	●				
Pengrowth Energy Corporation	Canada	●				●
Pentair plc	USA	●				
Penta-Ocean Construction Co. Ltd.	Japan	●				●
People's United Financial, Inc.	USA	●				
Pepsico, Inc.	USA	●	●	●	●	
PeptiDream Inc.	Japan	●				●
Performance Food Group Company	USA		●		●	
PerkinElmer, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Perrigo Company plc	USA	●				
Persimmon plc	UK		●	●	●	
Persol Holdings Co Ltd	Japan	●				●
Petrofac Ltd	UK		●		●	
Petropavlosk (Shareholder: Fincarft)	UK		●			
Petropavlovsk PLC	UK		●			
Peyto Exploration & Development Corp.	Canada	●				●
Pfizer Inc.	USA	●	●	●	●	●
PG&E Corporation	USA	●	●	●	●	●
Philip Morris International Inc.	USA	●				
Phillips 66	USA	●				
Pigeon Corp.	Japan	●				●
Pinetree Capital Ltd.	Canada	●				●
Pinnacle West Capital Corporation	USA	●				
Pioneer Natural Resources Company	USA	●	●	●	●	●
Plantronics, Inc.	USA		●		●	
Plug Power Inc.	USA		●			
PNM Resources, Inc.	USA		●		●	●
PostNL NV	EU-Others		●		●	
PPG Industries, Inc.	USA	●	●	●	●	●
PPG Industries, Inc. (Dissident: Trian Partners)	USA		●		●	●
PPL Corporation	USA	●	●	●	●	
Praxair, Inc.	USA	●				
Premier Foods plc	UK		●			
Premier Foods plc (Dissidents)	UK		●			
Premier Gold Mines Limited	Canada	●				●
Principal Financial Group, Inc.	USA	●	●	●	●	●
Prologis, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Prudential Financial, Inc.	USA	●				
Prysmian S.p.A.	EU-Italy		●		●	
Public Service Enterprise Group Incorporated	USA	●				
Public Storage	USA	●				
PulteGroup, Inc.	USA	●				
PVH Corp.	USA	●				
Qantas Airways Limited	Australia		●			●
QBE Insurance Group Ltd.	Australia		●			●
Qorvo, Inc.	USA	●				
QTS Realty Trust, Inc.	USA		●			
Qualcomm Inc. (Dissident: Broadcom Inc.)	USA		●	●		
QUALCOMM Incorporated	USA	●	●	●	●	
Qualys, Inc.	USA		●			
Quanta Services, Inc.	USA	●				
Quest Diagnostics Incorporated	USA	●	●	●	●	
Questerre Energy Corporation	Canada	●				●
Raging River Exploration Inc.	Canada	●				●
Ralph Lauren Corporation	USA	●	●	●	●	
Rambus Inc.	USA		●		●	
Ramsay Health Care Ltd	Australia		●		●	
Range Resources Corporation	USA	●	●	●	●	●
Raymond James Financial, Inc.	USA	●				
Raytheon Company	USA	●	●	●	●	●
Realty Income Corporation	USA	●				
Reckitt Benckiser Group plc	UK		●	●	●	
Recruit Holdings Co., Ltd.	Japan	●				●
Red Hat, Inc.	USA	●				
Redwood Trust, Inc.	USA		●			

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Regency Centers Corporation	USA	●				
Regeneron Pharmaceuticals, Inc.	USA	●				
Regions Financial Corporation	USA	●				
Renault	EU-France		●		●	
Rengo Co. Ltd.	Japan	●				●
Republic Services, Inc.	USA	●	●	●	●	●
ResMed Inc.	USA	●		●		
Ricoh Co. Ltd.	Japan		●		●	
Rinnai Corp.	Japan	●				●
Rio Tinto plc	UK		●			
Rite Aid Corporation	USA		●	●	●	●
Robert Half International Inc.	USA	●				
Roche Holding Ltd	Switzerland		●		●	
Rockwell Automation, Inc.	USA	●				
Rockwell Collins, Inc.	USA	●				
Rogers Sugar Inc.	Canada	●				●
Rohm Co. Ltd.	Japan	●				●
Roper Technologies, Inc.	USA	●				
Ross Stores, Inc.	USA	●				
Royal Bafokeng Platinum Ltd	EM-South Africa		●			
Royal Bank of Scotland Group plc	UK		●		●	●
Royal Caribbean Cruises Ltd.	USA	●				
Royal Dutch Shell plc	UK		●	●	●	●
Royal Mail plc	UK		●			
RTL Group S.A.	EU-Others	●				●
