September 2019

Asset Stewardship 2018–2019

Highlights of Our Work to Promote Long-Term Sustainable Returns

At State Street Global Advisors, we are committed to creating long-term sustainable value for investors. In 2018, we focused our efforts on three key sectors (retail, pharmaceuticals and materials) and five themes (climate risk and reporting, gender diversity, sustainability and long-term strategy, compliance with corporate governance principles and pay strategies). We also unveiled our groundbreaking ESG scoring system, R-Factor™.

2018 Voting Breakdown

Number of Meetings Voted
17,478

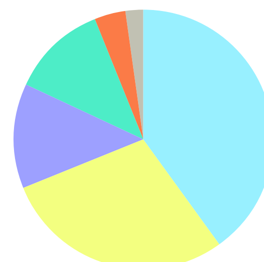
Number of Countries
84

Management Proposals
154,087

Shareholder Proposals
3,430

Against Management
14.5 %

Against Management
11.0 %



40% Rest of the World
29% North America
13% Japan
12% Europe (ex. UK)
4% UK
2% Australia & New Zealand

2018 Engagement Breakdown

Companies engaged with
1,533

Letter writing campaigns
847

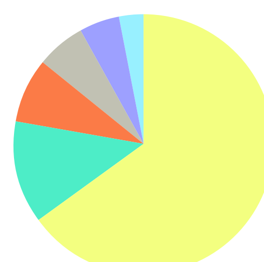
Comprehensive engagement
686

Gender diversity
344

Unique engagements
600

Investor Steward Guidelines compliance
500

Actively targeted by State Street Global Advisors
85%



65% North America
13% Europe (ex. UK)
8% UK
6% Australia & New Zealand
5% Japan
3% Rest of the World

Source: State Street Global Advisors Voting Statistics 2018

H1 2019 Voting Breakdown

Number of Meetings Voted
12,652

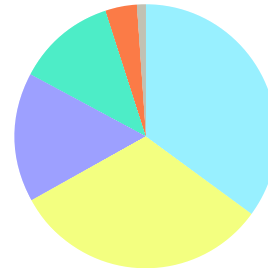
Management Proposals
125,962

Against Management
13.7 %

Number of Countries
72

Shareholder Proposals
2,596

Against Management
11.3 %



35% Rest of the World
32% North America
16% Japan
12% Europe (ex. UK)
4% UK
1% Australia & New Zealand

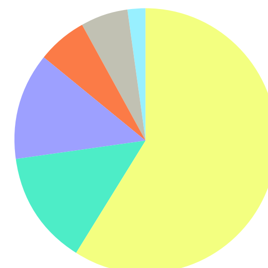
H1 2019 Engagement Breakdown

Comprehensive Engagements
474

Letter writing campaigns
960

Number of Countries
20

Source: State Street Global Advisors Voting Statistics 2018



59% North America
14% Europe (ex. UK)
13% Japan
6% UK
6% Australia & New Zealand
2% Rest of the World

2018 Proxy Voting By Issue

Voting on Management Resolutions by Category

Votes For

Votes Against/Abstains and Witholds

	Votes For	Votes Against/Abstains and Witholds
Anti-takeover-Related Proposals	19%	81%
Bondholder-Related Proposals	38%	62%
Reorganization- and Merger-Related Proposals	76%	24%
Compensation-Related Proposals	77%	23%
Capitalization-Related Proposals	77%	23%
Directors-Related Proposals	87%	13%
Routine Business Proposals	94%	6%

Voting on Shareholder Proposals by Category

With Management

Votes Against/Abstains and Withholds

	With Management	Votes Against/Abstains and Withholds
Compensation-Related Proposals	61%	39%
Other Miscellaneous Proposals	68%	32%
Governance-Related Proposals	71%	29%
Environmental and Social Related Proposals	72%	28%
Routine Business Proposals	85%	15%
Directors-Related Proposals	96%	4%

Source: State Street Global Advisors Voting Statistics 2018

Introducing Our New ESG Scoring System: Responsibilty Factor or "R-Factor™"

In 2018, we invested significant resources to develop and launch our new ESG scoring system: Responsibility Factor or "R-Factor™."

R-Factor™addresses a long-standing challenge for ESG investing: the need for consistent, comparable, and financially material metrics that reflect the distinctive characteristics of underlying sectors and industries.

Our scale, size, and analytical prowess have enabled us to streamline and systematize the collection, analysis, and distillation of ESG information, forging a cohesive and quantifiable rating system. We draw on multiple data sources to enhance the integrity and reliability of R-Factor™ scores and perform sophisticated analysis of the underlying data, resulting in assessments that we believe are groundbreaking in their validity, sensitivity and relevance.

