BNY MELLON | INVESTMENT MANAGEMENT

MELLON

40 YEARS OF INDEXING

PROXY VOTING REPORT

SPRING 2023

GUIDING PRINCIPLES

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

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

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

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

MELLON PROXY VOTING & GUIDING PRINCIPLES

The Mellon Proxy Committee is comprised of Mellon investment professionals and is responsible for all proxy voting decisions for the index division of Mellon Investments Corporation. An articulated philosophy, stated guidelines, and a well-defined proxy evaluation process supports and informs the voting decisions of the Proxy Committee. We are committed to transparency for our clients and update our proxy voting guidelines annually, which can be found on our website.

At Mellon, we have a fiduciary responsibility to our clients to ensure our proxy voting decisions are in their best long-term economic interest. As shareholders, we approach proxy voting with the same precision and engagement that we apply to our index investment activities. We understand that we owe each of our clients a duty of care with respect to voting proxies.

Our second semi-annual voting report covering July to December 2022 focuses on engagement, showcasing the variety of topics Mellon discusses with every portfolio company with which we engage. We held approximately 300 engagements in 2022, covering areas including board governance, shareholder rights, executive compensation, stock plan compensation, and environmental and social risks.

You can locate a summary of our proxy voting guidelines and previous versions of our voting reports on our website: www.mellon.com.

CALENDAR YEAR 2022

BY THE NUMBERS

136,156

proposals

133,043

management proposals

3,113

shareholder proposals

14,451

meetings

10,962

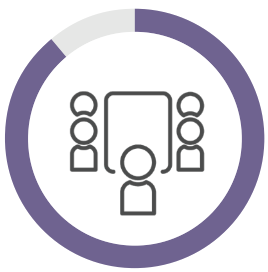
companies

66

countries

supported management on **88%** of management proposals

supported **65%** of shareholder proposals



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

supported shareholders on **83%** of governance related proposals

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

supported **54%** of proposals requesting additional reporting on climate change topics

supported **90%** of governance related proposals

supported **66%** of shareholder requests for independent chairperson

EXPECTATIONS
PROXY SEASON 2023

What new U.S. Securities and Exchange Commission (SEC) regulations will be in effect for proxy season 2023 that will be in the spotlight?

The SEC continues to roll out various disclosure regulations for public companies. In August 2022, the SEC adopted the final rules to require all reporting companies to disclose information reflecting the relationship between executive compensation paid to the company's named executive officers (NEOs) and the company's financial performance (referred to herein as Pay versus Performance Disclosure (P4P disclosure)).

The rules implement a requirement first proposed by the Dodd-Frank Act in 2015 and adopted in August 2022.[1] Reporting companies with fiscal years ending on or after December 16, 2022, are required to include this disclosure in proxy statements for 2023.

What will companies now be required to report in proxy statements due to the amendment?

Companies are now required to provide a table disclosing specified executive compensation and financial performance measures for the five most recently completed fiscal years. Required information includes:

- The total shareholder return (TSR)
- The TSR of companies in the registrant's peer group
- Its net income
- A financial performance measure chosen by the registrant

Companies will be required to describe the relationships between the executive compensation actually paid and each of the performance measures, as well as the relationship between the company's TSR and the TSR of its selected peer group. Reporting companies will also be required to provide a list of three to seven financial performance measures it determines are its most important performance measures for linking executive compensation actually paid to company performance.[2]

Will this change how Mellon views executive compensation?

The new SEC disclosure will not change how we view executive compensation; however, it will supplement the model we already have in place. After a few years reviewing Say-on-Pay disclosures, Mellon was looking to analyze more detailed datapoints that compared a company's realized pay and TSR to their peer group, including a lookback period of at least three years. As this information was not an SEC-required disclosure, the BNY Mellon Proxy Voting and Governance Research (PVGR) team worked to internally develop a proprietary model for reviewing these aspects of executive compensation, including a realized pay and TSR comparison between peers including a lookback period. We've been analyzing executive compensation structures using this model since 2015.

Notably, this rule took almost a decade to finalize, whereas the Say-on-Pay rule was adopted in January 2011, only six months after the Dodd-Frank Act was signed into law.[3] The first Say-on-Pay votes started appearing in proxy statements in 2011.

Unique to this rule requirement is the request that companies disclose three to seven financial performance measures that they deem are the most important measures to link executive pay to company performance. We hope to collect and utilize this data in the future to enhance compensation analytics as well as fuel additional discussion topics in engagements.

In 2022, Mellon voted over 5,000 Say-on-Pay proposals, voting against management on 1,305 proposals, or 26%.