Rubicon Minerals Corporation	Canada	●				●
Ryohin Keikaku Co. Ltd.	Japan	●				●
Ryosan Co. Ltd.	Japan	●				●
S&P Global Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
salesforce.com, inc.	USA	●	●	●	●	●
Samsung Electronics Co. Ltd.	EM-Others		●		●	
Sanderson Farms, Inc.	USA		●		●	●
SandRidge Energy, Inc.	USA		●			
SandRidge Energy, Inc. (Dissident: Carl Icahn)	USA		●			
San-in Godo Bank Ltd.	Japan	●				●
Sankyo Co. Ltd. (6417)	Japan	●				●
Sankyu Inc.	Japan	●				●
Sanmina Corporation	USA		●			
Santos Ltd.	Australia		●			●
Santos Ltd. (Dissident: Market Forces)	Australia		●			●
Sanwa Holdings Corp.	Japan	●				●
SAP SE	EU-Germany		●	●	●	●
Sapporo Holdings Ltd.	Japan		●		●	●
Sarepta Therapeutics, Inc.	USA		●			
SBA Communications Corporation	USA	●				
SCANA Corporation	USA	●				
Schaeffler AG	EU-Germany		●		●	
Schlumberger Limited	USA	●	●	●	●	●
Schneider Electric SE	EU-France		●		●	
Schnitzer Steel Industries, Inc.	USA		●	●	●	●
Scor Se	EU-France		●			●
Scorpio Bulkers Inc.	USA		●		●	●
SCREEN Holdings Co., Ltd.	Japan	●				●
Scripps Networks Interactive, Inc.	USA	●				
Seabridge Gold Inc.	Canada	●				●
SEACOR Holdings Inc.	USA		●		●	
Seagate Technology plc	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Sealed Air Corporation	USA	●				
Secom Co. Ltd.	Japan	●				●
Secure Energy Services Inc.	Canada	●				●
Seek Ltd.	Australia		●		●	
Sega Sammy Holdings Inc.	Japan	●				●
SEGRO plc	UK		●		●	
Sekisui Chemical Co. Ltd.	Japan	●				●
Sekisui House Ltd.	Japan	●				●
Select Income REIT	USA		●			
Sempra Energy	USA	●				
Senior Housing Properties Trust	USA		●			
Senshu Ikeda Holdings Inc	Japan	●				●
Seven & i Holdings Co Ltd	Japan	●				●
Severn Trent Plc	UK		●			
SGS SA	Switzerland	●				●
Shanghai Electric Group Co., Ltd.	EM-China		●		●	
Shimano Inc.	Japan	●				●
Shin-Etsu Chemical Co. Ltd.	Japan	●				●
Shinsei Bk Ltd	Japan	●				●
Showa Denko K.K.	Japan	●				●
Showa Shell Sekiyu K.K.	Japan		●			●
Shutterfly, Inc.	USA		●			
SIG plc	UK		●			
Signature Bank	USA		●			
Signet Jewelers Limited	USA	●				
Sika AG	Switzerland		●		●	
Simon Property Group, Inc.	USA	●				
Sirius Minerals Plc	UK		●		●	
Six Flags Entertainment Corporation	USA		●			

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Skyworks Solutions, Inc.	USA	●	●	●	●	
SL Green Realty Corp.	USA	●				
Sleep Number Corporation	USA		●	●	●	●
SM Energy Company	USA		●			
SMC Corp.	Japan	●				●
Snam SpA	EU-Italy		●			●
Snap-on Incorporated	USA	●				
Societe Generale	EU-France		●		●	
SoftBank Group Corp.	Japan	●				●
Sohgo Security Services Co., Ltd.	Japan	●				●
Sonic Corp.	USA		●		●	
Sonic Healthcare Limited	Australia		●		●	
Sony Financial Holdings Inc.	Japan	●				●
Sorrento Therapeutics, Inc.	USA		●		●	●
South32 Limited	Australia		●		●	●
Southwest Airlines Co.	USA	●				
Southwestern Energy Company	USA		●		●	
Spark Infrastructure Group	Australia		●	●	●	●
Spartan Energy Corp	Canada	●				●
Spectrum Pharmaceuticals, Inc.	USA		●			
Spirit Realty Capital, Inc.	USA		●			
Sports Direct International plc	UK		●		●	●
Square Enix Holdings Co., Ltd.	Japan	●				●
Standard Chartered PLC	UK		●		●	●
Stanley Black & Decker, Inc.	USA	●	●	●	●	●
Stanley Electric Co. Ltd.	Japan	●				●
Starbucks Corporation	USA	●	●	●	●	●
