Stewardship 2017

STATE STREET GLOBAL ADVISORS

I am pleased to present our Annual Stewardship Report, which showcases some of the work we undertook in 2017. Now in its fourth year of implementation, our revised stewardship program allows us to proactively monitor and report the impacts we have in improving environmental, social and governance (ESG) practices in our portfolio companies globally. These efforts are aimed at promoting long-term sustainable returns on behalf of our investors. 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.

We are particularly pleased with the success we have had with our Fearless Girl gender diversity campaign, which called on more than 700 companies in Australia, the UK and the US with no women on their boards to add at least one woman. Within just a year, more than 20 percent of the companies responded to our call by adding a woman to their board. Based on this success, in late 2017, we announced that we would be taking our campaign to Canada and Japan in the coming year.

In 2017, we also collaborated with other global institutional investors to launch a set of Corporate Governance and Stewardship Principles for the US market. The Investor Stewardship Group (ISG) Principles, as they are known, help establish a set of minimum investor expectations on corporate governance practices for US companies. As signatory to the principles, in 2018, we are actively engaging and monitoring companies in the S&P 500 to evaluate their compliance with the principles.

We continue to receive positive feedback on our active stewardship program; indeed, many have indicated they would like us to incorporate insights from our stewardship efforts into our investment process. In response, we are working to strengthen the integration of our stewardship and investment functions. In the coming year, we look forward to sharing our new ESG investing platform, which will incorporate our stewardship activities into our investment process. I am confident this initiative will allow us to help better align our clients' investment views with their ESG objectives. I welcome your feedback on our report and activities.

Rick Lacaille
Global Chief Investment Officer
State Street Global Advisors

Year in Review

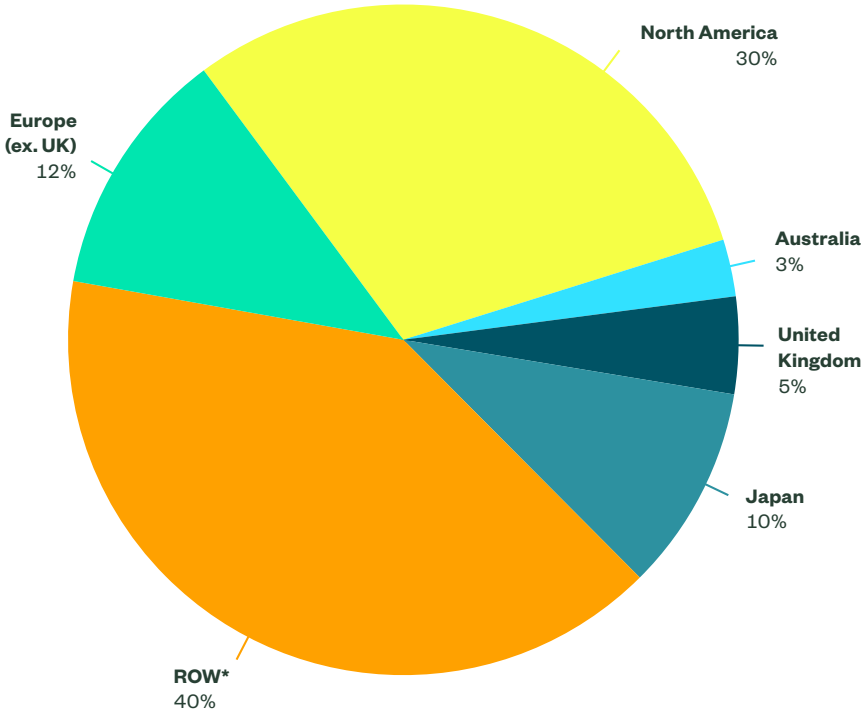
Stewardship at a Glance

2017 Proxy Voting Statistics

State Street Global Advisors Voting Trends	2017	2016
Number of Meetings Voted	17,255	17,377
Management Proposals	154,458	152,598
Against Management	13.0%	13.2%
Shareholder Proposals	4,188	4,066
Against Management	8.0%	10.9%
Number of Countries	82	82

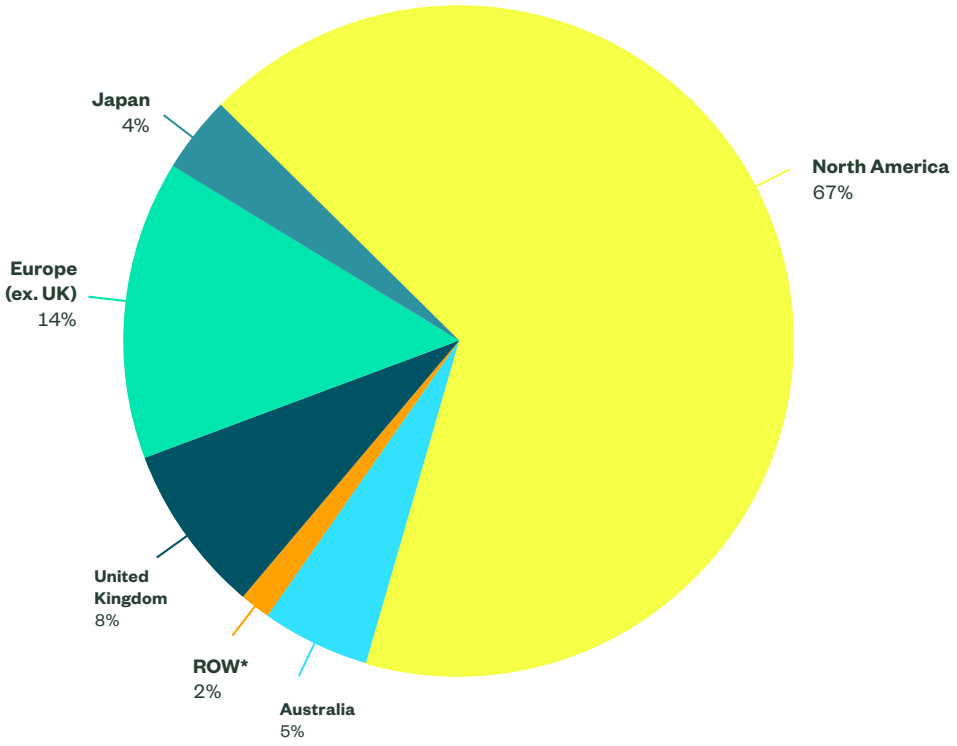
Source: State Street Global Advisors Voting Statistics 2017.

Figure 1
2017 Proxy Voting by Region



Source: State Street Global Advisors Voting Statistics 2017.
*Rest of the World

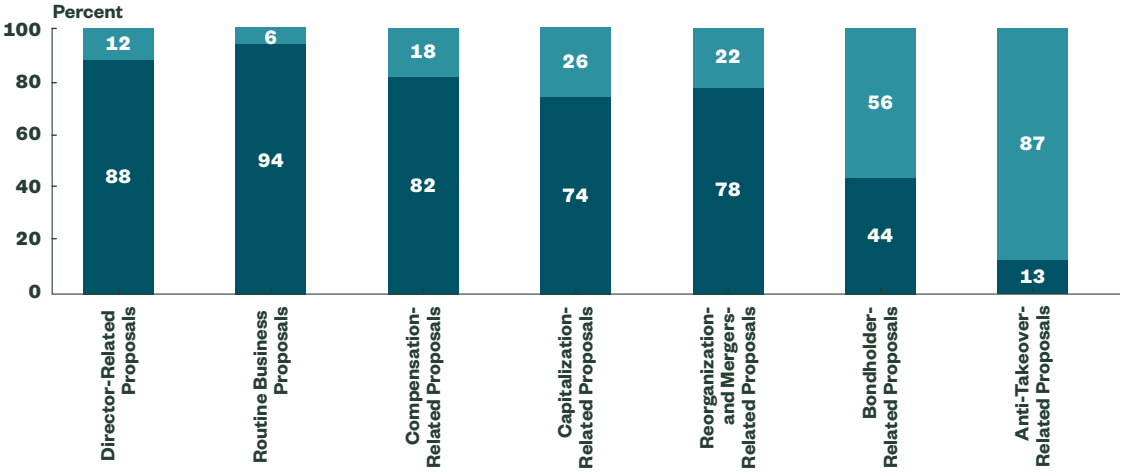
Figure 2
2017 Engagements by Region



Source: State Street Global Advisors Engagement Database.
*Rest of the World

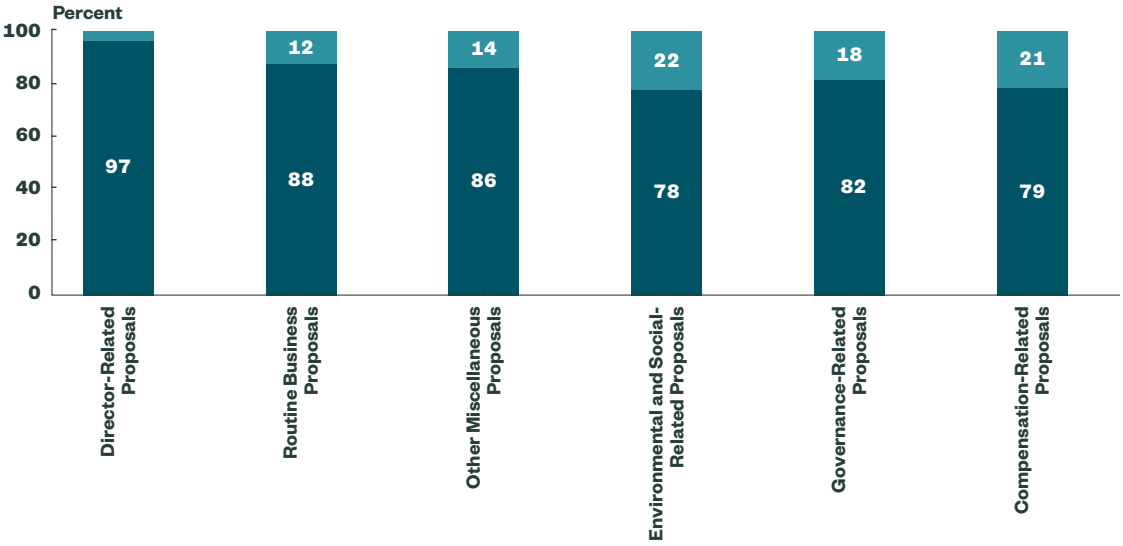
Proxy Vote Breakdown by Issue

Figure 3
Voting Statistics on Management Proposals 2017



Source: State Street Global Advisors Voting Statistics 2017.

Figure 4
Voting Statistics on Shareholder Proposals 2017



Source: State Street Global Advisors Voting Statistics 2017.

2017 Engagements Statistics

State Street Global Advisors held 676 comprehensive engagements with 610 companies in 2017. Eighty-five percent of these company engagements were actively targeted by us. Target companies are identified through multiple methods including proprietary ESG screens, and sector and thematic priorities identified in our annual stewardship objectives. In addition to comprehensive engagement, we sent letters to more than 600 companies on the thematic issue of gender diversity and 1000-plus global companies on incorporating sustainability into long-term strategy.

2017 Stewardship Voting and Engagement Priorities

Focus Area	Description	Number of Companies Engaged	Key insights (see more starting on page 21)
Core Campaign	**Gender Diversity: Fearless Girl campaign**	787	In March 2017, we launched our Fearless Girl campaign. We identified and reached out to 787 companies in the UK, US and Australia with no women on their boards, through direct engagement and a letter-writing campaign to inform them of our expectations concerning board diversity.
Sector Focus	**Insurance**	34	Climate change continues to represent a significant risk to the insurance sector. There is significant regional divergence between Europe and US on how companies are approaching the issue.
	Real Estate & Investment Trusts (REITs)	53	Companies in the REIT sector should continue to improve long-term governance and compensation structures. REIT boards are taking steps to strengthen shareholder rights and improve their ability to leverage the benefits of sustainable building practices. When externally managed, REITs need to provide shareholders with enhanced disclosure on their governance structures, fee structures and the ability of the board to manage potential conflicts.
	Media	19	Media companies continue to be challenged by the transition to digital and by issues related to big data, data privacy and data security. Additionally, recent regulatory decisions could impact M&A and strategic growth in the medium term. Media boards increasingly need to review, assess and develop relevant long-term strategies taking into account these potential risks and opportunities. They should improve disclosure to shareholders on such long-term strategies as well as related compensation structures and performance targets.
Thematic Focus	**Board Leadership**	69	We held 72 engagements with 69 companies on their board leadership structures. In addition, we voted on 44 shareholder proposals, supporting 30 percent, that were seeking an independent board chairman at US companies.
	Board Composition and Gender Diversity	123	Our engagements with boards on their composition and gender diversity level have highlighted that few companies disclose information on diversity practices within their firms. We believe increased transparency is now necessary to help focus management and boards on adopting policies and practices that will help strengthen gender diversity at all levels of management and the board.
	Pay Strategies	6	Boards need to understand company pay strategies at all levels of management. They need to evaluate gender pay parity and prioritize addressing any shortcomings through their approach to human capital management in order to mitigate reputational risk.
	Climate Change	108	The biggest change we observed over last few years is that most directors serving on the board of companies in high-impact sectors are now better informed about climate risks than in the past. They can speak to the risk at high level but still struggle to clearly communicate how they are addressing the risk in the long term.
	Water Management	49	We have expanded our focus beyond the direct impact of water resource management to focus on understanding how companies are assessing and managing water risks throughout their supply chain. Our engagement highlighted that few companies could articulate the potential negative impacts to corporate value from mismanagement of water resources. ESG risk frameworks in companies need to be enhanced to better capture water management risks.
		Voting Action Against Number of Companies	**Highlights**
Proxy Voting Focus	**Gender Diversity**	500+	We voted against more than 500 companies in the UK, US and Australia that have no women on their boards and have taken no action to improve board diversity despite engagement by State Street Global Advisors.

Source: State Street Global Advisors Engagement Database.

Approach to Proxy Voting and Engagement

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.

Given the size of our assets under management ($2.7 trillion in AUM as of 12/31/2017), the global scope of our investments, and the nature and time horizons of our investment portfolios, we believe that 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 environmental, social and governance (ESG) practices.

Stewardship with an Impact

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 is designed to have an impact. Accordingly, our program is intended to proactively identify companies for engagement and voting in order to mitigate ESG risks in our portfolio. We utilize a risk-based approach to identify thematic and company issues that are important to our clients. To measure and demonstrate impact, we effectively monitor and follow up with companies that we previously engaged with and evaluate company responsiveness to our feedback, which requires a long-term, multiyear approach to stewardship. Further, in order to maximize our impact, we publish thought leadership, to both inform companies and educate market participants.

The ESG landscape has evolved over the past decade, providing a seemingly unlimited set of opportunities for impact. We have developed a prioritization process, consistent with our risk-based approach and long-term focus. In addition to our proxy voting and engagement activities, we utilize frequent publications on topical issues, an annual prioritization process and detailed client reporting on activities to drive impact. This has resulted in State Street Global Advisors being the largest asset manager at the forefront of countless issues such as board tenure, climate risk and diversity.

Over the years we have scaled up the size of our Asset Stewardship Team (Stewardship Team), which reflects the growing importance of our stewardship program. We effectively leverage technology, as well as use a robust prioritization approach (see page 16), to ensure that our team is sized appropriately for the scope of our program. By prioritizing our engagements and thematic areas of interests, our comprehensive engagements account for more than 45 percent of the assets under management (AUM) in equity. As is our practice, we will continue to annually evaluate our resource needs in order to ensure that we are sufficiently staffed to achieve our stewardship objectives.

Alignment with the Principles of Responsible Investment

As signatory to the United Nations Principles of Responsible Investment (PRI) our stewardship program is fully aligned with the PRI's blueprint project, an initiative that defines the PRI's long-term objectives for the next 10 years across a number of areas of impact , including the following:

- Empowering asset owners
- Supporting investors incorporating ESG issues
- Fostering a community of active owners
- Showcasing leadership and increasing accountability
- Convening and educating responsible investors

In addition, through our thought leadership and regulatory activities, for example on equal voting rights, we support the PRI's mission to make markets more sustainable. Finally, through our multiyear stewardship program on climate change and our thematic prioritization process that aligns to the UN's Sustainable Development Goals (UNSDGs), our stewardship program helps us improve the real-world impact of our activities.