JULY 1, 2022 – DECEMBER 31, 2022

PROXY VOTING
DECISIONS & RATIONALE

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

GOVERNANCE

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

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

ENVIRONMENTAL & SOCIAL

As long-term shareholders, we believe companies have a duty to consider their impact on the environment in terms of potential risks as well as emerging opportunities to create value. In general, we support proposals calling for increased disclosure surrounding emissions and waste reduction. We carefully consider supporting proposals requesting climate reduction targets for companies where it is material to their industry, and they are lagging peers. We also consider if proposals have a specific, realistic time horizon, pragmatic cost impacts, and alignment with broader business goals.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

In September 2022, we voted against the Say-on-Pay proposal, which did not pass. Mellon had concerns with the limited disclosure around CEO and NEO pay due to the external management structure of the company. Additionally, the management agreement that was entered into in May 2022 included what we considered to be excessive transition grants to move the vesting period from two years to three years. Mellon will continue to engage with Take-Two around enhancing its compensation disclosure and the external management structure.

SORRENTO THERAPEUTICS, INC.

In December 2022, we voted against the Say-on-Pay proposal and the compensation committee members due to the lack of response from the company after its low Say-on-Pay vote in 2021. The 2022 Say-on-Pay did not pass. Mellon expects companies to engage with shareholders after a low Say-on-Pay vote to address concerns about the compensation structure.

DARIOHEALTH CORP.

In December 2022, we voted against the audit committee members up for election due to inadequate disclosure related to audit fees vs. non-audit fees, specifically when the non-audit fee amount is higher than the audit-fee amount. We expect exceptional transparency for disclosure related to audit fee information, to ensure there are no conflicts occurring with the company/auditor relationship.

FEDEX CORPORATION

In September 2022, we supported a shareholder proposal requesting that the board adopt a policy to ensure that, whenever possible, the Chair of the Board is an independent director. Although there is a robust lead independent director role at FedEx, we believe that an independent board chair serves the company and shareholders more effectively. At the time of FedEx's annual meetings, its board chair was not independent.

GENERAL MILLS, INC.

In September 2022, we did not support a shareholder proposal requesting a report assessing General Mills' sustainable packaging efforts by reducing its absolute packaging use. General Mills clearly stated its goal for plastic packaging which was announced in 2019: a comprehensive packaging ambition that all its brands would design 100% of the Company's packaging to be recyclable or reusable, by weight, by 2030. Mellon will continue to review and analyze the Company's current disclosures and continued efforts in re-examining its plastic usage over time to monitor progress versus stated goals.

ENGAGEMENT
PRECISION WITH PURPOSE

Corporate engagement is an integral component of the value we aim to offer our clients. In our view, responsible, engaged stewardship involves structured, purposeful discussions with companies and issuers on behalf of investors to seek to protect and enhance long-term shareholder value. Our stewardship activities can include, but are not limited to, issuer engagement, voting at shareholder meetings, filing shareholder resolutions and proposals, direct roles on investee boards and board committees, negotiation with and monitoring of the stewardship actions of suppliers in the investment chain, policymaker engagement, engagement with standard setters, contributions to public goods (e.g., research) and public discourse (e.g., media) that support stewardship.

Mellon Proxy Committee members recognize the significance of their role and the ensuing impact. Our meetings with executive management teams help us appreciate the complexities of each company. A deeper understanding of a company's business practices enables us to convey our expectations more effectively, voice our concerns, and suggest improvements.

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

SILICON LABORATORIES, INC.

We met with representatives of Silicon Laboratories, Inc. (SLAB) in December 2022, including the Chief Financial Officer, the Chief People Officer, Investor Relations, and the VP of Corporate Development, who also leads environmental, social, and governance (ESG) efforts.

COMPENSATION

At the 2022 shareholder meeting, the Say-on-Pay proposal passed but received a very low level of support. The proxy statement effectively outlined the pay structure for the upcoming CEO but lacked transparency around the compensation structure for the outgoing CEO. We were satisfied with the pay structure for the new CEO as the portion of performance-based equity in the long-term incentive plan fits within our guidelines. We recommended that they ensure that any compensation changes are in the proxy summary in future proxy statements and are further detailed with a narrative in the compensation discussion and analysis section.

SHAREHOLDER RIGHTS/GOVERNANCE

We discussed the suite of shareholder rights that we would like to see at all our portfolio holding companies. We asked that the company consider declassifying the board, as we believe annual elections for all directors hold them accountable to shareholders. We stated that we prefer to see the right for shareholders to call a special meeting, with a threshold in the 20-25% range, based on the company's market cap. Additionally, proxy access is a preferred shareholder right we would like to see adopted.