Starbucks Corporation (Proponent: Trillium Asset Management, LLC)	USA		●		●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
State Street Corporation	USA	●				
Steinhoff International Holdings N.V.	EM-South Africa		●		●	
Stericycle, Inc.	USA	●				
Stobart Group Ltd	UK		●		●	
Stratasys Ltd.	EM-Others		●		●	
Stryker Corporation	USA	●				
Sturm, Ruger & Company, Inc.	USA	●	●	●		●
Subaru Corp	Japan	●				●
Subsea 7 S.A.	EU-Others	●				●
SUMCO Corp.	Japan	●				●
Sumitomo Bakelite Co. Ltd.	Japan	●				●
Sumitomo Chemical Co. Ltd.	Japan	●				●
Sumitomo Dainippon Pharma Co., Ltd.	Japan	●				●
Sumitomo Electric Industries Ltd.	Japan	●				●
Sumitomo Heavy Industries Ltd	Japan	●				●
Sumitomo Metal Mining Co. Ltd.	Japan	●				●
Sumitomo Mitsui Trust Holdings, Inc.	Japan		●		●	●
Sumitomo Osaka Cement Co. Ltd.	Japan	●				●
Sumitomo Realty & Development Co. Ltd.	Japan	●				●
Sumitomo Rubber Industries Ltd.	Japan	●				●
Sumitomo Warehouse Co. Ltd.	Japan	●				●
Summit Industrial Income REIT	Canada	●				●
Suncor Energy Inc.	Canada		●			●
Sundrug Co. Ltd.	Japan	●				●
SunTrust Banks, Inc.	USA	●				
Surge Energy Inc.	Canada	●				●
Suzuken Co Ltd	Japan	●				●
Suzuki Motor Corp.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Swiss Reinsurance (Schweizerische Rueckversicherungs)	Switzerland		●	●	●	●
Symantec Corporation	USA	●				
Synchrony Financial	USA	●	●	●	●	
Synopsys, Inc.	USA	●	●	●	●	
Sysco Corporation	USA	●				
T. Rowe Price Group, Inc.	USA	●				
Tabcorp Holdings Ltd.	Australia		●		●	
Tadano Ltd.	Japan	●				●
Taishin Financial Holding Co., Ltd.	EM-Taiwan		●		●	
Taishin Financial Holding Co., Ltd. (Proponent: PJAM)	EM-Taiwan		●		●	
Taisho Pharmaceutical Holdings Co., Ltd.	Japan	●				●
Taiyo Nippon Sanso Corp.	Japan	●				●
Taiyo Yuden Co. Ltd.	Japan	●				●
Takeda Pharmaceutical Co. Ltd.	Japan		●			●
Tanger Factory Outlet Centers, Inc.	USA		●			
Tapestry, Inc.	USA	●				
Target Corporation	USA	●	●	●	●	●
Tate & Lyle plc	UK		●			
Taubman Centers Inc. (Dissident: Land & Buildings)	USA		●			
Taubman Centers, Inc.	USA		●			
TDK Corp.	Japan	●				●
TE Connectivity Ltd.	USA	●				
Teijin Ltd.	Japan	●	●	●	●	●
Telecom Italia Spa	EU-Italy		●		●	
Telefonica S.A.	EU-Spain		●		●	●
Teleperformance SE	EU-France		●		●	●
Telstra Corporation Limited	Australia		●		●	
TENARIS SA	EU-Others	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Tenet Healthcare Corporation	USA		●	●		●
Teradata Corporation	USA		●			
Terumo Corp.	Japan	●				●
Tesco PLC	UK		●		●	●
Tesla, Inc.	USA		●			
TEVA- PHARMACEUTICAL INDUSTRIES LTD	EM-Others		●		●	
Texas Instruments Incorporated	USA	●				
Textron Inc.	USA	●				
The AES Corporation	USA	●				
The Allstate Corporation	USA	●	●	●	●	●
The Bancorp, Inc.	USA		●			
The Bank of New York Mellon Corporation	USA	●	●	●	●	●
The Berkeley Group Holdings plc	UK		●		●	
The Boeing Company	USA	●	●	●	●	
The Charles Schwab Corporation	USA	●				
The Cheesecake Factory Incorporated	USA		●			●
The Clorox Company	USA	●	●	●	●	●
The Coca-Cola Company	USA	●	●	●	●	●
The Cooper Companies, Inc.	USA	●	●	●	●	●
The Dow Chemical Company	USA		●			●
The Estee Lauder Companies Inc.	USA	●	●	●	●	
The Goldman Sachs Group, Inc.	USA	●	●	●	●	●
The Goodyear Tire & Rubber Company	USA	●	●	●	●	●