Stewardship Program Philosophy and Objectives

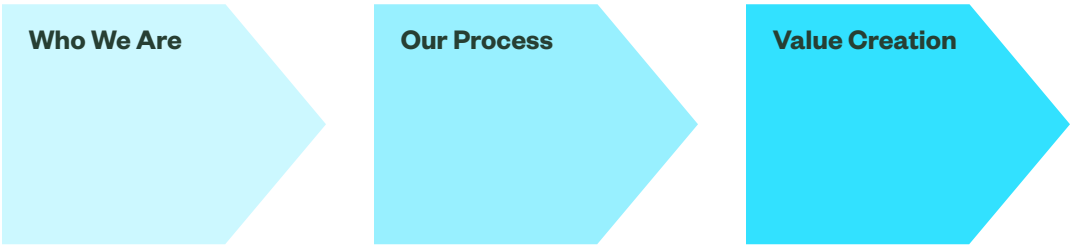
Through our overarching stewardship philosophy of protecting and promoting the long-term economic value of client investments, our stewardship objectives are designed to fully embrace our commitment to external initiatives such as the UN PRI:

Clearly Communicating Our Commitment to Responsible Investing on Behalf of Our Clients and Reporting on the Impact of Our Stewardship Activities. We aim to achieve this objective through an honest evaluation, continuous enhancement and increased transparency of our stewardship practices.

Developing Nuanced Proxy Voting and Engagement Guidelines that Help Enhance and Evolve ESG Practices in a Market. We aim to achieve this objective by applying higher voting standards in markets where governance and sustainability practices are below the expectations of global investors, and by clearly identifying engagement priorities that focus on sector, thematic and/or market-specific issues. We will also collaborate with other investors in markets where we believe collective action is needed.

Ensuring That Companies See Us as a Long-Term Partner and Guiding Companies Through 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 constructively engaging with senior management and boards of directors to effect change in investee companies. In addition, through our thought leadership publications we aim to inform about and improve ESG practices at our investee companies.

State Street Global Advisors Approach to Proxy Voting and Engagement



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 with a unified voice to maximize influence and create value for clients.

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 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.

All voting and engagement activities are centralized within the stewardship team, irrespective of investment strategy or geographic region. Further, the stewardship team leverages the breadth of our investment capabilities to make informed decisions. By consolidating and harmonizing our voting decisions and engagement efforts, we leverage the full power of our institutional discretionary holdings and exert greater influence with management and boards.

In conducting our voting and engagement activities, State Street Global Advisors evaluates the various factors that play into the corporate governance framework of a country, including macroeconomic conditions, political environment and 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 marketwide concerns.

We have a dedicated team of ESG analysts, based in Boston, London and Tokyo, who are charged with implementing our proxy voting guidelines and engagement activities on a global basis. The activities of the stewardship team are directly overseen by the State Street Global Advisors Investment Committee (IC). The IC is responsible for approving the annual stewardship strategy, engagement priorities and proxy voting guidelines, and monitoring the delivery of objectives. Furthermore, the Proxy Review Committee (PRC), a dedicated subcommittee of the IC, provides day-to-day oversight of the stewardship team, including approving departures from proxy voting guidelines and management of conflicts of interest.

The stewardship team is supported by several specialists within State Street Global Advisors when executing their stewardship responsibilities. These 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.

Company Engagement

The stewardship team has developed an engagement policy and framework to increase transparency around our engagement philosophy, approach and processes. These guidelines are 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 guidelines can be found on our website.

We regularly review our internal policies and procedures to ensure that our interactions with companies continue to be effective and meaningful. This includes a review of indicators incorporated into the screening models and an assessment of 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 the following:

- Corporate strategy
- Board composition and effectiveness
- Board and management succession planning
- Executive compensation
- Risk management
- Capital allocation
- Shareholder rights
- Environmental strategy and management
- Health and safety
- Labor standards and human rights
- Diversity and social issues
- Bribery and corruption
- Supply chain management
- Corporate reporting
- Regulatory compliance

Prioritizing Engagements

State Street Global Advisors holds more than 12,000 listed equities across its global portfolios. Therefore, the success of our engagement strategy is built upon our ability to prioritize and allocate resources to focus on companies and issues that potentially will have the greatest impact on shareholder returns. To support this process, we have developed proprietary in-house screening tools to help identify companies for active engagement based upon various financial and ESG indicators. Factors considered in identifying target companies include:

- Size of absolute and relative holdings
- Companies with poor long-term financial performance within their sector
- Companies identified as lagging market and industry standards on ESG matters
- Priority themes and sectors based on an assessment of emerging ESG risks
- Outstanding concerns from prior engagement

The intensity and nature of our engagement with portfolio companies is determined by our holdings, engagement culture in a market and an assessment of the materiality of ESG concerns. State Street Global Advisors endeavors to build geographic diversity within its engagement activities to reflect our economic exposure to global markets.

Developing Company-Specific Engagement Programs

Based on an evaluation of a company's strategy, long-term performance and/or ESG practices, the stewardship team develops a company-specific engagement program. State Street Global Advisors has implemented a comprehensive process to review company engagements and monitor improvements in practices over time. We escalate concerns to the board level should the outcome of the dialogue be deemed unsatisfactory.

Types of Engagements
Engagements Fall Under Two Categories

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

Reactive Members of our stewardship team also engage with companies that wish to solicit our votes or seek feedback on corporate governance and sustainability issues as shareholders. These meetings are typically initiated by the company, who drive the meeting agenda. On average, 15 percent of annual company engagements are classified as reactive.

Measuring Engagement Success

Our stewardship activities are designed to impact company-specific and market-level ESG practices. Therefore, we define success as when at least one of the following two things happens:

- A company implements changes to their ESG-related programs, practices or processes consistent with our engagement or voting feedback
- Several market participants, such as asset owners, asset managers, consultants, regulators and proxy advisory firms, are influenced by our thought leadership on thematic ESG issues

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 issuers take post-engagement to identify tangible changes. By doing so, we are able 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 differing time periods depending on the facts and circumstances involved. Engagements can last as briefly as a single meeting or span multiple years.

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 are targeted for change through voting action. Illustrative examples of successful engagement and voting actions are reported to clients on an annual basis in our Annual Stewardship Report.

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)

Proxy Voting

State Street Global Advisors has developed voting guidelines that are approved and overseen by our Investment Committee. The global principles and six market-specific guidelines are available for public review on our website.

The voting guidelines have been designed to encourage better governance and sustainability practices at issuer companies based upon our understanding of global principles of good governance, while taking account of individual market nuances and standards. In some instances, we may hold companies to standards that exceed local market practices.

Prioritizing Voting Issues

We vote at more than 17,000 meetings on an annual basis and prioritize company meetings for review based on factors including the size of our holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, we will allocate appropriate time and resources to shareholder meetings and specific ballot items of interest, to maximize value for our clients. All voting decisions are exercised exclusively in accordance with our in-house guidelines or specific client instructions. We have established robust controls and auditing procedures to ensure that votes cast through the Institutional Shareholder Services (ISS) platform are executed in accordance with our instructions.

Use of Proxy Voting Services

We have contracted ISS to assist with the management of the voting process and provide input into the research of shareholder meetings. We utilize ISS's services in three ways: (1) as our proxy voting agent (providing us with vote execution and administration services); (2) for applying our Proxy Voting Guidelines; and (3) as providers of research and analysis relating to general corporate governance issues and specific proxy items.

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 the effectiveness of our stewardship activities.

Absolute and Relative Holdings	**Negative Screening on ESG Factors**	**Stewardship Plan**	
Portfolio Exposure	Proprietary ESG Screens	Thematic and Sector Priorities	Our active target list includes companies across seven main regions/ markets (Australia, Canada, EM, EU, Japan, UK, US)

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.

Strong Financial Link to Portfolio	**Negative Screening on ESG Factors**	**Stewardship Plan**	
Alignment with Investment Strategy and Value Creation	Proprietary ESG Screens	Proxy Voting Priorities	We review more than 5,000 meetings each year (roughly 38%)

Focus on Areas/Topics

Mergers and Acquisitions	Capital Raising	Shareholder Proposals	Debt Policies
Restructurings	Director Elections	Related-Party Transactions	Remuneration

Fixed-Income Stewardship

Traditionally, equity investors, as owners of companies, have taken the lead on ESG stewardship, since they are directly impacted by the failure to manage or mitigate the corporate governance and sustainability-related risks inherent to a business. In addition, proxy voting at shareholder meetings provides equity owners the leverage needed to engage with companies on a host of matters ranging from long-term strategy to environmental management practices.

Without an annual vote, creditors have limited ability to engage 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 (FI) assets.[1] These risks need to be managed and addressed in asset managers' fixed-income stewardship programs.

State Street Global Advisors formally integrated ESG stewardship into its fixed-income investment process in 2015. Details of the program can be found on our website at ssga.com/investment-topics/environmental-social-governance/2018/05/fixed-income-stewardship-program.pdf

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

Our to Fixed-Income Stewardship

The unique characteristics of different fixed-income asset classes require different stewardship approaches. Therefore, we are developing and rolling out our FI stewardship program in a phased manner. Recognizing that there are significant crossovers between ESG stewardship as it relates to equities and corporate bonds, we have developed an FI stewardship program that focuses primarily on corporate debt. This allows us to leverage our expertise from our equity stewardship program and extend it to our fixed-income stewardship program. Further, given our risk-based approach to stewardship, we have chosen to initially focus our stewardship efforts on an asset class that accounts for more than 65 percent of our FI AUM. Within the corporate debt universe, our program is differentiated by investment-grade and high-yield corporate debt as it relates to the screening process adopted to identify companies for ESG engagement.

Fixed-Income Perspectives in Contested Situations

The attempted takeover of Qualcomm by Broadcom serves as a good case study on how fixed-income considerations come into play for long-term investors in contested situations.

In late 2017, Broadcom made an unsolicited bid to acquire Qualcomm in a cash and stock deal. The Qualcomm board rejected the initial bid as they believed that it severely undervalued Qualcomm. Shortly thereafter, Broadcom filed notice that it intended to nominate an alternative slate of directors to be elected at Qualcomm's annual meeting in March. By the end of the first quarter in 2018, Broadcom's takeover attempt was essentially ended by a US presidential order preventing the transaction due to national security concerns.

However, the potential transaction provides an interesting perspective on fixed-income considerations that need to be evaluated in M&A situations, particularly if the offer includes a stock component:

Funding of the Transaction Can the acquirer retain its investment-grade rating post acquisition? How important is the investment grade to the stock price? What are the long-term implications if the company cannot repay its debt?

There was investor concern about Broadcom's ability to retain its investment-grade rating post transaction as it was going to absorb all of Qualcomm's debt.

Debt Profile After Acquisition How is the acquirer proposing to manage its debt burden post acquisition?

Broadcom offered assurances that it intended to retain its rating by rapidly deleveraging following the transaction. One of the key opportunities highlighted by Broadcom was transforming Qualcomm's licensing business, which Broadcom believed was not sustainable in its current form.

Proposed Debt Management by the Target Company to Assuage Investor Concerns What is the acquiree proposing to do to as a standalone company in order to manage its debt burden that would induce investors to reject the bid?

In order to make its case as a standalone company with investors, Qualcomm provided more clarity on its long-term strategy and its implications for all stakeholders, including equity and fixed-income investors.

Leveraging Our Global Footprint and Institutional Expertise

State Street Global Advisors has a dedicated team of ESG analysts, based in Boston, London and Tokyo who are charged with implementing its proxy voting guidelines and engagement activities on a global basis. Members of our active investment teams provide opinions on voting and engagement matters and may engage alongside the asset stewardship team to help mitigate company-specific risks or to get more information regarding shareholder items that are to be voted on at upcoming shareholder meetings. Further, the size of our global assets and reputation in the market provides the asset stewardship team with access to the management and boards of investee companies. The intensity and nature of our engagement with portfolio companies is determined by our holdings, engagement culture in a market, and an assessment of the materiality of ESG concerns. State Street Global Advisors endeavors to build geographic diversity within its engagement activities to reflect our economic exposure to global markets.

Investment Integration

As mentioned previously, our Investment Committee guides our stewardship activities through its oversight of the stewardship team.

Index Investment Strategies For our passive investment strategies, our global and regional chief investment officers represent our investment teams by participating in company engagements and in meetings with regulators. In addition, the stewardship team collaborates with other members of investment teams on matters related to market policies and company-specific events. Integration between the teams is of particular importance when considering corporate restructurings and mergers and acquisitions that may have a significant impact on benchmark index composition and rebalancing.

Active Investment Strategies Under our active strategies, our corporate stewardship team works closely with our active fundamental investment teams, collaborating on issuer engagements and sharing inputs on company-specific fundamentals. This facilitates an integrated approach to investment research and engagement with company management and boards. The active equity team also provides recommendations on all resolutions tabled for shareholder approval at companies within their investment universe. While these recommendations are taken into consideration by the stewardship team when determining voting decisions for our aggregated positions, the stewardship team has ultimate authority on the final vote decision.

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, provide feedback on our objectives and priorities, and 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 act in the best interest of our diverse global client base.

Collaborative Engagement

The size of our global assets and reputation in the market provides our stewardship team with access to management and boards of investee companies. Therefore, the majority of corporate engagements are carried out on a one-to-one basis, behind closed doors, as we feel this is critical to building trust and establishing constructive long-term relationships with companies. Nevertheless, we collaborate with like-minded investors under certain circumstances. Factors that are considered when determining the merits of collaborative action include the following:

- Agreement amongst investors on core areas of concern and potential solutions
- Systemic marketwide concerns and regulatory environment
- Responsiveness of management and boards to prior individual engagements
- Concentrated ownership within the share register
- Market culture and acceptance of shareholder engagement

To facilitate this process, we are a member of global investor bodies including the International Corporate Governance Network, Asian Corporate Governance Association, the Council of Institutional Investors and the United Nations Principles for Responsible Investment. We are also a member of the UK Corporate Governance Forum, and in March 2017 we hosted the forum, which was attended by major asset managers in the UK.

Example of Collaborative Initiatives

Investor Stewardship Group (ISG) (US) As part of a coalition of global asset managers and asset owners, State Street Global Advisors led the creation of the Investor Stewardship Group (ISG) that launched a set of Stewardship Principles and Corporate Governance Principles for the US market in January 2017. The ISG principles are the culmination of years of collaborative work among the world's largest investors to capture their common governance expectations for the US market while also holding themselves accountable through the stewardship principles. The ISG principles became effective at the start of 2018.

Following the publication of the ISG principles, we published a thought piece detailing our adherence to the stewardship principles established by the ISG. Further, we have been an active participant in the development of the ongoing ISG governance structure ahead of the 2018 effective date.

In conjunction with the ISG governance principles becoming effective at the beginning of 2018, we announced that we would be holding companies accountable for meeting the comply-or-explain standard established by the ISG. We have created an ISG compliance screen that identifies 13 voting guidelines that are encompassed in the six principles; in the pilot year, we will apply our ISG compliance screen to S&P 500 companies. We will use our vote to hold companies accountable that fail to comply with multiple guidelines and do not provide sufficient explanation for doing so through disclosure or engagement. Details of our approach can be found on our website.

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

State Street Global Advisors Collaborative Engagement on UK Corporate Governance Reform (UK) We participated in a meeting at the Investment Association, of which we are a member, and exchanged our views with other investors on the proposed options outlined in the UK government's Green Paper on Corporate Governance reform. We drew on our experience as a global investor with active engagement and voting programs in key global markets, including the US, Australia and Europe, to provide our views on the state of the UK's corporate governance and proposed alternative solutions to the options outlined in the Green Paper that could help deliver the government's reforms.

Furthermore, our Asset stewardship team shared and discussed their views on the Green Paper with members of our investment teams. In February 2017, we submitted and published our response to the Green Paper on Corporate Governance reform on our website.

How We Do It: Sector and Thematic Priorities

Sector Focus

Annual development of strategic priorities that drive engagement based on developing macroeconomic conditions, emerging ESG trends and client feedback.

Thematic Focus

A risk-based approach to identifying ESG-thematic topics with the most material impact on the long-term values of our portfolio companies.

Voting Focus

We identify key issues that are important to us for long-term value creation.

A significant challenge for asset managers with index strategies that are invested in thousands of listed companies globally is to provide active oversight of their holdings. Therefore, on an annual basis, State Street Global Advisors develops 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. We develop our priorities based on several factors including client feedback received in the past year, emerging ESG trends, and developing macroeconomic conditions and regulations.