It's said that knowledge is power. We believe that R-Factor™ will provide company leaders, board members, shareholders and potential investors with reliable and accurate information to assess performance relative to ESG factors, while also incentivizing companies to take measurable action to improve their ESG ratings. In this way, we look to usher in a new era of ESG investing, one that uncovers and ultimately rewards companies that embrace the established correlation between sound ESG principles and long-term financial performance.

In the coming months, we will intensify our efforts to communicate R-Factor™ scores to portfolio companies, while providing them with resources to improve their ESG practices and disclosures. Concurrent with this effort, we are building investment solutions powered by R-Factor™ metrics, resulting innovative applications of our ongoing commitment to stewardship and sustainability.

What is R-Factor™? Responsible investing requires a tool 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.

Financial Materiality	Commonly Accepted, Transparent Frameworks	Multiple Data Sources	Strong Stewardship
Scores based on what matters most for business: issues that have been shown to contribute to long-term sustainable returns	Puts companies in the driver's seat to improve their ESG performance and score	Powered by multiple data sources to minimize the bias of any one data provider and provide coverage of more companies	Helps build sustainable capital markets by incentivizing companies to enhance ESG disclosure for all investors

Thematic and Sector Engagement Priorities in 2018 and 2019

Each year, we develop a stewardship program based on a series of strategic priorities that are designed to enhance the quality and define the scope of our stewardship activities for the year. Identifying our stewardship priorities allows us to plan and actively focus our engagement efforts on sector specific or thematic ESG issues that are important to our clients.

Thematic Focus Areas

On a multi-year basis, we focus on thematic topics that we believe will have the most material impact on the long-term value of our portfolio companies. We believe this approach is a key strength of our Asset Stewardship Program because effecting thoughtful, lasting change for these issues often can't be accomplished in just 12 months. In 2018, we added sustainability and longterm strategy and compliance with corporate governance principles as new thematic focus areas.

2018

1. Climate risk and reporting
2. Gender diversity (Fearless Girl)
3. Sustainability and long-term strategy
4. Compliance with Corporate Governance Principles
5. Pay strategies

2019

1. Climate risk and reporting
2. Gender diversity (Fearless Girl)
3. Corporate culture
4. Board accountability
5. Human capital

Sector Focus Areas

Identifying several "deep dive" sectors each year allows us to proactively monitor and engage with companies on performance and ESG issues. This strengthens our ability to identify business and ESG trends that affect our holdings as well as provide input to the board and management when they seek feedback or guidance from large institutional investors.

2018

1. Retail
2. Pharmaceuticals
3. Materials

2019

1. Large financial institutions
2. Communications services
3. Agriculture and forestry

Climate Risk and Reporting

We view climate change as one of the most significant risks facing companies — and investment portfolios. We have found, however, that relatively few companies are doing an effective job of communicating to investors how they incorporate climate risk into their long-term strategy.

Engagement Topics

1 Climate-change strategy
2 Board governance and oversight of climate change-related risks
3 Investment in technology
4 Emissions management strategies
5 Quality of climate-related reporting
6 Public policy engagement
7 Climate risk disclosure

Number of Engagements

89

Assessing alignment with TCFD framework The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations are an immensely valuable global framework that is driving improved climate-risk disclosure. In 2018, we engaged with companies across nine countries and 17 GICS industry groups to review how their climate reporting strategies are aligned to TCFD expectations and to understand how boards are overseeing climate-related risks. We believe that real change must come not simply from shareholder proposals — which tend to be focused on marginal improvements — but from investors having broader climate conversations across sectors to recognize and identify companies who can act as leaders on this issue.

Long-term challenges for boards reporting on and overseeing climaterelated risks

- Boards need to ensure that influencing disclosure and incorporating climate risk into long-term strategic planning are built into governance structures
- Boards need to better understand the impacts of scenario analysis and stranded asset risk
- Carbon-reduction targets are driven by operational targets and not long-term business strategy.

State Street Global Advisors' Voting on 2°C 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%

Gender Diversity

Mounting evidence shows that companies with greater levels of gender diversity have stronger financial performance as well as fewer governance-related issues. That is why we continue to challenge boards through our Fearless Girl campaign to improve their board's gender diversity.

Engagement Topics

1 Independent oversight of the board and its key committees
2 Board effectiveness, skills and experience
3 Board refreshment and successionplanning process
4 Gender and skill diversity

Number of Engagements

443

Fearless Girl turns two. March 8, 2019, marked the second anniversary of our Fearless Girl campaign, which began with us placing a statue of a girl near Wall Street calling attention to the lack of gender diversity in boardrooms. We announced that we would take voting action against boards that do not have at least one female director.