The Hartford Financial Services Group, Inc.	USA	●				
The Hershey Company	USA	●				
The Home Depot, Inc.	USA	●	●	●	●	●
The Howard Hughes Corporation	USA		●			
The Interpublic Group of Companies, Inc.	USA	●				

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
The J. M. Smucker Company	USA	●				
The Kraft Heinz Company	USA	●	●	●	●	●
The Kroger Co.	USA	●	●	●	●	●
The Macerich Company	USA	●	●	●	●	
The Mosaic Company	USA	●	●	●	●	●
The PNC Financial Services Group, Inc.	USA	●				
The Priceline Group Inc.	USA	●				
The Procter & Gamble Company	USA	●				
The Progressive Corporation	USA	●				
The RMR Group Inc.	USA		●		●	
The Sage Group plc	UK		●			
The Scotts Miracle-Gro Company	USA		●		●	
The Sherwin-Williams Company	USA	●	●	●	●	●
The Southern Company	USA	●	●	●	●	●
The TJX Companies, Inc.	USA	●	●	●	●	●
The Travelers Companies, Inc.	USA	●	●	●	●	●
The Walt Disney Company	USA	●	●	●	●	
The Weir Group PLC	UK		●			
The Western Union Company	USA	●				
The Williams Companies, Inc.	USA	●				
Thermo Fisher Scientific Inc.	USA	●				
THK Co. Ltd.	Japan	●				●
Tiffany & Co.	USA	●	●	●	●	●
Timbercreek Financial Corp.	Canada	●				●
Time Warner Inc.	USA	●				
TIS Inc.	Japan	●				●
TiVo Corporation	USA		●		●	
Toagosei Co. Ltd.	Japan	●				●
Toda Corp.	Japan	●				●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Toho Co. Ltd. (9602)	Japan	●				●
Toho Gas Co Ltd	Japan	●				●
Tohoku Electric Power Co. Inc.	Japan	●				●
Tokai Rika Co. Ltd.	Japan	●				●
Tokai Tokyo Financial Holdings Inc	Japan	●				●
Tokuyama Corporation	Japan	●				●
Tokyo Broadcasting System Holdings Inc	Japan	●				●
Tokyo Century Corp	Japan	●				●
Tokyo Electron Ltd.	Japan	●				●
Tokyo Tatemono Co. Ltd.	Japan	●				●
Tokyu Fudosan Holdings Corporation	Japan	●				●
Toll Brothers, Inc.	USA		●		●	
Toray Industries Inc.	Japan	●	●	●	●	●
Torchmark Corporation	USA	●				
Tosoh Corp	Japan	●				●
Total Energy Services Inc.	Canada	●				●
Total SA	EU-France		●		●	
Total System Services, Inc.	USA	●	●	●	●	
Toto Ltd.	Japan	●				●
Touchstone Exploration Inc.	Canada	●				●
Toyo Seikan Group Holdings Ltd.	Japan	●				●
Toyo Tire & Rubber Co. Ltd.	Japan	●				●
Toyobo Co. Ltd.	Japan	●				●
Toyoda Gosei Co. Ltd.	Japan	●				●
Toyota Boshoku Corp.	Japan	●				●
Toyota Industries Corp.	Japan	●				●
Toyota Motor Corp.	Japan	●				●
TP Group Plc	UK	●				●
Tractor Supply Company	USA	●	●	●	●	●

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
TransDigm Group Incorporated	USA	●	●	●		●
Treasury Wine Estates Ltd.	Australia		●			●
TripAdvisor, Inc.	USA	●				
TS TECH Co., Ltd.	Japan	●				●
Tsuruha Holdings Inc.	Japan	●				●
Tullow Oil plc	UK		●		●	
Turkiye Garanti Bankasi A.S.	EM-Turkey		●			●
TV Asahi Holdings Corp.	Japan	●				●
Twenty-First Century Fox, Inc.	USA	●				
Twitter, Inc.	USA		●		●	●
Tyson Foods, Inc.	USA	●				
U.S. Bancorp	USA	●				
Ube Industries Ltd.	Japan	●				●
Ubisoft Entertainment	EU-France		●			
UBS GROUP AG	Switzerland		●		●	
UDR, Inc.	USA	●				
Ulta Beauty, Inc.	USA	●				
Under Armour, Inc.	USA	●				
Unibail Rodamco SE	EU-France		●		●	
Unicharm Corp.	Japan	●				●
UniCredit SpA	EU-Italy		●		●	●
Unilever PLC	UK		●		●	
Union Pacific Corporation	USA	●				
Unisys Corporation	USA		●			
United Continental Holdings, Inc.	USA	●				