In addition to thematic ESG issues, we also 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, performance and ESG issues. Moreover, reviewing our global holdings within a sector gives us the ability to identify business and ESG trends impacting our holdings, which strengthens our ability to provide input to boards and management when they seek feedback or direction from large institutional investors. The insights we gain from our sector engagements are shared with clients through presentations and our Annual Stewardship Report.

Broad Strategic Focus Areas for Our Stewardship Activities in 2018

Sector Focus	
Retailing (Food/Apparel/ Distribution)	Changing consumer preferences and emerging technologies continue to disrupt traditional business models, creating both opportunities and challenges for companies in the consumer retail sector. As a follow-up to our 2015 sector review, we will engage with companies to understand how they are positioning themselves for future success.
Pharmaceuticals	Building on our 2014 sector review, we will engage companies to understand how boards are navigating the changing industry landscape that is impacted by specialized medicine, reliance on big data and the growth of generic companies, to position businesses for the long term.
Materials	We will engage with companies involved in the mining and refining of metals such as aluminum and steel, chemical producers and forestry product producers, to discuss long-term strategy and ESG issues. We will engage on a range of ESG topics that are of inherent importance to the sectors such as tariffs, challenges related to the supply chain, environmental management and climate change.
Thematic Focus	
Investor Stewardship Group (ISG) Corporate Governance Principles	As a founding member of the ISG, we will engage with companies to understand how current governance practices in S&P 500 companies align with the ISG Corporate Governance Principles. We held 72 engagements with 69 companies on their board leadership structures. In addition, we voted on 44 shareholder proposals, supporting 30 percent, that were seeking an independent board chairman at US companies.
Gender Diversity	We will continue to focus on enhancing board quality across our key markets by engaging with companies to understand how they bring diversity of thought and background into the boardroom. We will also engage with companies to understand how management promotes diversity at all levels of management and review company disclosures pertaining to diversity practices and metrics.
Pay Strategies	We will engage with companies to understand their overall approach to human capital and how their pay strategy supports and contributes to long-term value creation.
Climate Change Reporting	Over the course of four years, we found that few companies can effectively demonstrate to investors how they integrate climate risk into long-term strategy. Given our support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, we will engage with companies to review the quality of climate reporting and understand how boards oversee climate-related risks.
Sustainability and Long-Term Strategy	We will engage with companies to understand their approach to sustainability. This includes understanding how companies identify material ESG key performance indicators (KPIs), how they assess and incorporate the issues into long-term strategy and how they communicate their process to shareholders.
Voting Focus	
Gender Diversity	In 2018, to build on Fearless Girl's impact (see page 44 for more details), we will engage with companies in Canada and Japan, where we found surprisingly strong challenges to board diversity. In Japan, more than 50 percent of TOPIX 500 companies don't have a single woman on their board, and in Canada four out of 10 companies lack gender-diverse boards. Consequently, with the expansion of our gender voting guidelines to Japan and Canada, we aim to engage with an additional 1,700 companies in 2018.
Compliance with Corporate Governance Principles in the US, UK, Australia and the EU	In conjunction with the ISG governance principles becoming effective at the beginning of 2018, State Street Global Advisors announced that it would be holding companies accountable for meeting the comply-or-explain standard established by the ISG. We have created an ISG compliance screen that identifies 13 voting guidelines that are encompassed in the six principles; in the pilot year, we will apply our ISG compliance screen to S&P 500 companies. We will use our vote to hold companies accountable that fail to comply with multiple guidelines and don't provide sufficient explanation for doing so through disclosure or engagement. While the ISG introduces a set of minimum governance expectations for the US market, such standards have existed in other markets for many years. As a global investor, we have developed principle compliance screens that align with the corporate governance codes within key markets such as the UK, Australia and the EU, and we will proactively screen companies in these markets to better understand how they comply with minimum standards.

Sector Focus

Insurance

State Street Global Advisors engaged with insurance companies to understand how boards are navigating the challenges posed by low interest rates, changing consumer behavior, digitization, climate change and evolving governance structures in the context of a company's business strategy.

Engagement Topics
Corporate strategy
Climate change strategy
Disruptive technologies
Big data/digitization
Board leadership and oversight

Companies Engaged
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Our Views on the ESG Risks in the Insurance Sector

Over the past few years, the lower-for-longer interest-rate environment has challenged companies in the insurance sector. Consequently, many companies have had to undertake cost-cutting measures, while beginning to transition to the digitized era. With the growth of digitization, boards were focused on data privacy and cybersecurity concerns. Further, a very active hurricane season, particularly in the US, demonstrated the perils of changing climate patterns. This highlights the need for improved risk systems to incorporate environmental factors such as climate change into risk models not only for property insurers and reinsurers but also for life and health-care insurance companies. In Europe, Solvency II remains front of mind for the European insurance market, especially as low interest rates persist. The drive for capital efficiency is still high on the board agenda. Finally, the sector is also being challenged by the potential disruption to traditional insurance models from the growth of big data, which facilitates the entry of new online insurance firms or community cooperative insurance models.

With this backdrop, we found that insurance company boards were looking for directors with a regulatory background, as well as experience in digitization, to help them navigate the complex regulatory landscape. On the next page, we have identified long-term ESG-related challenges facing insurance company boards.

Long-Term Challenges for Boards

Climate Change We found that some boards are taking tangible and meaningful action (i.e., product pricing, diversifying revenue streams, diversifying geographical exposure) and others are simply talking about the risks without taking significant action to mitigate them. For example, at the country level European insurers are taking a more active role in facilitating the transition toward cleaner energy and reflect climate-related risks inherent in coal within their underwriting and investment businesses. Our engagement with these insurers highlighted that some are choosing to no longer provide insurance for new coal construction projects or are ceasing to offer insurance to companies that depend on coal for more than 50 percent of their business.

However, we note that US insurers continue to lag behind in terms of disclosure of how they are meeting the challenges posed by climate change.

Going forward we will also assess how insurance companies improve their climate risk-related disclosure in line with initiatives such as the TCFD to better understand how insurers have arrived at the goals and strategies they have publically disclosed. We will also consider the robustness of the measurement and monitoring capabilities they will need to achieve these goals.

Big Data Big data will increasingly allow insurers to revisit their business models, acquire new customers through new channels and create essential user experiences. In our engagements, some insurance companies highlighted that investments in insurance technologies and artificial intelligence should not only reduce costs, increase efficiencies and improve customer experiences but also provide protection against the threat of new entrants.

However, our engagements have also highlighted that from the outside it remains difficult for investors to identify insurance companies that have genuinely differentiated strategies. Consequently, we believe boards should be actively assessing and communicating the potential risks and strategic opportunities from digital innovation and big data, and where relevant how they are being incorporated into long-term strategy and capital allocation decisions.

Compensation Structures Compensation structures provide an important guide to how management incentives are aligned with long-term corporate strategy. We found that in Europe the introduction of the European Shareholder Rights Directive (legislation introduced by the European Union in 2017 to harmonize remuneration disclosure standards across Europe), has led boards to introduce new approaches to compensation, including stronger malus and clawback provisions.

More generally, in the US, we have highlighted that the excessive reliance on earnings per share (EPS) as a driver of long-term payouts is a concern given the sensitivity of returns to interest rates. In Europe, the use of revenue targets under long-term incentives is still very popular. However, we find that this approach does not always provide a strong link between executive compensation and business strategy.

Therefore, in our engagement with investee companies we have been recommending that compensation committees use metrics that will better align management with the long-term strategy that has been communicated to shareholders.

We also stressed the importance of utilizing a return-oriented metric such as return on equity or return on capital employed in order to ensure that companies are pursuing profitable growth.

Finally, given the importance of fostering innovation, managing risk and compliance in today's insurance industry, we also asked boards to consider incorporating some business conduct and culture metrics (for example, litigation and employee turnover) into compensation metrics for executives.

Sector Focus

Real Estate Investment Trusts (REITs)

With REITs becoming the 11th headline sector in the Global Industry Classification Standard (GICS), State Street Global Advisors engaged with global REIT companies to discuss long-term strategies and ESG issues such as governance and compensation structures, gender diversity and environmental management.

Engagement Topics
Corporate strategy
Shareholder rights
Sustainable building practices
External vs. internal management structures
Compensation

Companies Engaged
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Our Views on REITs

In 2017, our dialogue with boards focused on the growing evolution of REIT structures and its implication on long-term governance and compensation structures. In prior years leading up to our focus on REITs as a priority engagement sector in 2017, we had engaged with companies on concerns around shareholder rights, governance structures and poor compensation practices. Until a few years ago, REIT boards had little experience in engaging with shareholders on these matters. The growing focus on ESG issues in the REIT sector is aligned with the growth of index investing that has resulted in the slow change in the shareholder profile of REITs. This change has resulted in REIT shareholders, who previously were largely active managers or individuals, transitioning to large index funds — a shareholder base more focused on governance structures and long-term shareholder rights. As a consequence of these changes, REIT boards are playing catchup with regard to the ESG expectations of their new owners.

United States REITs have been shifting from being externally managed to being managed internally. REITs with an externally managed structure outsource their day-to-day operations to an external manager and the company has few, if any, direct employees. In contrast, internally managed REITs have management teams and dedicated staff that help manage the portfolio.

Disclosure by externally managed REITs can be of concern because many only disclose management fees paid to the external managers, who often are parties related to the listed REIT, and there may not be detailed information on how the fees are distributed. This structure is beneficial for smaller REITs, as it keeps costs low by leveraging the services of a professional external manager, who may service many REITs. On the other hand, internally managed REITs tend to be favored by larger companies where the benefit of having an internal staff outweighs cost savings from pooled resources. For shareholders, internally managed REITs provide more disclosure with regards to costs, related-party transactions and compensation structures, compared to externally managed REITs. As REITs have grown in assets, we have seen several listed REITs transition from an externally managed to an

internally managed structure. The increased transparency has resulted in investor pressure on boards to improve board quality, reduce compensation and improve shareholder rights. However, this trend is in stark contrast to Japan, where externally managed REITs are the norm, as internally managed REITs are not an approved legal structure by the regulator.

Europe Within Europe, our discussions have also highlighted the risk of terrorism as a critical issue for European REITs, particularly those specializing in shopping malls. This led to the development of specific policies that included close cooperation with local and national enforcement authorities, increased use of surveillance and detection equipment, heightened security measures, information sharing, and the training of tenants' staff in order to increase the vigilance of all site personnel to react effectively in case of a threat.

Sustainability Finally, with regard to environmental factors, REITs have continued to adopt sustainable building practices as a way to save costs and potentially create long-term operational efficiencies, but third-party certification of these practices is not necessarily associated with rent premiums.

Long-Term Challenges for Boards

Evolving Shareholder Rights to Meet the Expectations of a Changing Investor Base Our engagements with REIT boards in the US have highlighted that many REITs continue to adopt practices that can restrict shareholder rights, including the use of classified boards, restricting shareholders from amending bylaws and the use of anti-takeover provisions. For example, a majority of REITs incorporated in the state of Maryland retain the ability to unilaterally classify their boards under the Maryland Unsolicited Takeover Act (MUTA) despite the option to opt out of the provision. Many boards seem to be caught off guard by investor opposition to this practice; however, during many of our engagements, companies suggested that they would be taking steps to address our concerns, and we will monitor progress on these issues over the coming year.

Strategic Leveraging of the Benefits of Sustainable Building Practices (Green Building Certifications) While REITs are pursuing environmentally friendly or "green" building practices in order to reduce costs, few companies have developed sales strategies that adequately leverage third-party green building certifications, such as Leadership in Energy and Environmental Design (LEED) and the Comprehensive Assessment System for Built Environment Efficiency (CASBEE), to generate attractive rent premiums. In the absence of rent premiums, such certifications do attract higher-quality tenets, such as those run by or targeting millennials, who are increasingly aware of their impact on the environment. Further, companies also need to improve disclosure on board governance and the oversight of sustainability practices.

Improving Disclosure by Externally Managed REITs In 2017, 70 percent of our engagements with REITs were in the US, the world's largest REIT market. However, the recent trend toward management and fee structures that better mirror global best practices has seen a rise in externally managed REITs with new listed entities in Japan and Europe.

We are encouraged that some of the newer externally managed REITs in Europe have adopted better governance practices and provide investors with enhanced disclosure in keeping with investor expectations in those markets. However, we believe boards of externally managed REITs in the US need to provide shareholders with enhanced disclosure on their governance, fee structure, and the ability of the board to manage potential conflicts between external management and shareholders.

Sector Focus

Media

State Street Global Advisors engaged with companies to discuss the proliferation of media options available to consumers and the impact on existing businesses and long-term strategies. In addition, we also discussed ownership, board composition and compensation issues that are endemic to this sector.

Engagement Topics
Corporate strategy
Ownership structures
Executive compensation structure and quantum
Big data analytics
Board leadership and oversight
Regulatory environment

Companies Engaged
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Our Views on the Media Sector

In general, companies in the media sector are in the midst of transitioning their businesses to remain relevant in the digital economy. The players in this sector, which include print, newspaper companies and cable TV providers, have been battling the disruption of their traditional businesses as technology disintermediates their business models. Media companies are battling falling subscriptions and consumer sensitivity to prices due to consumers choosing to access content through different platforms and competition from newer online players such as Netflix, Hulu and Amazon Video. At the same time, companies need to make significant capital investments to create content and embrace new technology. These pressures are leading to significant consolidation in the market.

Complicating this transition is the debate on uses of big data and data privacy and security that are playing out in the market. The bigger issue for the sector in the medium term may come from recent regulatory decisions that could potentially impact M&A and strategic growth.

Long-Term Challenges for Boards

Disruptions from Big Data Analytics Big data and the continued growth in data analytics that has allowed media companies to better target and capture advertising revenue was a focal point of our discussion with boards. We found that boards are increasingly recognizing the value of big data as a tool to track consumer demand and facilitate better investment decisions around content. However, the key challenge is to ascertain how to create a tailored customer experience across multiple distribution platforms. In our view, increased board oversight of big data will require more disclosure to shareholders concerning how it is relevant to long-term strategy and the potential risks and opportunities for future investment decisions.

Pricing Regulatory Risk in M&A and Growth Plans Increasingly, media companies have to consider uncertainties in the regulatory landscape when contemplating M&A deals in the face of increased technological disruption and changes to viewing habits. This reshaping of the media sector has seen increasing focus on combining distribution and production/content, which is increasingly viewed by content providers, distributors and technology companies as crucial to future pricing power. This has additional effects that can extend beyond the US, as many media mergers have cross-border implications.

The Federal Communications Commission (FCC) decision to scrap net neutrality in December 2017 may also potentially impact the strategic growth of some companies in the media sector, particularly since net neutrality required Internet service providers (ISPs) to treat all data equally. The FCC's decision on net neutrality potentially creates disruption, as it allows cable companies to pick winners and losers by prioritizing data from preferred content partners while potentially throttling data or requiring higher fees for priority access for companies viewed as competitors. Consequently, we believe boards will increasingly need to review and assess the potential impact of regulation on their strategies for corporate growth and M&A.

High Compensation Levels Exacerbated by Dual-Class Share Structures and Global Competition for Talent High total pay quantum continues to be an endemic issue for the sector. Global mergers and the overall shrinking of the sector resulted in high compensation levels across media companies in all regions. Due to the dual-class share structure of large media companies in the US, minority shareholders have been unsuccessful in limiting pay growth through the voting process. Consequently, media companies in the UK, Europe and Australia point to the global competition for talent as a reason for the high payout to their managers. In addition to the high pay quantum, we have concerns around the lack of disclosure on performance targets and the appropriateness of the overall compensation structure.

Emerging Risks: Policing Fake News, Workplace Misconduct and the Use of Customer Data During recent engagements with board members, particularly of media companies with a strong online presence, directors have highlighted that they are beginning to identify the threat of fake news as an emerging risk to their reputation and business. Concurrently, it also offers companies the potential opportunity to provide consumers with premium channels to access quality news. In addition, boards are grappling with the need to have clear processes in place to deal with the complexity and challenges related to high-profile sexual harassment and misconduct cases. Finally, customer concerns with regard to the use of personal data, browsing behavior and regulation in Europe pertaining to privacy laws are also risks that need to be mitigated by boards.