SUSTAINABILITY & HUMAN CAPITAL MANAGEMENT

As the company grows and expands its capabilities for managing sustainability and human capital risk, we asked that it report human capital management and sustainability goals, progress and risk assessments utilizing a reporting structure such as Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) or the Task Force on Climate-related Financial Disclosures (TCFD). This makes it more efficient to compare year-over-year progress within the company, and as compared to its peer group.

BAXTER INTERNATIONAL, INC.

In October 2022, we met with representatives of Baxter International, Inc. (BAX) including the Lead Independent Director, the Chair of the Nominating, Corporate Governance & Public Policy Committee, and the Assistant Corporate Secretary.

BOARD OF DIRECTORS

We reviewed recent changes the board underwent in the past year, including the recruitment of an IT security expert and the addition of new members with backgrounds in the medical care and digital health space. The board's refreshment processes are well structured, and include a focus on diversity of expertise, as well as diversity of gender and background. The company also stated they will continue with a holistic interview approach for future board candidates.

COMPENSATION

The company's short-term incentive plan is made up of financial metrics and ESG metrics. There are individual goals for each focus area for the company: protecting the planet, empowering patients, and championing people and community. Disclosure in the proxy statement is presented clearly, but we asked that the company continue to expand on transparency when disclosing ESG metrics. We also asked the company to expand on its usage of ESG metrics in its short-term incentive plan and more clearly connect stated goals to compensation.

ENVIRONMENTAL RISK

Improvements have been made, including a 0.5% green-house gas (GHG) emissions reduction on an absolute basis, and a 7% reduction on a revenue basis for its Scope 1 and Scope 2 GHG emissions. Scope 3 emissions are being reviewed and the company is working intently to engage with third-party producers of these emissions to drive sustainability efforts forward. Recycling is another area where the company is making progress, with a 77% recycling rate which reflects an expanded view to include the disposal of its products by patients and customers. We asked that in the next iteration of its corporate responsibility report they include focus areas to highlight year-over-year improvements.

MAXIMUS, INC.

In November 2022, we met with representatives of Maximus, Inc. (MMS) including a member of the board of directors and the VP of Investor Relations and ESG.

COMPENSATION

We have been supportive of the company's compensation structure previously and continued to support it in 2022. MMS fits within our guidelines regarding expectations for performance-based pay in its long-term incentive plan. For companies with a market cap of less than $10B, we expect at least a 50% time, 50% performance-based equity split. We are supportive of MMS plans to expand its annual bonus plan in line with expanding its diversity, equity, and inclusion program. We asked that disclosures around any ESG-related metrics in its compensation plan are clear and transparent.

HUMAN CAPITAL MANAGEMENT

We welcomed its implementation of a company-wide survey program to conduct more regular stakeholder "pulse checks." MMS is committed to using the same provider for at least three years to collect consistent, trending data. Its 2022 survey showed a marked improvement in its score and clearly demonstrates that its engagement initiatives are successful. We believe that transparency in employee engagement efforts by the company is an important way for shareholders to understand the workforce's view on their role at the company, and to highlight possible areas which could heighten concern about risk in attrition rates.

BOARD RESPONSE TO SHAREHOLDER PROPOSAL

At their 2022 annual meeting, a shareholder proposal requesting the board oversee a third-party racial equity audit received majority support. Although we did not support this proposal as we determined the company's disclosures around this topic are sufficient, we will still look for a robust response by the company when shareholder proposals receive a majority report. The company explained they are working with the third party and will expect to have the results of the survey in late 2023. The company did state that there was an overlap with what the proposal requested and what the company was working on internally already to enhance its diversity, equity, and inclusion program.

THE PNC FINANCIAL SERVICES GROUP, INC.

In August 2022, we met with representatives of The PNC Financial Services Group, Inc. (PNC), including the SVP for Stakeholder Engagement for ESG, the Deputy General Counsel of Corporate Governance, and Investor Relations.

EMPLOYEE ENGAGEMENT

PNC is currently developing a pilot initiative called Climate Transition Advocates, which will leverage its employees' passion for environmental sustainability and coach them to have transition-related conversations with clients pursuing their own climate transition plans. This training program will be open to all employees, providing them the opportunity to learn about climate topics they find interesting or relevant to their work. For those employees who are passionate about understanding how they can apply their skills to the climate crisis, this program will give them the ability to do so. They intend to launch the program in 2023 and maintain and extend the training into broader ESG-related topics over time. This is a unique initiative which we will continue to monitor at PNC as the program progresses.