United Internet AG	EU-Germany	●				●
United Parcel Service, Inc.	USA	●	●	●	●	
United Rentals, Inc.	USA	●	●	●	●	●
United States Steel Corporation	USA		●		●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
United Technologies Corporation	USA	●				
UnitedHealth Group Incorporated	USA	●				
Universal Corporation	USA		●		●	●
Universal Health Services, Inc.	USA	●				
Universal Insurance Holdings, Inc.	USA		●			
Unum Group	USA	●				
USS Co., Ltd.	Japan	●				●
Vale S.A.	EM-Brazil		●			
Valeant Pharmaceuticals International, Inc.	Canada		●			
Valero Energy Corporation	USA	●				
Valley National Bancorp	USA		●		●	
Vallourec	EU-France		●		●	
Valor Holdings Co. Ltd.	Japan	●				●
Varian Medical Systems, Inc.	USA	●				
Ventas, Inc.	USA	●	●	●	●	
Verastem, Inc.	USA		●			
VeriFone Systems, Inc.	USA		●			
VeriSign, Inc.	USA	●				
Verisk Analytics, Inc.	USA	●				
Verizon Communications Inc.	USA	●				
Vertex Pharmaceuticals Incorporated	USA	●	●	●	●	●
VF Corporation	USA	●				
Viacom Inc.	USA	●				
ViaSat, Inc.	USA		●		●	
Vicinity Centres	Australia		●			●
Vinci	EU-France		●			
Visa Inc.	USA	●				
Vista Outdoor Inc.	USA	●	●	●	●	●
Vital Healthcare Properties Trust	Australia		●		●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Vivendi	EU-France		●		●	
Vodafone Group Plc	UK		●		●	
Volkswagen AG (VW)	EU-Germany		●		●	
Vonovia SE	EU-France		●		●	
Vornado Realty Trust	USA	●	●	●	●	
Vulcan Materials Company	USA	●				
W.W. Grainger, Inc.	USA	●				
Walgreens Boots Alliance, Inc.	USA	●				
Wal-Mart Stores, Inc.	USA	●	●	●	●	●
Waste Management, Inc.	USA	●				
Waters Corporation	USA	●				
Watsco, Inc.	USA		●		●	
WEC Energy Group, Inc.	USA	●				
Wells Fargo & Company	USA	●	●	●	●	●
Welltower Inc.	USA	●				
Wesfarmers Ltd.	Australia		●		●	●
Western Digital Corporation	USA	●				
WestRock Company	USA	●	●	●	●	●
Westshore Terminals Investment Corporation	Canada	●				●
Weyerhaeuser Company	USA	●				
Whirlpool Corporation	USA	●	●	●	●	●
Whitbread PLC	UK		●			
Whitehaven Coal Ltd.	Australia		●			●
Whitestone REIT	USA		●	●	●	●
William Hill plc	UK		●		●	
Willis Towers Watson Public Limited Company	USA	●				
Woodside Petroleum Ltd.	Australia		●	●	●	●
WPP plc	UK		●		●	

Name	Market	Letter	Comprehensive Engagement	Multiple Engagements	Governance	Environmental/ Social
Wynn Resorts, Limited	USA	●	●	●	●	
Wynn Resorts, Limited (Dissident)	USA		●			
WynnStay Group Plc	USA	●				
Xcel Energy Inc.	USA	●	●	●	●	
Xenia Hotels & Resorts, Inc.	USA		●		●	
Xerox Corp	USA	●				
Xilinx, Inc.	USA	●				
Xperi Corporation	USA		●		●	●
XXL Energy	USA	●				
Xylem Inc.	USA	●	●	●	●	●
Yakult Honsha Co. Ltd.	Japan	●				●
Yamada Denki Co.	Japan	●				●
Yamaguchi Financial Group, Inc.	Japan	●				●
Yamaha Motor Co. Ltd.	Japan	●	●	●	●	●
Yamato Kogyo Co. Ltd.	Japan	●				●
Yangarra Resources Ltd	Canada	●				●
Yaskawa Electric Corp.	Japan	●				●
Yelp Inc.	USA		●		●	●
Yokogawa Electric Corp.	Japan	●				●
Yokohama Rubber Co. Ltd.	Japan	●				●
Yum China Holdings, Inc.	EM-China		●		●	●
Yum! Brands, Inc.	USA	●				
ZENKOKU HOSHO Co., Ltd.	Japan	●				●
Zeon Corp.	Japan	●				●
Zimmer Biomet Holdings, Inc.	USA	●				
Zions Bancorporation	USA	●				
Zoetis Inc.	USA	●				
ZPG plc	UK		●			

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