Thematic Focus

Board Leadership

In 2017, as a follow-up to our 2016 publication on Guidelines for Independent Board Leadership,[2] we continued to engage with companies on their overall leadership structure and the extent to which board composition is aligned with overall strategy. During 2017, State Street Global Advisors held 72 engagements with 69 companies on board leadership structures. In addition, we voted on 44 shareholder proposals that were seeking an independent board chairman at US companies. We supported 10 of the proposals, abstained on three and voted against 31 of them. At several US companies that had such a proposal, State Street Global Advisors had previously engaged with the lead independent directors about their roles and responsibilities. At these companies, we relied on previous engagements to inform our voting decision.

Engagement Topics
Independent oversight of the board and key committees
Board effectiveness, skills and experience
Board refreshment and succession planning process
Gender skill and diversity
Governance framework and role of the lead independent director

Companies Engaged
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Factors that were considered while making our voting decisions included the following:

- Disclosure in the proxy statement on the role or job description of the lead independent director
- Quality of engagement with the company, particularly with the lead independent director, with regard to the roles and responsibilities of the board
- A company's commitment to reviewing their disclosure and/or strengthening the lead independent director's role in light of our guidance on the issue
- Responsiveness of a company to our previous year's engagement and voting efforts

2 WSJ.com, Bloomberg, Pensions & Investments, CNBC March 2018.

Our Views on Board Leadership

United States We found that over the last two years, many companies have formalized the role of the lead independent director to align with our guidance. Consequently, our overall support for shareholder proposals calling on companies to separate their chair and CEO positions was down. The most significant improvement has been companies strengthening the lead independent director role by expressly identifying involvement in strategy as a responsibility of the job description.

Europe Through engagement we found that few European company boards have clearly disclosed job responsibilities for their chairperson and/or lead independent director. We believe that our guidance on effective board leadership can help European company boards strengthen their independence and accountability to shareholders. We will start evaluating leadership roles at the board level against the guidance in 2018.

Successes During 2017 State Street Global Advisors engaged with the Allstate Corporation to better understand the responsibilities and role of the lead director. As part of our engagement, we called on the company to increase public disclosure on the role of its lead director. In April 2017, the company published a detailed disclosure concerning the role and duties of the lead director. This included the ability of the lead director to call meetings of the independent directors, which we welcome as it enables the lead director to better formalize and guide potential discussions around CEO performance and succession planning.

In addition, following a multiyear engagement with State Street Global Advisors, American Airlines committed to institutionalizing the role of their lead director. This resulted in the company revising its bylaws and governance guidelines to specifically codify the lead director's role and responsibilities and to introduce a specific condition that their appointment requires the votes of independent board directors.

We also engaged with Ralph Lauren concerning its board leadership. We called on the company to appoint a lead independent director to enhance the board's independent leadership, given that the chairman is not independent and the company is controlled. Consequently, the company appointed a lead director during the year and published a robust description of their role and responsibilities.

Thematic Focus

Board Composition and Gender Diversity

In 2017, we continued to raise awareness about the need for board refreshment and orderly director succession in our portfolio companies. We engaged with these companies to understand how their boards are ensuring the refreshment of the skills and expertise necessary among directors to provide oversight in a changing economic environment. We also discussed the need for robust board evaluation processes and director succession practices that ensure the smooth transition of board members and directors. Further, with the launch of our Fearless Girl campaign (see page 44 for more details), we expanded our focus to include understanding how companies prioritize and incorporate gender diversity into the director succession planning process. We also engaged with companies to understand how management promotes diversity at all levels and reviewed how company disclosure promoted diversity practices and metrics.

Engagement Topics
Independent oversight of the board and its key committees
Board effectiveness, skills and experience
Board refreshment and succession planning process
Gender and skill diversity
Governance framework and role of the lead independent director

Companies Engaged

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Our Views on Board Composition

Board Refreshment and Board Composition Since their adoption in 2014, our director tenure guidelines have been extremely effective in encouraging boards of US companies to refresh director skills and expertise and plan for their orderly succession. Over the past four years, we have had more than 1,600 engagements through letter-writing campaigns and in-person meetings about the need for refreshing skills and expertise on boards in a thoughtful and timely manner. In addition, we voted against 1,026 companies, of which 34 percent, or 351 companies, have refreshed their board in response to our engagement and voting efforts. In 2017, we took action against 359 companies and voted against the reelection of 736 directors globally due to poor refreshment practices.

Gender Diversity and Board Composition Boards are beginning to appreciate that appointing women to chair boards or committees helps drive their wider efforts around gender diversity at the board level. Some companies now also require search firms to provide a more diverse slate of candidates.

For example, during a recent engagement with a US company, they told us that they appointed a woman to the head of the nomination/governance committee, which was helping their initiative to increase gender diversity at the board level.

In another example, we engaged with a materials company on strategy, diversity and board leadership. The company has identified one of their three female directors as their future lead independent director. They also began working with a new director search firm because they felt that their previous firm was not providing a diverse enough pool of candidates.

Gender Diversity Within Management Our engagements with boards on their composition and gender has highlighted that few companies disclose information on diversity practices within their firms. This lack of disclosure suggests that the effectiveness of quotas as a mechanism to raise higher levels of diversity at the board level has not translated into a similar increase in the level of women serving in leadership or senior management roles.

Growing the pipeline of women at the executive level is important because it can serve as a pathway to increasing board diversity for external nonexecutive board positions. However, our ability to exert influence and vote to effect positive change around gender diversity has been hampered by the lack of relevant company disclosure and transparency.

Data Quality Is Limiting Engagement on Board Diversity

Data from Bloomberg highlights that at companies in the STOXX Europe 600 index, the average percentage of senior women executives is just 14 percent, while the average percentage of women on boards is 27.5 percent. In the US, at S&P 500 companies, the picture is a bit better at the senior executive level, where the average percentage of senior women executives is 18 percent; however, the average percentage of women on boards is lower than in Europe, at 21 percent.

The story at FTSE 350 companies in the UK is similar, where the average percentage of senior women executives is only 13.5 percent and the average percentage of women on boards is 22.5 percent. Finally, at ASX-listed companies in Australia, we found that the numbers are no better, with an average percentage of women in senior roles of 16 percent and an average percentage of women on boards of 22 percent.

We have found that quality data on gender diversity is limited, and publicly available data sets are not perfect. For example, Bloomberg's data is missing a number of companies across various indices because companies are not systematically reporting on diversity at different levels in management.

Further, another explanation for the lack of women in senior management roles was posited during our own engagement with a female nonexecutive director of a European company board. She told us that many women in the EU, who reach a certain level of seniority, leave management to become professional directors on boards. We believe that this is impacting the pipeline of women at management level and also the quality of women on boards—and it is an unintended consequence of the quota system, which has improved female representation on boards but at a cost to companies and investors.

Our Expectations of Companies in 2018

We believe increased transparency will help focus management and boards on adopting policies and practices that will help strengthen gender diversity at all levels of management. Consequently, we expect our portfolio companies to disclose gender diversity at all levels of management. In addition, we will begin screening and engaging with companies in the STOXX 600 and FTSE 350 indexes on these issues this year. During engagement we will seek to understand company practices that promote diversity.

Thematic Focus

Climate Change

To understand company emissions management programs, the potential impact of evolving regulation on budgets and capital allocation decisions, company preparedness in response to climate-related challenges and shareholder resolutions, and impact on strategy.

Engagement Topics
Climate change strategy
Board governance and oversight of climate-change-related risks
Scenario testing and portfolio resilience
Investment in technology
Emissions management strategies
Quality of climate-related reporting
Public policy engagement
Climate risk disclosure

Companies Engaged

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Our Expectations of Companies in 2018

Climate change will continue to be a thematic priority for State Street Global Advisors in the coming years. In particular, we will focus on the quality of a company's climate-related reporting against our guidance on Effective Climate Change Disclosure that we published in June last year. This topic is of interest to us due to the historic votes on climate-related shareholder proposals, as well as the continued global efforts toward better climate-risk disclosure, led by organizations such as the Sustainable Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosure (TCFD), and others.

In addition to reviewing publicly disclosed information on company practices, we will continue to engage with companies to inform them of our voting decisions. At companies where we supported climate resolutions in 2017, we will monitor company responsiveness to our prior vote and continue to support these resolutions, unless the company has made or is committed to making meaningful progress. In addition, we will enhance our outreach to engage with independent board members on this issue to better understand their views and oversight of climate-related risks facing their companies.

Our Views on Climate Change

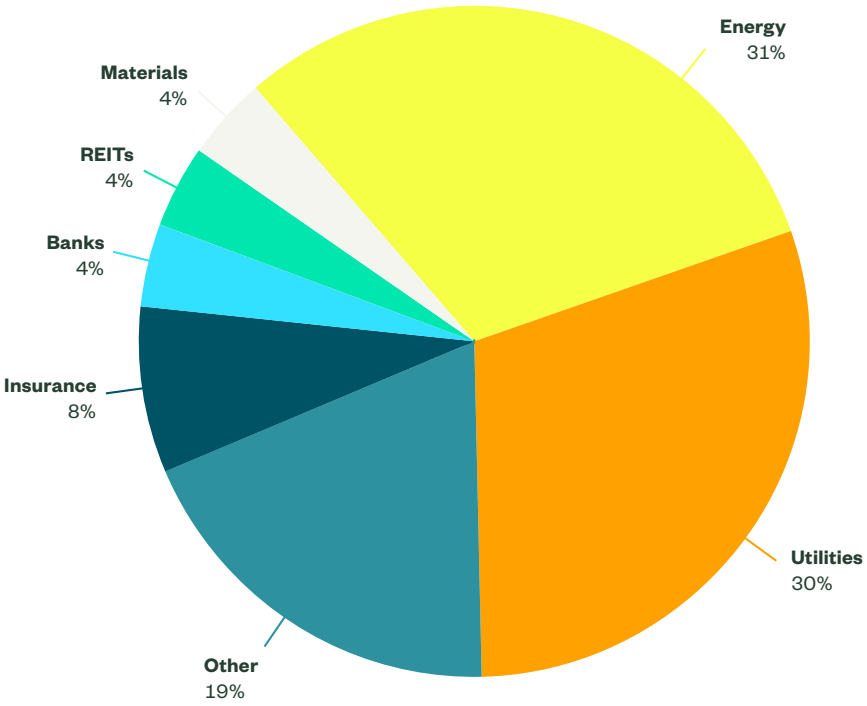
In 2017, we continued to call on boards to consider climate change within the same context as other significant risks to the business and to ensure that the company's assets and its long-term business strategy are resilient to that change. However, we have found that few companies could effectively communicate to investors how they integrate climate risk into theirlong-term strategy. In order to help address this gap, we published guidance on the kind of information that we found useful in a company's climate-related disclosure. This guidance was well received by companies and other investors and has contributed to the ongoing climate dialogue in the industry.

In our paper, which focuses on high-impact companies in the oil, gas, utilities, and mining sectors, we call on companies to disclose the following:

1	Governance and board oversight of climate risk
2	Long-term greenhouse gas emissions goals
3	The average and range of carbon price assumptions
4	Impacts of scenario planning on long-term capital allocation decisions

Our guidance on climate change reporting complements existing disclosure from organizations such as the SASB and TCFD.

Figure 5
2017 Climate Engagements by Sector



Source: State Street Global Advisors Engagement Database.

Challenges Faced by Companies Mitigating Climate Risk

The biggest change we observed over last few years is that most directors serving on the boards of companies in high-impact sectors are now better informed about climate risks than in the past. They can speak to the risk at high level but still struggle to clearly communicate how they are addressing the risk in the long term.

We also found that companies are still in the process of developing robust scenario analyses that can meaningfully influence strategy and inform investors. For example, during 2017, several of the US oil and gas companies that received significant shareholder support for the 2°C scenario proposal were struggling to define their assumptions to align with a 2°C scenario outcome, let alone evaluate how the pace of technological improvement might change their projections.

Further complicating their ability to integrate scenario projections into strategic planning and decisions, boards are uncertain about the following:

- Which emerging alternative technologies to invest in
- What kinds of metrics would best capture the impact of their decisions
- How much and when to make that investment decision
- What systems they would need in place to monitor the impact
- What return on capital to expect in the three-to-five-year period in order to evaluate the efficacy of their strategic decisions

Need to Address Climate Risk Across All Sectors

Through our engagements on climate change with companies in general, two key investor challenges have emerged:

1. Climate-related disclosure and targets for our portfolio companies must also include an assessment of how and why they arrived at the goals and strategies they have in place and ensure that they have the right measurement and monitoring capabilities to achieve those goals.
2. While the focus on climate-related disclosure for high-impact sectors such as oil and gas and utilities is understandable, it should not be limited to these sectors alone.

Consequently, in 2018 we will 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 addition, we will also look at the entire product lifecycle of these companies, including the carbon intensity of their upstream and downstream operations.

Our Voting Record on Climate-Related Shareholder Proposals

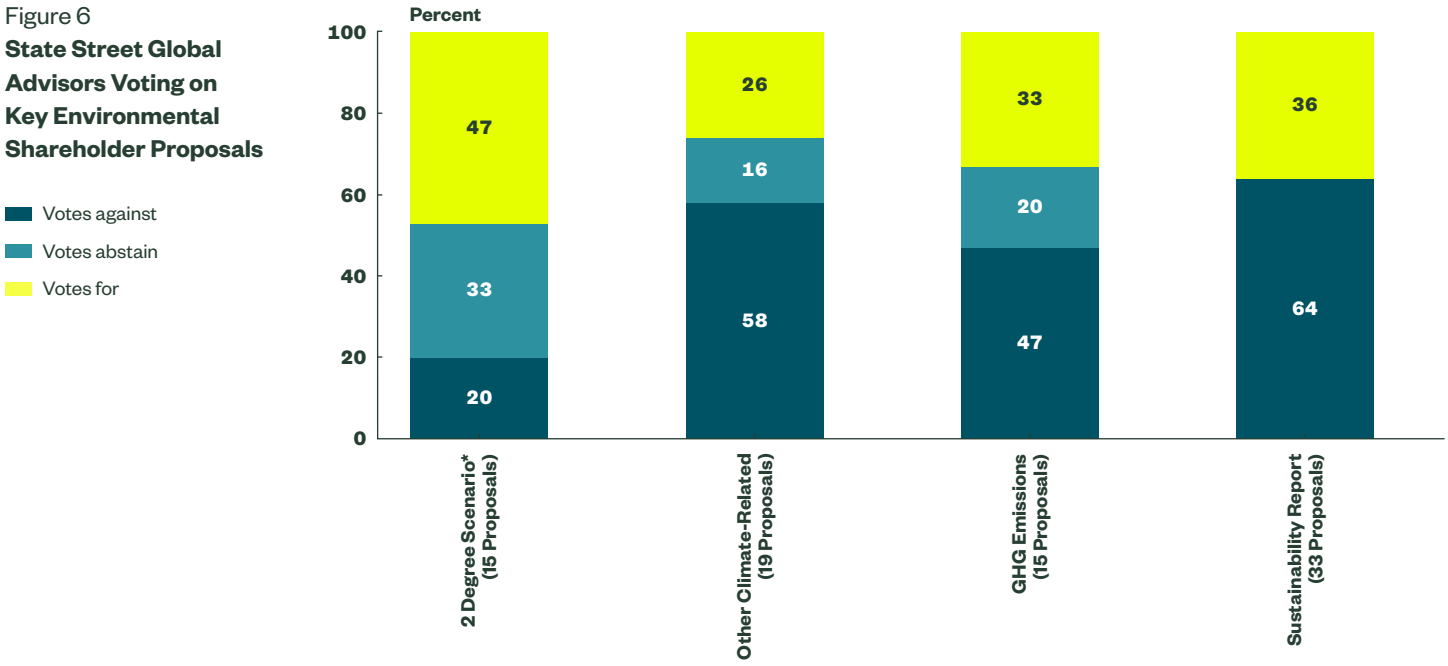
Table 1 on the next page highlights our voting record for 2°C scenario proposals in 2017 and 2016. Overall in 2017, we voted against management 80 percent of the time, compared to 89 percent in the previous year. We supported shareholder proposals at all seven companies that received such proposals in both years. However, in one instance we changed our vote from supporting management to voting for the 2°C scenario proposal, due to unresponsiveness from the company to our engagement efforts in the prior year. We also supported five of the eight first-time 2°C scenario shareholder proposals (68 percent), and voted against these proposals at Duke Energy, DTE Energy and Hess Corporation. Figure 6 highlights our voting record on significant environmental-related shareholder proposals during the proxy season.