Campaign impacts in 2018 and 2019. In 2018, we built on the positive momentum from 2017 and expanded our gender diversity engagement campaign to Europe, Canada and Japan.

Further, the pace of companies addressing our concerns on gender diversity has accelerated. As of June 2019, 43% of companies we identified (583 of 1,357) have added a woman to their boards, up from 15% in 2017.

Companies identified as not having a single female board member (since March 2017)	Companies that have added a female director	Companies committing to adding a female director	Companies where we voted against a director for lack of board diversity (March 2018–Feb. 2019)
1,357	577	6	667

New voting guidelines. In September 2018, we announced an escalation of our board diversity voting guidelines. Beginning in 2020 in the US, UK and Australian markets, and in 2021 in Japan, Canada and continental Europe, we will vote against the entire slate of nominees to the nominating committee if a company does not have at least one woman on its board and has not engaged in successful dialogue with us on the matter for four consecutive years.

Sustainability and Long-Term Strategy

In our engagement with companies, we continue to reinforce the importance of considering how environmental and social sustainability issues affect long-term performance. In addition to identifying material ESG key performance indicators, we also asses how companies incorporate ESG issues into long-term strategy and communicate their process to shareholders.

Engagement Topics

1 Strategy and integration
2 Risk identification process
3 Communication
4 Environmental issues
5 Social issues

Number of Engagements

153

Framework for incorporating sustainability into long-term strategy. We have developed a framework for how we review and categorize a company's approach to sustainability based on three criteria:

1 Has the company identified material environmental and social sustainability issues relevant to its business?

2 Has the company assessed and, where necessary, incorporated those issues into its longterm strategy?

3 Has the company communicated its approach to sustainability issues and the influence of these factors on strategy?

Effective integration and communication are the exception. Based on this framework, we have developed an evaluation system that places companies in one of three tiers. In 2018, we evaluated 149 companies; only one-fifth placed in the highest category.

Tier 1 20%	Tier 2 56%	Tier 3 14%
Fully communicate their approach to sustainability and the extent to which sustainability factors are integrated into long-term strategy	Satisfied one or two of our sustainability framework criteria but have not fully communicated their sustainability narrative	Have not considered sustainability issues at all and do not include relevant information on ESG KPIs within investor presentations.

Materiality is paramount. The fact that the materiality of specific sustainability issues varies from industry to industry and company by company is one of the biggest challenges facing investors. That is why we base our assessments on the Sustainability Accounting Standards Board (SASB) Materiality Map, other third-party frameworks, such as the TFCF, and market expectations.

Compliance with Corporate Governance Principles

In 2018, we developed principle compliance screens that align with the corporate governance codes within our key markets in the US, UK, Australia and Europe. These new screens provide a proactive way for us to monitor compliance with market governance codes and address concerns with governance practices as an index-based investor.

Engagement Topics

1 Board Structure
2 Shareholder Rights
3 Board Independence
4 Board Refreshment
5 Gender Diversity

Number of Engagements

101

These efforts come on the heels of teaming with 17 asset managers and asset owners in 2017 to launch the Investor Stewardship Group (ISG), a set of corporate governance and stewardship principles for the US market. The coalition of signatories has since grown to more than 60 investors with nearly $31 trillion in assets under management. In 2018, we informed S&P 500 companies in a letter that we would use the six ISG governance principles to screen for governance practices not aligned with our expectations.

Pay Strategies

In our view, boards seeking to address gender diversity and pay parity issues need to focus on four primary things: identifying organizational key performance indicators that matter internally; assessing and reviewing diversity and inclusion policies and programs; reviewing diversity below board level and holding management responsible for meeting goals; and reviewing and assessing gender pay parity throughout the organization. The increasing focus on human capital management is helping companies recognize that employee benefits, culture and work-life balance are increasingly valuable components of a company's pay strategy.

Engagement Topics

1 Gender pay equity
2 Income inequality
3 Incentives in employee pay structure
4 Competing for talent in a market of full employment
5 Interplay between technology and human resources
6 Reputation risk in employee and CEO pay