CLIMATE RISK

A key philosophy of its climate strategy is what PNC terms "collectivism and amplification." They believe that input from as many stakeholders as possible will allow them to put forth and progress toward credible Net Zero goals. As there is uncertainty throughout the marketplace around Net Zero reporting standards and SEC rule changes, PNC is assessing what changes and next steps to make. The company views climate risk as credit and client risk. PNC continually works to identify risks before they cause financial or other forms of damages for PNC and/or their clients. It is concerned that any climate related risk may amplify other risk factors.

DIVERSITY, EQUITY & INCLUSION

PNC has hired its first Chief Corporate Responsibility Officer with a future goal of eliminating systemic racism. As a result of the Banco Bilbao Vizcaya Argentaria (BBVA) acquisition, the company's original financial commitment to this goal has turned into a much larger commitment. It is committed to affordable housing action, enhanced community development and support for minority-owned small businesses. We encouraged PNC to continue to maintain annual updates on the ongoing monetary commitment made to these areas.

AVERY DENNISON CORPORATION

We met with Avery Dennison Corporation (AVY) in November 2022, including the Lead Independent Director, VP of Innovation and Sustainability, and the Associate General Counsel & Corporate Secretary.

BOARD GOVERNANCE

Avery Dennison is seeking to build a strong pipeline of new directors for the company. Currently, they have seven independent directors, which brings the board total to nine. The company is focused on adding specific skillsets such as digital skills and applied science and technologies. The experiences of the pandemic have narrowed its focus to ensure consistent monitoring and review of the current skillsets and required skillsets of the future for its board. We were encouraged by the company's focus on board skills for the future and look forward to engaging further on the topic.

SHAREHOLDER RIGHTS

Currently Avery Dennison does not offer shareholders the right to call a special meeting. We discussed our preference for this shareholder right as we believe it is equal in importance to the proxy access right. We informed the company how we view the threshold requirement, which varies based on the company's market cap from 10% to 25%. The company stated it would bring our viewpoints back to the board.

HUMAN CAPITAL MANAGEMENT

Employee resource groups (ERGs), along with other diversity, equity, and inclusion (DEI) initiatives, are an area of focus for Avery Dennison. ERGs have progressed significantly over the past year. Feedback gleaned from ERGs are helping to structure policies internally, especially around topics like healthcare benefits for employees. The company continues to invest in its DEI Councils and maintains regional councils to address talent in specific regions and to help drive specific initiatives. We are encouraged by the progress made in these areas and believe DEI initiatives and ERGs are talent retention and attraction tools.

DARLING INGREDIENTS INC.

We met with Darling Ingredients Inc. (DAR) in November 2022, including an independent director, the Vice President of Investor Relations, and the General Counsel.

SUCCESSION PLANNING

We believe succession planning is a critical aspect of good governance, both for the named executive officers as well as for the board. The board is focused on succession planning, as they are mindful that the current CEO has held this role for twenty years. As the CEO is a company founder and an innovator, it will be difficult to replace this skillset; however, the company is structuring the succession plan to balance promotion from within while also being mindful of bringing in new talent.

COMPENSATION

Since the date of our last engagement, the company updated its compensation strategy and changed its compensation consultant. In addition to modifying its peer group, the company is also shifting away from stock options in compensation plans because of shareholder feedback. Although we consider stock options to be performance-based, we support the company's changes. The company believes the changes in the structure will assist in retaining and attracting new talent.

SUSTAINABILITY

The company is working to reduce energy consumption by 5% per unit processed by 2025. Since direct energy consumption is one of the largest contributors to climate change, reducing energy usage is among the first steps the company can take to achieve a Net Zero goal. In addition, it intends to increase renewable fuel production by 150% by 2022. Through a partnership with Diamond Green Diesel, the company is the only vertically integrated renewable diesel producer in the world and is well positioned to achieve a goal to increase the amount of renewable green diesel generated. Current efforts remove the equivalent of nearly 600,000 cars from the road each year. Lastly, DAR has a goal to reduce water withdrawal per unit processed by 5% by 2025. Critical water management in the facilities overall generates a positive return of water to the environment. The company has very detailed, robust disclosure and we look forward to continued engagement on this topic.

ABOUT MELLON

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

40 YEARS OF INDEXING

Endnotes

1. SEC Adopts Pay Versus Performance Disclosure Rules, Press Release, https://www.sec.gov/news/press-release/2022-149

2. SEC Final Rule, https://www.sec.gov/rules/final/2022/34-95607.pdf

3. SEC Investor Bulletin: Say-on-Pay and Golden Parachute Votes, https://www.sec.gov/files/sayonpay.pdf

Disclosure

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