In 2017, only the shareholder proposals at Exxon Mobil Corporation (62.1 percent shareholder support), Occidental Petroleum Corporation (65.7 percent shareholder support) and PPL Corporation (56.8 percent shareholder support) passed with majority support.

Table 1
State Street Global Advisors Voting on 2°C Proposals in 2017 and 2016

	State Street Global Advisors Vote 2017	State Street Global Advisors Vote 2016	State Street Global Advisors Vote on Repeated Proposals	State Street Global Advisors Vote on New 2017 Proposals
With Management	3	1	0	3
Against Management	12	8	7	5
Total	15	9	7	8
% With Management	20%	11%	0%	38%
% Against	80%	89%	100%	62%

Figure 6
State Street Global Advisors Voting on Key Environmental Shareholder Proposals



Source: State Street Global Advisors Engagement Database.

Thematic Focus

Water Management

To understand a company's water management practices, the challenges of water management, identify emerging best practices through conversations with industry leaders, and share engagement insights with other portfolio companies.

Engagement Topics
Water management strategy
Risk assessment and stress testing of water resources
Compliance and regulations
Quality of reporting
Management expertise and resources
Public policy engagement

Companies Engaged

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Our Views on Water Management

Water has been a priority thematic engagement area for State Street Global Advisors since 2016. Our focus reflects increasing investor awareness and global interest in this issue. For example, water management is one of the 17 United Nations Sustainable Development Goals (UNSDGs), as 40 percent of the global population is affected by water scarcity.

In 2017, we expanded the scope of our engagement focus from understanding how a company manages its water resources within its operations to include water management practices throughout its supply chain. We sought engagement with companies in sectors where water was cited as a material issue by the SASB's Materiality Map, as well as companies identified by reputable third parties such as the CDP (formerly the Carbon Disclosure Project), in order to further enhance our understanding of best practices.[3] Consequently, State Street Global Advisors engaged with about one-quarter of the companies that were cited on CDP's Water A List and we continued this engagement effort when the CDP released its expanded Water A List in November 2017.

Seventy percent of our water-related engagements in 2017 were with companies in the energy, utilities, materials, pharmaceuticals, biotechnology and life sciences, and food, beverage and tobacco sectors.

3 The CDP's 'A List' provides stakeholders with examples of companies that are the best stewards of water resources. In addition, the CDP possesses the largest global corporate water dataset and is well respected by companies and investors alike.

Impact of Regulation on Water Management Practices

We engaged with more than half of all publicly listed water utilities in the world, because we believe that utility providers possess broad knowledge of the needs and challenges of commercial water users, as well as how to work with communities and stakeholders to appropriately manage this shared resource.

For example, our engagement with the California Water Service Group outlined how state regulations for water utility companies require them to have a water supply plan that goes 25 years into the future. Consequently, the company has a well-developed long-term resiliency plan that allows the board to make strategic capital allocation and investment decisions, particularly with regard to new infrastructure projects.

As another example, the 2014 water crisis in Flint, Michigan, led to many state regulators revisiting the issue of water safety for utility providers. During engagement with the American States Water Company, they highlighted how they went beyond the required compliance to test their corrosion control systems and used third parties to ensure safety throughout their systems.

Growing Understanding of Risk Arising from Water Management Practices

Another key takeaway from our engagements on water management in 2017 is that the mismanagement of water resources can have negative effects on corporate value. This mismanagement can manifest in several ways, including overdrawing water resources or contaminating water resources, both of which can lead to adverse outcomes for long-term value. For example, we engaged with one issuer that had water intensive operations in a water-stressed region that exacerbated the water-stressed situation facing the local community. This led to the company facing public demonstrations, the boycotting of its products and, eventually, the loss of the company's social license to operate in that region.

We also spoke with issuers that had their legal license to operate jeopardized due to their activities contaminating the water bodies used by the local community. Often these operational risks arose within the company's supply chain and not necessarily its own operations. Therefore, we believe that companies need to assess and review environmental and social effects throughout their supply chain.

Guidance for Boards on Water Management

- While many companies are now examining the direct and indirect risks stemming from their supply chains, few companies establish water use/efficiency goals for their suppliers, which are needed in order to mitigate risks in the long term.
- We believe additional disclosure on metrics from companies related to their water management practices throughout their supply chain would benefit investors in better understanding the water-related risks to their portfolios.
- We believe that climate change is a key priority for water utility companies, particularly as droughts can lead to increased measures to increase restrictions on water use and conservation. Therefore, for directors serving on boards of utilities, we believe that these companies should provide more disclosure on how their regional operations might be impacted by the physical effects of climate change.

Thematic Focus

Pay Strategies

To understand company compensation and wage strategies and how they support and help sustain business operations in the long term.

Engagement Topics
Employee recruitment and retention
Incentives in employee pay structures
Interplay between technology and human resources
Reputational risk in employee and C-Suite pay
Gender pay equity

Companies Engaged
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Our Views on Pay Strategies

The growing focus on human capital and gender pay equality heightened sensitivities and headline risk around C-suite and worker pay in 2017, a trend that we expect will continue with the introduction of pay-ratio disclosure in the US and UK markets in 2018. In our engagements, we have focused on understanding how companies think strategically about compensation and wages throughout the organization. We found that investors and companies are only now beginning to consider the importance of having a wage strategy as part of their human capital management systems, to help preserve and grow the long-term value of the company. In particular, increased focus on gender pay parity has forced companies to more closely examine compensation practices throughout the organization. They recognize that it is not enough to target wages at a specific level relative to peers but that the philosophy, objective and implementation of the wage strategy are as important.

Identifying Metrics that Help Evaluate Efficacy of Wage Strategies

Until recently, cost management has been the primary focus of wage strategies, with low-cost wage strategies being considered the only viable option to help enhance returns. These practices are so pervasive that wage growth has lagged the broader economic recovery. However, over the past few years, companies have begun to recognize that low-cost strategies come with hidden costs such as high employee turnover/training costs and low customer satisfaction levels that have financial implications on long-term returns. Therefore, in order to quantify the true cost of their wage strategies, a growing number of companies are starting to track and incorporate metrics such as employee turnover rates, customer satisfaction and service quality. In addition, the reputational risk of following a low-cost strategy, particularly in the consumer retail sector, has many companies shying away from publicly embracing this strategy.

Gender Pay Parity

Over the past year, attention on gender pay parity has increased the need to have a defensible wage strategy. Women have not achieved parity in management or senior management roles at most companies, creating a structural inequality in pay. Many companies have addressed this by focusing on creating diverse management and senior management teams. Another opportunity exists in examining how individual contributors are compensated. In fact, some companies that we have engaged with have increased the minimum wage for entry level positions to enhance retention, attract higher caliber individuals and address gender wage inequalities.

Increased Transparency Will Lead to Greater Scrutiny and Engagement on Pay Strategies

We believe increased transparency offers a unique opportunity to reduce structural inequality in pay. For example, the UK government's decision to introduce greater transparency around the gender pay gap in 2017, through new requirements for UK companies with 250 or more employees, will introduce new reporting on the pay differences between men and women at UK companies.

In our view, the reporting of this previously sensitive data will provide a new opportunity for investors, companies and wider stakeholders to understand how UK companies are tackling the issue of pay equality and, more significantly, provide a benchmark against which to measure progress.

Guidance for Boards on Pay Strategies

Boards need to understand the company's pay strategies at all levels of management. They need to evaluate gender pay parity and prioritize addressing any shortcomings through their approach to human capital management in order to mitigate reputational risk.

Companies should calculate the true costs of a particular pay strategy by identifying and measuring the KPIs that are important in their human capital management programs. For instance, one company that focused on the efficiency of its professional workforce, to eliminate overtime and limit burnout, did not have a clear strategy in place to replace the earnings that individuals would sacrifice. High turnover due to lost earnings and the associated costs could mitigate any efficacy gains. Companies should use the pay ratio disclosure as an opportunity to proactively communicate how their wage strategies are aligned with long-term value creation.

Voting Focus

Gender Diversity

State Street Global Advisors focuses on board quality as the foundation of good governance and positive investment outcomes. We are especially concerned with ensuring effective independent board leadership, which involves achieving the right skill sets, as well as a diversity of views, including gender diversity on boards. In 2017, we adopted new voting guidelines that expect boards of ASX 300, FTSE 350 and Russell 3000 listed companies to have at least one female director.

Our Fearless Girl campaign (see page 44 for more details) was supported by our call to action on companies to improve board quality by enhancing diversity. In the second quarter of 2017, we sent letters to more than 600 companies in the US, UK and Australia that we identified as lacking a single woman on the board. In the letter we informed the companies of our expectations with regards to diversity on boards and offered to engage with them on the matter.

We made it clear that our preferred approach to driving greater board diversity is through an active dialogue and engagement with companies. However, we clarified that in the event that companies failed to take action to increase the number of women on their boards, we will use our proxy voting power to effect change — voting against the chair's nominating and/or governance committee if necessary.

As such, during 2017, we sought to drive greater board diversity through active dialogue and engagement with company and board leadership, as a follow-up to our March 2017 guidance. We also used our proxy voting power to effect change.

Gender Diversity Voting Record from March 2017 to March 2018

500+

companies voted against for failing to take steps to add a woman to their board

152

companies have now added a woman director following our outreach

34

more companies have committed to doing so

Gender Pay Gap During 2017 there were 12 proposals that asked companies to report on policies and goals to reduce the gender pay gap. However, these proposals defined a pay gap as "the difference between male and female earnings expressed as a percentage of male earnings as defined by the OECD." As such, we considered these proposals to be narrow in scope, lacking in directly addressing the root causes of pay disparity. Consequently, we focused on a company's overarching policy and approach to supporting and promoting gender diversity at all levels when making a voting decision. We also engaged with many of the companies to better understand their practices. After a case-by-case review, we did in fact support two of the proposals. Ultimately, investor support for these proposals was low, averaging 16.8 percent with a range of 7 percent to 37 percent.

Board Diversity Proposals In North America, we reviewed and assessed 12 proposals requesting that companies report on the challenges of adding diverse board members and/or commit that all future slates of potential board candidates will include diverse individuals. Our evaluation of these proposals included a review of the board compositions at these companies, to assess if they had any women on their boards, as well as to examine their overall diversity policy and practices.

In total, we supported 42 percent of the proposals. At four of the US companies that did not have any women on their board we voted against board members, consistent with our board gender diversity guidelines highlighted above. At one company that did not have any women on the board, we did not take voting action against any director and abstained on the shareholder proposal as, during engagement, the company committed to increasing the diversity of their board.


FIRE

Wall Street, Meet Fearless Girl

State Street Global Advisors placed Fearless Girl in the heart of New York's Financial District on the eve of International Women's Day 2017, to raise awareness about the importance of gender diversity in corporate leadership.

Daring and confident, Fearless Girl celebrates the spirit of women who are taking charge today, and it serves as inspiration for the next generation of female leaders. The sculpture was an instant sensation, drawing enormous crowds in New York, generating more than 10 billion social, print and digital media impressions, and galvanizing people across six continents.

Previous Page Photo: Federica Valabrega. Sculpture by Kristen Visbal.

The Gender Diversity Challenge

State Street Global Advisors believes that increased diversity helps improve board quality and makes the board stronger. A strong board is one where directors have relevant skills, diversity of backgrounds and viewpoints, and are not held captive by management. Strong boards are best positioned to focus on articulating a long-term strategy and holding management accountable for delivering on that strategy.

Research shows that companies with strong female leadership perform better than those without it.[5] A study by MSCI showed companies with strong female leadership generated a return on equity of 10.1 percent per year, versus 7.4 percent for those without a critical mass of women at the top — a 36.4 percent increase of average return on equity. McKinsey & Company's latest research found that if women were to participate in the global economy identically to men, it would add up to $28 trillion — or an additional 26 percent — to annual global GDP by 2025.

Further, a January 2017 Conference Board report indicated that companies with stronger female leadership not only perform better but also experience less fraud, bribery, corruption and shareholder conflict. The report attributes the outperformance largely to the independent perspectives women bring to the boardroom.[6] Yet in 2017, one in four Russell 3000 companies did not have a woman on their board.[4]

The research tying the presence of women on boards to performance drives our conviction that increasing gender diversity in company leadership will benefit our clients and the economy over the long term.

Current State

1 in 4

Russell 3000 companies did not have a woman on their board in 2017[4]

Opportunity

36.4%

average increase in return on equity for companies with strong female leadership[5]

$28T

increase in global GDP if women participate in the economy identically to men[6]

4 State Street Global Advisors Asset Stewardship Team, March 2017.
5 "Women on Boards: Global Trends in Gender Diversity on Corporate Boards," MSCI, November 2015.
6 "The Effect of Gender Diversity on Board Decision-making: Interviews with Board Members and Stakeholders," The Conference Board, January 2017.

Board Diversity Call to Action

We believe investing in gender diversity will benefit our clients and the economy over the long term. Consequently in March 2017 we issued guidance to help boards take the following actions.

Assess the current level of gender diversity on boards and management.

Establish goals aimed at enhancing the level of gender diversity on boards.

Identify diversity champions within management who would support these initiatives.

Address behavioral gender bias in the director search and nomination process.

Consider female directors for leadership positions.

Enhance transparency and communication with investors about the board's position on gender diversity.

Our Action on Diversity in 2017

State Street Global Advisors called on companies we invest in without a single woman on their board to take action.

We voted against companies that failed to take steps to add a woman to their board.

We also placed Fearless Girl near Wall Street to call attention to this important issue, sparking a global conversation.

700+

companies engaged in the US, UK and Australia

500+

companies voted against

5B+

social media impressions in 12 weeks[7]

7 Spreadfast Intelligence, March 2017.

The Impact of the Fearless Girl Campaign

As a result of these efforts, change is happening.

Following our call, other asset managers and owners have joined us in making board diversity a priority.

152

companies we identified have now added a female director

34

more companies have pledged to do so

$13T

in shareholder assets now backing board diversity[8]

There is still work to be done ...

Our goal for 2018 will be to expand our push for board diversity to Japan and Canada, providing board diversity guidance to more than 1,200 additional companies in those two countries.

We feel that our efforts can't stop at the board level if we truly want companies to adopt policies and practices that will help strengthen gender diversity throughout their organizations.

To that end, in 2018 we will do the following:

- Expect that our portfolio companies monitor and disclose the level of gender diversity not only on their boards but at all levels of management.
- Begin screening and engaging with companies on the STOXX 600 and FTSE 350 indices initially, seeking to understand company practices that promote diversity.

8 WSJ.com, Bloomberg, Pensions & Investments, CNBC March 2018.

Voting and Engagement Success Examples

North America

In response to our guidance, a company increased disclosure to incorporate the effects of climate change into its long-term strategy.

EMEA

In repose to engagement, a systemically important financial institution reduced the total compensation payout to its CEO.

APAC

In response to an engagement, a multinational Japanese company strengthened the level of international experience among its independent directors.

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 an illustration of how our stewardship program can enhance the ESG practices of our portfolio companies through voting and engagement.

Impact from Voting

Board Refreshment (United States) Board refreshment is a mechanism through which companies can update board skills and look for director candidates with diverse backgrounds and skills to complement the skills of serving directors. Since 2014, State Street Global Advisors has voted against 1,026 companies, of which 351 companies (34 percent) have refreshed their board in response to our engagement and voting efforts. In 2017, we took action against 359 companies and voted against the reelection of 736 directors globally due to poor refreshment practices.

Gender Diversity (Australia, United Kingdom and United States) In 2017, we adopted voting guidelines designed to address our concerns over the levels of gender diversity on boards of companies in Australia, the UK and the US. During 2017, we reached out to 787 companies to share our concerns about the absence of female directors on the board.

In response to our engagement in this area, 152 companies subsequently added a woman to their board. Of these companies, 129 companies (84 percent) were based in the US, 16 companies (10 percent) were Australian and seven companies (4 percent) were from the UK. Consequently, we took voting action against 511 companies for failing to demonstrate sufficient progress on board diversity.