Companies Engaged

9

Focus Sectors for 2018

Sector	Our views on sector	Long-term challenges facing boards
Retail 48 engagements	**Primarily online players begin opening brick-and-mortar stores.** As companies like Amazon begin opening physical stores as a new channel for reaching customers, boards need to avoid creating revenue silos among the online and physical stores, which we believe was a factor in the previous decline in brick-and-mortar stores. **Brand and actions need to align.** Any disconnect between brand values and actual actions results in reputational risks that is amplified by growing use of social media by customers to provide instant feedback and hold companies accountable. **Improvements to ESG practices and disclosure have lagged.** While companies were focused on building brand value, few were making the effort internally to improving their ESG disclosure and practices. This is reflected by the R-Factor™ scores, particularly among e-commerce and specialty retail.	Improve board-level oversight of ESG risks Human capital and pay strategy remains an opportunity for differentiation in the retail industry Improve disclosure of customer data and privacy
Pharmaceuticals 64 engagements	**R&D becomes a leading driver of growth and profitability.** Pharma companies are investing aggressively in research and development, especially in using patient data to enable personalized medicine and developing biosimilars. **Ethical controversies loom.** Genetic engineering/modification, the use of patient data and customer privacy will likely spark intense public debate about pharma companies' responsibilities. **Health epidemics point to increased regulation.** As concerns about health epidemics such as the opioid crisis continue to mount, many pharma companies haven't developed adequate responses for how to address the risk of increased regulation.	Lack of common ESG disclosure limits a company's ability to mitigate reputational risk Big Tech and consolidation are disrupting the value chain, pressuring margins and business models New R&D frontiers push ethical boundaries
Materials 50 engagements	**Bracing for supply chain disruptions.** Many materials companies with globally interconnected supply chains have proactively taken steps to minimize potential disruption from tariffs or trade disputes. For example, many companies had begun sourcing materials locally to combat the looming trade wars. **Safety becomes embedded in corporate strategy.** Companies increasingly view safety as a material business risk and are incorporating it into corporate strategy. The best way for boards to effectively demonstrate the alignment of safety and corporate strategy is to link safety-related objectives directly to executive compensation. **Non-consumer-facing companies focus on sustainability.** Many companies in this sector are focused on sustainability despite not being directly customer-facing. However, we found that disclosure is being driven by regulatory requirements rather than the desire to inform investors.	Embracing sustainability as a growth opportunity Focusing on financially material ESG risks Using lifecycle assessments as a strategic sustainability tool

Collaborative Initiatives in 2018

The majority of corporate engagements are carried out on a one-to-one basis behind closed doors. Nevertheless, we collaborate with like-minded investors in markets and circumstances where we believe collective action is needed.

In addition to our long-standing involvement in the industry's leading global and regional investor bodies — UNPRI, Asian Corporate Governance Association, Council of Institutional Investors, UK Corporate Governance Forum — we took leadership roles in the following collaborative initiatives in 2018:

- Embankment Project for Inclusive Capitalism
- Sustainability Accounting Standards Board: Investor Advisory Group
- Financial Reporting Council: Consultation on FRC Governance Structure
- Cambridge Institute for Sustainability Leadership: Investment Impact Framework
- Gender Diversity in Gulf Cooperation Council Countries
- Principles for a Responsible Firearms Industry

About Our Asset Stewardship Program

Our stewardship program is designed to have an impact. The aim is to promote long-term sustainable returns on behalf of our investors. We use our voice, our vote and our values to make a measurable difference around the globe.

Through strong engagement, voting and thought leadership, we have seen companies respond to our calls-to-action to enhance diversity at the board level, strengthen board leadership and improve disclosure on their sustainability practices.

Good Practice, Good Business

As a signatory of the United National Principles for Responsible Investment (UNPRI), we believe that a company's ability to generate sustainable returns is directly related to its management of environmental, social and governance (ESG) issues. We have developed a rigorous, research-based shareholder engagement program that allows us to raise issues with boards that we believe could materially impact sustainable, long-term performance.

Advocating for Investors

We seek long-term value for millions of investors around the world. We believe that advocating for our investors on all of the factors that could affect long-term performance, including ESG, is part of our fiduciary duty.

Partnering With Companies

As a near-permanent source of capital through our index funds and a leader in ESG research, we are uniquely positioned to be a long-term partner to companies we invest in as they navigate the evolving regulatory, scientific and economic challenges related to sustainability.

Our Philosophy

Stewardship With an Impact. Proactively using our voice, our vote and our values to make a measurable difference around the globe.

Company Engagement. Actively engage with our portfolio companies to promote long-term value of our clients' investments.

Proxy Voting. Proprietary voting guidelines that incorporate our investment objectives and align with our long-term investment horizon.

Learn More

To read more about our Asset Stewardship program — including detailed information about our voting, engagement and collaboration efforts, as well as our regulatory submissions and examples of engagement successes — we invite you to explore the State Street Global Advisors Asset Stewardship Resource Center.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 27 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US $2.9 trillion* under our care.

* AUM reflects approximately $36 billion (as of June 30, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated

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50419-2633799.2.1.GBL.RTL 0919
Exp. Date: 9/30/2020