Impact from Engagement

State Street Global Advisors successfully worked with several of our investee companies to enhance their governance, compensation and/or sustainability practices. We monitor and track the impact of our engagement activities (see Measuring Engagement Success on page 14) on a multiyear basis.

Board Quality and Governance

Enhancing Skills and Expertise on Boards (Japan) Our engagement with Mitsui & Co., Ltd., focused on the need for board succession to consider international appointments and, importantly, directors with experience in the oil and gas and/or mining sectors to help oversee strategic and capital decision-making. Consequently, the board strengthened the level of international and industry experience among its independent directors by appointing the former CEO of Rio Tinto Limited in June 2017.

Enhancing Gender Diversity (United Kingdom) In April 2017, we voted against the reelection of the chairman of the Nomination Committee of Metro Bank plc, as the company had no female directors on the board. Despite our best efforts to engage with the company on this issue before their annual meeting, they did not respond to our engagement requests. In June 2017, Metro Bank appointed their first woman director on the board. We have had similar success on this issue in the US and Australia.

Improving Board Accountability and Effectiveness (United States) We withheld support from the nomination and governance chair of Exxon Mobil to communicate our dissatisfaction with the company policies that limit direct shareholder access to board members. In December 2017, Exxon amended this policy, which had previously restricted its engagement with shareholders to written correspondence, and it now allows directors to meet directly with key shareholders, where appropriate.

In response to our engagement, Honeywell International Inc. improved its lead independent director role by increasing the term limit to at least two years and strengthening the job description by enhancing strategic elements of the role. In prior years, the role of the lead independent director was rotated annually among directors based on seniority. As highlighted in our guidance we believe a reasonable tenure allows an individual time to develop as a lead director and gives the individual time to build good working relations with management and other stakeholders.

Compensation

Removing Retest Features in Remuneration Plans (Australia) Three companies committed to removing the retesting feature from their remuneration plans after engagement with State Street Global Advisors. These included: BlueScope Steel Ltd, James Hardie Industries plc and Woodside Petroleum Ltd.

Reducing Quantum of Pay (Europe) We engaged with the remuneration committee chairman of Credit Suisse Group AG and expressed reservations relating to the variable compensation granted to the executive board. During engagement, we expressed concerns over the quantum of the CEO's annual bonus, which seemed high given the substantial losses and falling revenue at the company. We suggested that the committee include more operational and profitability metrics in the short-term incentive plan to better align with the company's new strategy and restructuring efforts. Following our engagement, the board reduced the total compensation payout to the CEO, which led to our supporting the pay proposal.

Improving Structure of Compensation Plans (United States) Responding to feedback provided by us in previous years, VeriFone Systems, Inc., and Exelon Corporation acted to improve their compensation structure by eliminating upward discretion in payouts and placing a cap on long performance plan awards in the event of negative absolute total shareholder return (TSR). United Technologies Corporation improved the structure of its long-term compensation plan by adding a return on invested capital (ROIC) metric and by decreasing the use of options and increasing the equity mix of time- and performance-based units. The AES Corporation improved the structure of its long-term plan by shifting away from stock options to a mix of performance share units and time-based shares as a long-term compensation tool.

In 2017, in response to our multiyear engagement efforts, total CEO compensation at Honeywell International Inc. was reduced over time. In addition, the company improved the structure of compensation by discontinuing the use of stock options in the long-term plan and, as part of a robust succession plan, added retention share units and performance share units to align the new leadership with shareholders.

Sustainability

Enhancing Board Governance on Sustainability Matters (Europe) We engaged with Air Liquide S.A. to discuss board oversight on ESG issues and noted that in Europe most companies in high-impact sectors have established dedicated committees to oversee sustainability-related risks, including climate risk. In response to our feedback, Air Liquide created a new committee, the Environment and Society Committee, whose mission is to assess the group's strategy and commitments in terms of sustainable development and draw up any relevant recommendations.

Enhancing Board Governance on Sustainability Matters (United States) In response to past feedback, in 2017 PPL Corporation enhanced board oversight of environmental and sustainability matters by explicitly adding that responsibility to the charter of the board's Nominating and Governance Board Committee.

Incorporating Effects of Climate Change into Long-Term Strategy (United States) We engaged with Occidental Petroleum Corporation following their 2017 shareholder meeting, where we supported a shareholder resolution (passed with 66 percent shareholder support) that called on the company to assess the impact on strategy of having to limit the rise in global temperatures to 2°C. During the meeting with members of Occidental's Environmental, Health and Safety Committee, it was stated that our guidance on the Perspectives on Effective Climate Change Disclosure was circulated among members and helped the company develop its response to the shareholder vote.

Cybersecurity (United States) In 2017, we engaged with companies on cybersecurity and data privacy to understand their preparedness and ability to quickly detect and neutralize an attack. We also sought to understand how boards shape and oversee digital strategy and cybersecurity programs.

Cybersecurity (Europe) We met with the chairman of the supervisory board of RWE AG and noted that the board would benefit from more digital-related skills and cybersecurity training as the company continues to develop and execute its digital transformation strategy. Based on feedback provided by us, the company committed to providing cybersecurity training and relevant reports from company experts to board members in 2018.

Regulatory Submissions and Speaking Engagements

North America

We advised directors on how to engage with shareholders effectively.

EMEA

We responded to the UK Green Paper on Corporate Governance Reform.

APAC

We advised against introducing unequal voting rights in Hong Kong.

Public advocacy through responding to requests for comments by regulators, and by speaking at gatherings of key stakeholders, allows the stewardship team to influence the market debate on a range of governance reforms, particularly in emerging markets where governance practices can be improved.

Further, the stewardship team aligns its advocacy with the same key themes and focus areas that underpin our proxy voting, engagement and thought leadership work. In 2017 those themes included unequal voting rights, governance best practices, climate-related risk, long-termism, effective engagement and gender diversity.

Debate over Dual/Multiple-Class Share Structures

2017 was a year when the most fundamental shareholder right — the ability to vote in proportion to one's economic interest — was up for debate in several markets. The US and Germany are one of the few developed financial markets that allow for the listing of dual- or multiple-class shares. This structure allows companies to trade on stock exchanges and offer different voting rights to shareholders of different share classes. We believe multiple-class share structures disenfranchise minority shareholders and create a governance structure that allows for promoters/founders and families to retain undue control of the company.

With the growth of activism and concerns around short-termism, several companies, particularly young technology companies, choose dual-class structures as a way for founders and early investors to tap public markets while retaining control.

Consequently, many companies, especially in emerging markets where multiple-class share structures are forbidden, are now looking to IPO in the US rather than their domestic markets. This has led regulators and stock exchanges in Hong Kong and Singapore to seek shareholder feedback on their listing rules.

In the US, an excessively restrictive share listing by Snap Inc. set off a storm of shareholder opposition and soul-searching among investors about the practice of issuing dual-class shares.

At State Street Global Advisors, we strongly oppose any dilution of the one share, one vote principle that we believe is vital to allowing shareholders to hold boards and management teams accountable for long-term performance. Below, we have provided a brief summary of our responses to regulatory guidance in various markets on this issue.

Shareholder Rights in the Age of Snap (United States) Snap Inc.'s decision to go public with only nonvoting shares set a new precedent and quickly reignited debate about unequal voting share structures and their implications for shareholder rights. We believe in one share, one vote, and we have enshrined that view in the governance and stewardship principles we have endorsed as part of the Investor Stewardship Group. At the same time, we acknowledge that there is no simple solution for resolving the phenomenon of unequal voting rights. While it may be tempting to call for the exclusion of such shares from market indices, that approach alters the basic construction methodology of market-cap-weighted indices.

Consequently, as a result of increased shareholder attention, Facebook was also forced to abandon its plans to create a new class of nonvoting C-shares, and Uber's board voted to switch to a one share, one vote structure in advance of its future IPO.

In our April 2017 publication, Shareholder Rights in the Age of Snap, we called on regulatory bodies to address these concerns. In our opinion, companies seeking capital from the public need to provide equal rights to all investors so that they can voice their concerns and effect change through the voting of their shares when necessary. Fundamentally, as shareholders, we appoint directors to oversee companies. If we don't have the ability to hold directors accountable when the company is not going in the right direction, then shareholders have limited recourse or accountability mechanisms. As such, we voted for 100 percent of the shareholder proposals to eliminate dual-class share structures in the US.

Introduction of Weighted Voting Rights (Hong Kong) In June 2017, Hong Kong Exchange and Clearing Limited (HKEX) released a concept paper seeking investor feedback on a proposal to create two new boards for the primary purpose of attracting New Economy (e.g., technology) companies to list on its exchanges. Core to the proposal is the introduction of weighted voting rights (WVR) to the market. WVR is synonymous with dual- and multi-class shares, used as a mechanism to create a misalignment between a shareholder's economic interest and his/her voting interest. HKEX had previously considered the adoption of WVR in 2014 and decided that introducing it was not in the best interest of the market.

State Street Global Advisors published a response to HKEX's new board concept in August 2017. In our paper we observed that the introduction of weighted voting rights was not the right approach, as it dilutes our long-held support for one share, one vote, which we consider to be a founding principle on which all other shareholder rights are built. Furthermore, granting WVR to some shareholders, particularly if they are controlling shareholders, dilutes the ability of shareholders to mitigate the principal-agent policy inherent to publicly listed companies.

Finally, we recognize that HKEX last considered this issue back in 2014 and concluded that it was not in the best interests of market participants, and we believe this is still the case.

The Shareholder Rights Directive (European Union) In May 2017, the European Parliament adopted the Shareholder Rights Directive. The new directive amends the existing 2007 Shareholder Rights Directive. Among other things, the core amendments will introduce a "say on pay" vote on the remuneration policy of company directors. Under these new rules, shareholders will have two opportunities to express their views on pay:

- First, the remuneration policy, which must be held at least every four years or when there is a material change to pay practices, will provide a framework that sets out how pay will be awarded to directors. We note that EU member states will decide whether this vote should be binding or advisory.
- Second, the remuneration report will outline pay granted in the past financial year. The remuneration report vote will occur on an annual basis, although the vote itself will be advisory. In addition, member states can choose to allow companies to replace this vote by a discussion at the general meeting.

We believe the new rules on remuneration are positive and will essentially harmonize remuneration disclosure standards across the EU by first introducing a framework that sets out how pay is awarded to directors. Second, it will provide investors with a say on any material changes to a company's remuneration plan through a vote on its remuneration policy at least once every four years, as well as an annual vote on remuneration paid in the past year. The deadline for implementation of the directive by EU member states is June 10, 2019.

State Street Global Advisors Collaborative Response on UK Corporate Governance Reform (United Kingdom) We met with the UK Investment Association to discuss the Green Paper on Corporate Governance Reform issued by the Department for Business, Energy & Industrial Strategy. In February 2017, we submitted our response to the Green Paper, which included four key takeaways:

- As the world's third-largest global investor, the UK has had some of the highest standards of corporate governance in the world, and the current framework empowers shareholders to monitor and engage with their portfolio companies.
- We cautioned against significantly altering the current governance framework, which could increase the regulatory burden on listed companies. However, we were supportive of a mandatory disclosure of fund managers' voting records at shareholder meetings.
- We supported the introduction of a mechanism that would empower board-level remuneration committees by requiring them to be responsive to investor feedback provided through the engagement or voting process. However, we proposed an alternative solution to the recommendations in the Green Paper. We recommended that in the event that a company's shareholders should fail to support its remuneration proposals, the chairperson of the remuneration committee must stand down from the committee at or shortly after the next annual shareholder meeting if the remuneration proposal at that meeting failed to receive shareholder support in the following year.
- We believe that introducing stronger consequences for failing the advisory vote on pay will greatly increase the accountability of the chairperson of the remuneration committee. Consequently, it will empower the board to implement investor feedback, failing which the director will be held responsible for their inability to effect change.

Additional information can be found here.

State Street Global Advisors Public Speaking

An important element of our thought leadership is participation in the public debate surrounding ESG topics, primarily through keynote addresses, panel participation and membership of working groups. We do so in partnership with various groups, such as industry organizations and educational institutions. Our public speaking is specifically targeted to align with our overall stewardship priorities and advance our perspective on key ESG matters.

In 2017, we focused our public speaking opportunities around the following themes: climate risk, long-termism, effective engagement, gender diversity and corporate governance best practices. Below, we highlight examples of how we advanced these priorities:

Climate Risk We believe that boards should regard climate change as they would any other significant risk to the business and ensure that a company's assets and its long-term business strategy are resilient to the effects of climate change.

- In a keynote speech to the US Chamber of Commerce, we asserted the necessity of incorporating sustainability into strategic and capital allocation decisions.
- As a participant in the Task Force on Climate-Related Financial Disclosures (TCFD) working group, we shared our insights into what effective disclosure looks like.
- We shared our expertise on effectively communicating sustainability efforts to shareholders as a panelist at a food retail industry conference.

Long-Termism As a long-term, significant shareholder with core index strategies that represent near-permanent capital, we are actively engaged in efforts to support the long-term stability of capital markets.

- Through our participation in the Embankment Project for Inclusive Capitalism, we are working to help develop a reporting mechanism to better measure and communicate the long-term value they create for shareholders.
- As a member of Focusing Capital on the Long Term (FCLT), we are advancing a long-term focus for capital markets.

Effective Engagement The effectiveness of our engagement activities can be improved when companies attend meetings understanding how we will approach discussions.

- As a member of the Principles for Responsible Investment (PRI) bondholder engagement working group, we contributed to the development of a fixed-income engagement guide that was released in early 2018.
- Engagement between directors and shareholders has grown exponentially, and we frequently serves as a panelist at FT-ODX (Outstanding Directors Exchange) education events to pull back the veil on these discussions and encourage active participation by boards.

Gender Diversity We view gender diversity as one of many ways a board can introduce a varied set of skills and expertise among its directors to help improve financial performance.

- On the eve of International Women's Day in March 2017, our then-CEO Ron O'Hanley delivered a keynote address at the John L. Weinberg Center for Corporate Governance at the University of Delaware introducing our focus on gender diversity in 2017.
- State Street Global Advisors added the perspective of an institutional investor to a panel focused on the role of the private sector at an event on education and gender equality hosted by the French Mission in Boston together with Wellesley College.

Corporate Governance Best Practices Our stewardship role in global capital markets extends beyond proxy voting and engagement with issuer companies. It includes promoting investor protection for minority shareholders in global markets through partnerships with local investors and regulators, and working with investee companies to encourage the adoption and disclosure of ESG practices.

- In a presentation to the US Securities and Exchange Commission, we addressed the risks associated with companies having multiple share classes with unequal voting rights.
- State Street Global Advisors was an active proponent of the work of the Investor Stewardship Group (ISG) and spoke about the effort at numerous conferences, including those hosted by the Council of Institutional Investors (CII) and International Corporate Governance Network (ICGN).
- We led a panel session addressing corporate governance value destroyers and how to avoid them at the 2017 Responsible Investment Europe Conference.
- At the launch of the PRI Blueprint and during Climate Week in 2017 we spoke about how we embrace our stewardship responsibilities.

Creating Sustainable Value for Our Clients

Governance

Through proactive engagement, voting and thought leadership pieces, we call on companies to have strong, effective, independent boards.

Compensation

We have developed a framework for analyzing pay votes at portfolio companies, and we use engagement and our vote to highlight our concerns about pay practices.

Environmental and Social Matters

We have increasingly focused on environmental and social issues that effect long-term value, recognizing that risks can vary widely depending on a company, its industry, operations and geographic footprint.

Our asset stewardship program is aimed at engaging our portfolio companies on environmental, social and governance (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 manage risk.

As near perpetual holders 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

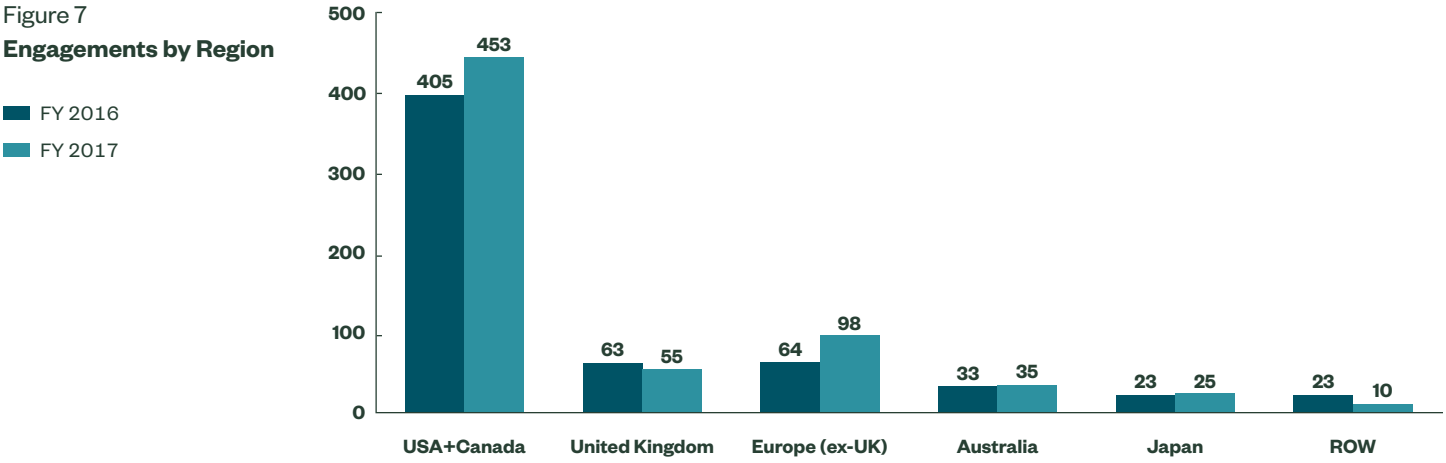
During 2017, State Street Global Advisors had a total of 2,297 engagements, of which 1,621 were through a letter-writing campaign and 676 meeting were in-person meetings or via conference calls on various ESG issues. In January 2017, prior to the proxy season,we rolled out our guidelines for boards to incorporate sustainability into long-term strategy. As part of our global campaign, letters were sent to the boards of S&P 500, FTSE 350, AS X100, CAC 40 and DAX 30 companies in the US, UK, Australia, France and Germany, respectively.

Eighty-five percent of our 676 engagements were classified as active engagements, driven by our annual stewardship priorities and companies identified through our ESG screens. The remaining 15 percent of our engagements were reactive, conducted primarily to discuss proxy voting-related or event-driven ESG issues. In this section, we provide an overview of the range of issues that we discussed with companies, beyond the focused-engagement priorities discussed earlier.

A comparative breakdown of our engagements by region in 2016 and 2017 is provided in Figure 7, which shows that much of our engagement efforts were focused on companies domiciled in North America (USA and Canada), the United Kingdom, Europe and Australia. In addition, Figure 8 provides an analysis of the main areas of engagement focus.

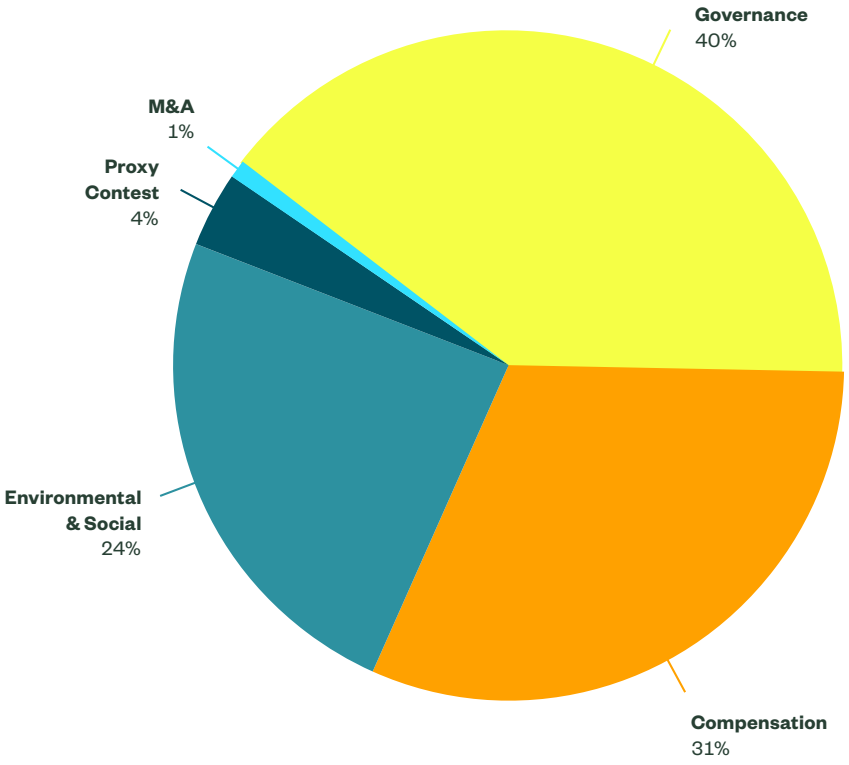
During the year, the team engaged on broader governance and board issues, including strategy, risk and board refreshment issues in approximately 40 percent of the cases (46 percent in 2016), compensation or remuneration-related issues in approximately 40 percent of the cases (30 percent in 2016), and environmental and social issues in approximately 24 percent of the cases (19 percent in 2016).

Figure 7
Engagements by Region



Source: State Street Global Advisors 2016–2017 Engagement Database.

Figure 8
Topic of Engagement January 1 to December 31, 2017



Source: State Street Global Advisors 2016-2017 Engagement Database.

Engagement and Voting Highlights
General Governance-Related Matters

Focus on Sustainability and Long-Term Strategy

In previous years, we have focused our engagements on understanding how the corporate governance and compensation structures of a company align and support its stated long-term strategy. We believe that once a board has developed its long-term strategy, the company should clearly communicate it to shareholders and that the board should match the skills and background of directors to effectively oversee management. We have also reviewed compensation plans to assess the drivers of short- and long-term payouts.

However, since 2016, our engagements have increasingly focused on understanding how boards identify, incorporate and communicate to shareholders the material effects of sustainability factors on their long-term strategy. In our 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. We also included our framework for evaluating and communicating how these risks and opportunities can affect long-term strategy.

Our framework for evaluating companies is based on each company's approach to sustainability, drawing upon our past engagements with many companies on these issues. This framework reviews and categorizes a company's approach to sustainability based on three criteria.

Our Framework for Evaluating a Company's Approach to Sustainability

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 strategy?

Companies Are Just Starting to Understand How Sustainability Factors Influence Strategy
For two years, we have been evaluating and ranking how effectively companies incorporate sustainability into their strategy. Based on the framework provided above, we rate them as follows:

- **Tier 1** Companies fully communicate their approach to sustainability and the extent to which sustainability factors are integrated into or impact 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.

We do not consistently revaluate a company year over year unless they are part of our active engagement program. Consequently, at this juncture of our program we cannot systematically compare progress unless we reengage with a company in the following year. Of the 32 companies that we engaged with in 2016 and 2017, 17 were rerated higher, indicating that they are incorporating our feedback and incorporating sustainability into their long-term strategy. Improvements are largely attributed to companies more effectively communicating how they are integrating sustainability practices/factors into their long-term strategy. Overall, we found that about 10 percent of the 269 companies that we have evaluated could be considered Tier 1 companies in 2017, 63 percent were rated Tier 2, and 27 percent were rated Tier 3.

On a sector basis, we identified three sectors — insurance, food and staples retailing, and materials — as having a higher proportion of Tier 1 and 2 companies than other sectors. We believe that within the insurance sector the higher proportion can be attributed to the direct correlation between changing climate patterns and losses, particularly due to natural disasters such as more frequent hurricanes. In the food and retail space, the inclusion of sustainability in long-term strategy can be attributed to reputational damage associated with poor sustainability practices such as food safety and living wages. Finally, companies in the materials sector perform well on tiering as their businesses often depend on natural resources, and ESG focus area for global investors for a number of years. Therefore, many of these companies have integrated sustainability into their strategy in order to gain a competitive advantage or keep up with competitors. For example, forestry companies fall within this sector, and during engagement several pulp-and-paper manufacturers described the importance of sustainable growing practices in order to make their forestry products more resilient to the effects of climate change. Sustainable harvesting strategies, rather than clear-cutting entire areas, are often employed in order to prioritize future streams of revenue over short-term gains at the expense of future profits.

Another sector example is our engagement with mining and mineral extraction companies. Given the concerns around worker safety, as well as the environmental effects of poor operational practices that can result in significant costs and reputational damage, companies in this sector have long identified material ESG factors that impact long-term performance. Consequently, factors such as reportable-incident rates, quality of water discharge, and consumption are incorporated into the short-term compensation payout to senior executives and create a direct link between sustainability and strategy.

Applying Our Sustainability Framework During our initial analysis in 2017, 7 percent of companies exemplified thoughtful incorporation of sustainability into long-term strategy (Tier 1); at year-end 10 percent of companies we evaluated were classified as Tier 1. However, since implementing our long-term sustainability guidelines, 61 companies had the opportunity to have their tiering reviewed multiple times.

Further, 17 companies improved their tiering, mainly due to enhanced disclosure and more thoughtful responses to a central question we posed: "Has the company adequately communicated its approach to sustainability issues and its influence on strategy?"

Our assessment of companies approach to sustainability also highlighted that the size of companies in terms of market capitalization varied between tiers. Tier 1 companies averaged $64 billion in size, while Tier 2 included the largest companies, with an average market capitalization of $223 billion, and Tier 3 included the smallest companies, with an average size of $29 billion. Through engagement, we found that many Tier 3 companies stated that they lacked the resources to better communicate or pursue sustainability matters.

Assessing Issuer Sustainability in Japan We assessed the sustainability disclosure of 10 Japanese companies representing 4 percent of all companies within our tiering universe.

We assessed and tiered the following companies: Dai-Ichi Life Holdings Inc., Fanuc Corporation, JFE Holdings, Mitsubishi Corp., Mitsui & Co., Ltd., Nippon Yusen K.K, OMRON Corporation, Sapporo Holdings Limited, Sony Corporation and Yamaha Motor Co. Ltd.

All of these Japanese companies were rated Tier 2, but on average they failed to disclose how they assessed and incorporated environmental and social sustainability issues into their long-term strategy. In particular, we found the following:

- Many Japanese companies framed their environmental and social efforts through a nonstrategic lens.
- The Japanese companies we assessed credited their efforts concerning environmental and social issues to "doing the right thing" rather than to capturing strategic benefits from creating efficiencies, cost reductions, early identification of emerging risks, building goodwill in the community, avoiding fines, staying ahead of regulations, and so on.

Growing Activism and its Potential Impact on 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, and we issued guidance to companies in October 2016 establishing our expectations for boards to be thinking long-term when negotiating settlements. We also believe that as long-term owners, boards and activists should debate and together develop principles that protect the interests of long-term shareholders in settlement agreements.

The growing influence of investors has clearly contributed to the ability of companies to fight back against activist campaigns, with only 86 out of 100 board seats won by activists without a proxy contest during 2017, compared to 127 out of 145 board seats conceded in 2016. This trend is reflected in our engagement with management and dissidents at 24 companies in 2017 that were targeted by activist investors. These included: Edgewater Technology, Inc., CSX Corporation and Immunomedics, Inc. In 22 potential proxy contests, the boards of six companies entered into settlement agreements with dissidents, and they conceded 24 board seats. Dissidents lost proxy contests at seven companies.

In addition, we have also continued to see the rise of activism within European markets, which accounted for nearly 30 percent of total campaigns in 2017. However, investor support for activists in European companies has been weak. A number of notable European activist campaigns, such as those at Credit Suisse, Ericsson and Safran, failed to gain significant investor support. This is largely attributed to a perceptible difference between European and US markets, especially when it comes to domestic shareholder support and complex ownership structures (employee ownership/representatives). With greater focus on wider stakeholders' interests in Europe, we believe that successful activist campaigns will need to adjust the return-focused narrative that has been successful with US investors to a more nuanced sustainable-return-focused narrative. Activist campaigns in Europe have had the most impact when the activist investor has focused on the need for boards to drive performance and deliver returns to shareholders. Below, we have highlighted a few noteworthy proxy contests during the last year.

Activist Shareholder Attempt to Remove a Chairman (United Kingdom) In December 2017, the Children's Investment Fund (TCI) requisitioned a special meeting of London Stock Exchange (LSE) shareholders, calling for the immediate removal of the board chairman, due to perceived corporate governance failures and a lack of transparency around the departure of the former CEO. State Street Global Advisors engaged with both the senior independent director of the LSE and representatives of TCI.

In our view, as the company is in the process of searching for a new CEO, keeping Donald Brydon as chairman until his retirement in April 2019 ensured stability and enabled orderly succession planning. Therefore, we voted against TCI's proposal to immediately remove the chairman of the board. The shareholder proposal was rejected at the meeting with 79 percent of shareholders voting against it.

Proxy Plumbing in the Spotlight (United States) The fourth quarter of 2017 also featured the largest, most expensive proxy contest in history, which by some reports cost more than $125 million. The contest for board seats between Trian Partners and the Procter & Gamble Company (P&G) was also unique in that it extended three months past the annual meeting date before a settlement agreement was reached.

Citing underperformance and a lack of board refreshment, the dissident felt management did not have a sustainable business strategy and proposed a streamlined organization. However, management pointed to performance following a recent CEO succession and strategic review as evidence that the company was on the right path.

The strength of the strategic arguments put forth by both sides led to a close vote that exposed weaknesses in the infrastructure that currently facilitates the proxy voting process in the US. Following the shareholder meeting on October 10, 2017, the board announced that all its directors had been elected. However, the dissident challenged the result, and weeks later preliminary results pointed to a dissident win by a margin of 43,000 votes out of nearly 2 billion cast. Following this announcement, management and the dissident met with the independent inspector of elections to review 100,000 vote cards to determine if they were valid.

At the conclusion of the review, management was back on top by 500,000 votes, but Trian still had the option to challenge the inspector's decisions on individual votes in court. To bring the fight to a conclusion, management ultimately decided to expand the board and welcome the dissident candidate as a director. If the parties were not able to reach an amicable resolution, the lack of certainty in vote outcomes could have left the company without a clear path forward well into 2018.

Effective Board Leadership

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 vies board quality as a measure of director independence, succession planning, board diversity, director evaluation and refreshment, and company governance practices. During 2017, we engaged with 69 companies on their board leadership structures. Below, we provide highlights from our regional engagements on these issues.

Japan We engaged with some of our largest Japanese holdings, including Honda Motor Co., Ltd., Mitsubishi Corp. and Toyota Motor Corporation. While our discussions covered a range of topics, we emphasized the importance of independent directors to oversee the development of strategy and provide robust oversight of management. Through our discussions, we have learned about how companies are amending their practices to create stronger, more diverse boards. In one case, a company with a global footprint decreased the frequency of board meetings and moved them to a major city so that they could attract non-Japanese board members. Actions such as this demonstrate a commitment to a strong, independent and effective board.

Europe We engaged with Rexel SA to better understand their succession planning around board leadership transition, particularly given the departure of chairman and CEO Rudy Provoost and the separation of the chairman and CEO roles. During our engagement, the company explained that the departure of the previous chair/CEO was due to disagreements with the board about implementing a new governance structure and digital transformation strategy. Rexel is undergoing a strategic transition, moving from a branch-centric distributor to a fully customer-centric and digitally powered multichannel business model. We welcomed the company's new strategy and the commitment of the board to improving corporate governance and accelerating the digital transformation of Rexel's businesses.

United Kingdom We engaged with British Land, a company that has been struggling to replace its current nonexecutive director (NED), who is close to reaching the market director tenure limit of nine years. The board commenced a search for a new NED with the appropriate skills and experience to lead the company in the coming years. We engaged with the company on their succession planning and inquired if the company had identified a qualified slate of external candidates. Further, we discussed how their current board evaluation process supports the process of long-term board evolution. During our engagement, the company explained that they struggled to find a candidate because there is a very small pool of individuals who have experience in the real estate sector. Moreover, given the British identity and footprint of the company, the board did not think it was appropriate to expand their NED recruitment outside of the UK market. We expressed concern with the succession process, which we believe needs to be more transparent and robust. In addition, we urged the company to extend their narrow focus beyond the UK and the REIT sector in order to grow the pool of potential candidates.

United States We engaged with 63 US companies on their board leadership structures during the last year. In addition, we voted on 44 shareholder proposals that were seeking an independent board chairman. At several companies that had a proposal, we had previously engaged with the lead independent directors about their roles and responsibilities. At these companies, we relied on previous engagements to inform our voting decision. We supported 23 percent of the proposals, abstained on 7 percent of and voted against 70 percent.

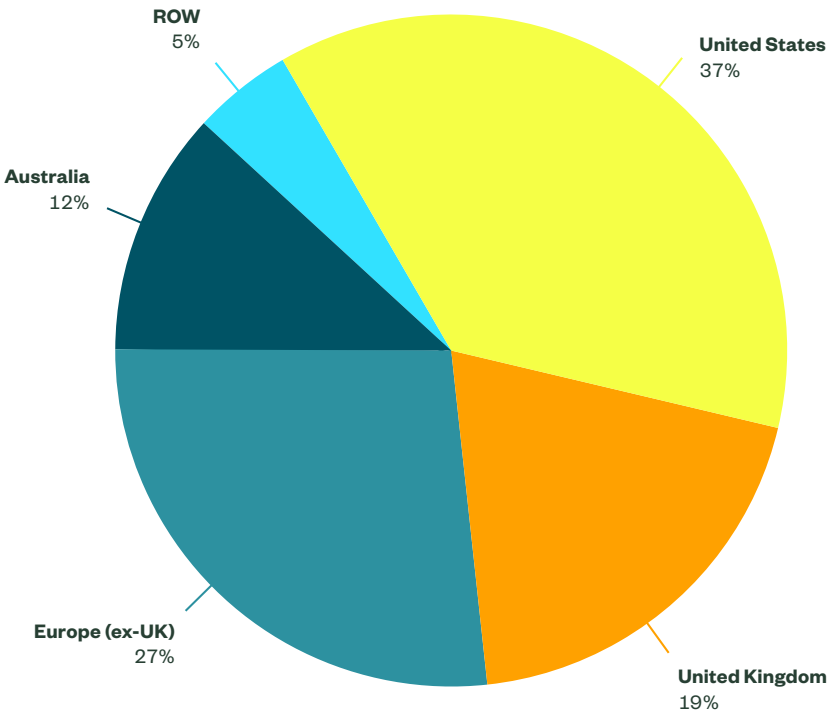
Engagement and Voting Highlights
Compensation-Related Matters

In 2017, there were 5,214 proposals on compensation practices or policies across our global investment portfolios. In 2017, we supported approximately 89 percent of pay-related proposals, down slightly from 91 percent support in 2016. The primary reasons for the increase in voting against pay proposals were growing concerns about pay-for-performance misalignment and increasing pay quantum in the prior year.

We relied on propriety region-specific compensation screens to help identify and prioritize the 5,214 pay-related proposals for further review. Consequently, we reviewed 1,642 companies, or 31 percent of total proposals up for a vote. Figure 9 provides a regional breakdown of pay proposals reviewed in 2017. On average, we supported the compensation practices/policies at the screened companies 36 percent of the time, voted against their practices 38 percent of the time, and chose to track (support with reservation) 26 percent of the proposals due to some concerns with pay policies/structure. A regional breakdown of our voting on pay proposals is provided in Figure 10.

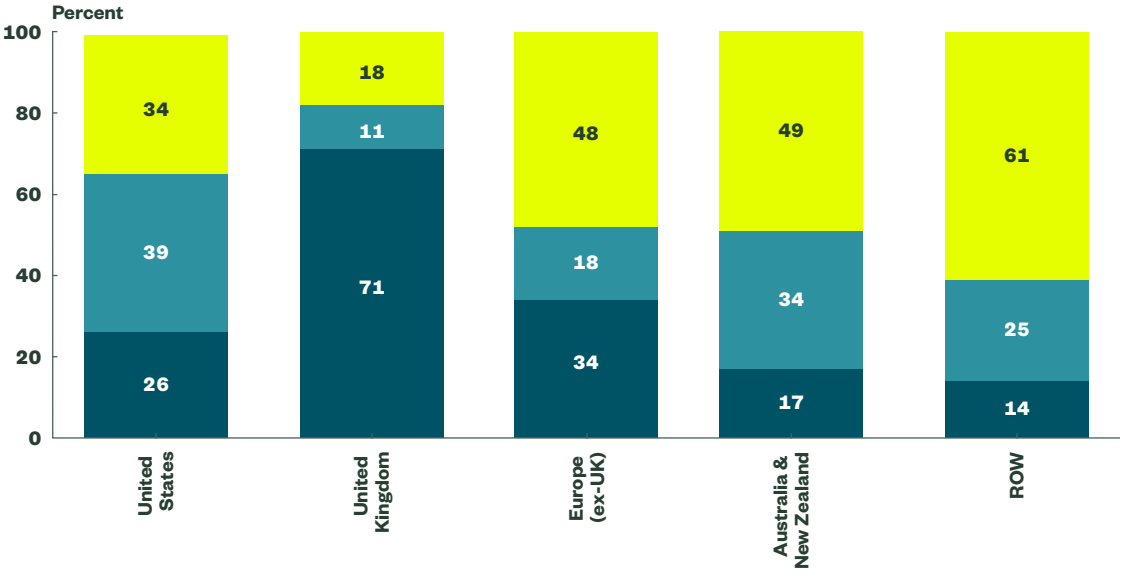
Figure 11 shows a breakdown of our voting-decision rationale on compensation issues, which was driven primarily by our concerns with the structure of the compensation packages and by quantum of pay based on the performance of a company.

Figure 9
Pay Proposals Screened by Region



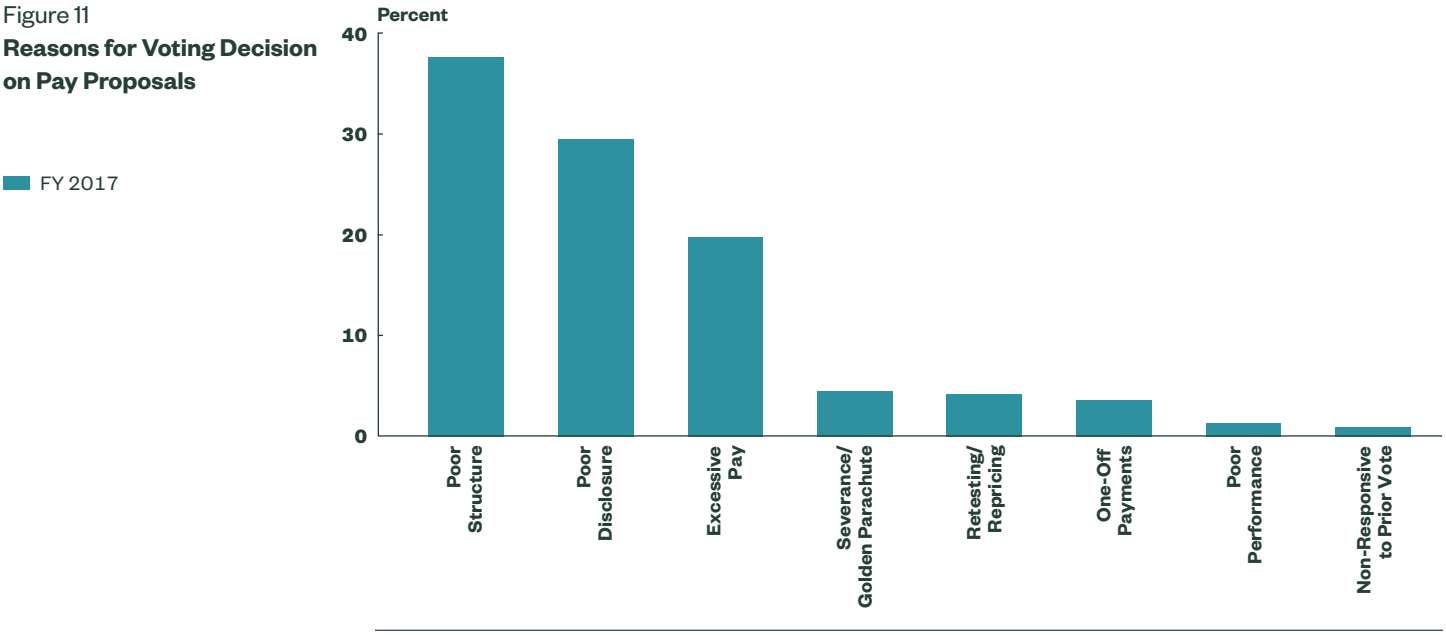
Source: State Street Global Advisors 2017 Engagement Database.

Figure 10
State Street Global Advisors Votes on Screened Say-On-Pay Proposals



Source: State Street Global Advisors 2017 Engagement Database .

Figure 11
Reasons for Voting Decision on Pay Proposals



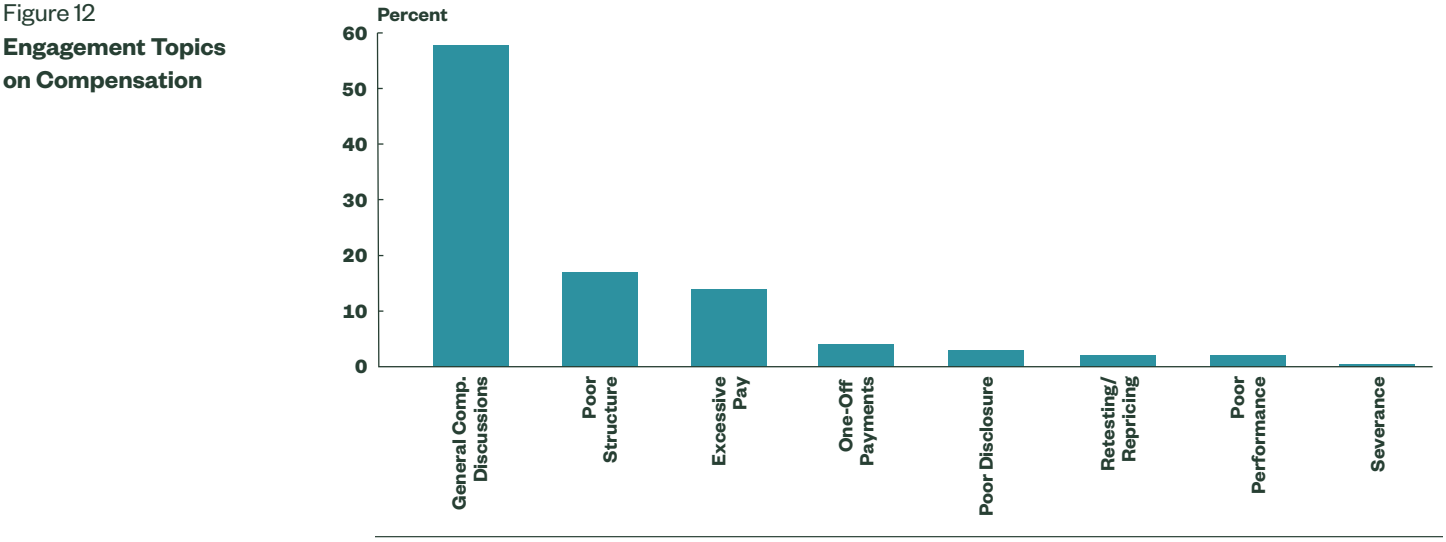
Source: State Street Global Advisors 2017 Engagement Database.

Engagement on Compensation-Related Matters

As 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 at the company. However, if engagement is not found to be an effective tool for promoting change, we use our vote to highlight our concerns with pay practices. We have developed a framework for analyzing pay votes at portfolio companies (see below). During engagement, we clearly communicate our concern with executive pay at the company and monitor companies on their responsiveness to the concerns we raise during engagement.

In Figure 12, we provide an analysis of specific engagement topics related to pay that were discussed with companies. We discussed pay-related issues with more than 400 companies in 2017. In these engagements, we discussed overall compensation programs with 234 companies and raised concerns regarding poor executive compensation structures at 67 companies. We also raised concerns with the quantum of pay at 57 companies.

Figure 12
Engagement Topics on Compensation



Source: State Street Global Advisors 2017 Engagement Database.

OurFramework 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, safety, etc., that 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 relative TSR performance 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.
  — Retesting of performance metrics or repricing of options.
  — Hedging and pledging activities of senior management.
  — Total named executive officer's (NEO's) pay and pay disparity between chair/CEO and other NEOs.

Significant improvements in structure that will impact future pay.

Insights into 2017 Pay Trends in Australia, the UK and the US

Some Improvements in Remuneration Programs, But Presence Of Retesting Features Within Incentive Plans Remainsa a Concern (Australia) During the course of 2017, we screened out remuneration votes for review at more than 285 Australian companies. We engaged with several companies to better understand their practices, including AGL Energy Ltd., Amcor Limited, Ardent Leisure Group, Commonwealth Bank of Australia, Fairfax Media Ltd., Industrial REIT, Healthscope Ltd., REA Group Limited and Tabcorp Holdings Ltd.

Despite years of improvement in remuneration practices and disclosure, Australian companies are still lagging behind their US and UK peers. A notable change has been an overall improvement in the diversity of remuneration metrics being used as companies shift from relying solely on total shareholder return (TSR) to drive long-term payouts. Below, we outline our observations in greater detail.

Continued Presence of Retesting Features in Incentive Plans We were surprised to see an increase in companies utilizing a retest feature or provision in their remuneration structure despite our ongoing concerns with this practice. A retest feature essentially offers executives multiple opportunities to earn payouts, even if they fail to achieve performance targets over a specified period. We believe that this practice allows for possible pay-for-performance misalignment and incentivizes management to make risky decisions that will have high payoffs in order to meet aggressive targets over a short time period. In 2017, we voted against 38 remuneration plans due to the presence of a retest provision, up from 33 in 2016. In certain cases, we saw companies try to win investor approval by coupling positive changes, such as diversification of long-term performance metrics, to the introduction of a retest provision. However, we do not see changes such as adding to or increasing performance-based components in long-term incentive plans as mitigating our concerns with retesting provisions. Despite the increase in "against" votes, we continue to track some success from engagement. Both BlueScope Steel and Woodside Petroleum removed retesting provisions from future plans, and two more companies committed to removing the retesting feature from their remuneration plans during our engagement.

Short-term Incentive Plan Disclosure Still Lags Behind UK and US Markets A minority of companies have begun to provide more disclosure to shareholders on the specific metrics (weighting, threshold, target and maximum goals) used within their short-term incentive (STI) plans. Despite this positive improvement, STI disclosure in the Australian market overall continues to lag behind other markets such as the UK and the US. When reviewing disclosure, we expect companies to at a minimum disclose the metrics and performance against targets used when making remuneration decisions. Furthermore, when annual programs are highly subjective, we look for detailed disclosure on the achievements that the board considered as part of their evaluation.

Our evaluation of Australian remuneration plans raised a number of additional concerns:

- New equity grants without performance hurdles or based exclusively on achievement of nonfinancial metrics
- Collapsing the short-term and long-term incentive plans into a single pay plan that is short-term focused
- The growth of benchmarking remuneration against much larger US companies without sufficient justification, which can have a ratcheting effect on overall remuneration

Better Alignment of Remuneration Metrics Companies have begun to move away from using TSR as the sole long-term performance metric, in favor of structures more appropriate to their company and industry. Using a diverse set of metrics aligned with long-term performance reduces the need for boards to intervene to adjust remuneration plan payouts that do not match company performance. 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.

Focus Remains on Pay and Performance (United States) In the 2017 proxy season, we voted against 34 percent of the 551 pay proposals screened for further review and engaged with more than 180 US companies on the topic of executive compensation. During 2017, our discussions with companies addressed their preparation to comply with new requirements around CEO pay ratios, under which companies need to disclose CEO pay versus the pay of the average worker. This new disclosure will potentially have reputational implications for companies with significantly high pay ratios compared to their peers. In 2018, we do does not intend to take voting action based on pay ratios, as we need to evaluate the evidence from pay ratio data before incorporating this information into voting frameworks.

In 2017, fewer management say-on-pay (MSOP) proposals failed, with 78 percent of companies receiving more than 90 percent support, compared to 75 percent in 2016, which is higher than any year since 2011. However, our votes against US pay remained consistent at 6 percent of all pay proposals during the year. We enhanced our process by introducing a quantum screen into our voting process that identifies companies with high quantum for further review, during which we ensure that performance is not masking a poor pay program. Further, our screening process utilizes relative TSR to eliminate macroeconomic effects when evaluating pay and performance alignment.

Some of the US companies we engaged with on pay concerns include Alphabet Inc., Allegiant Travel Company, Ambac Financial Group, Inc., MSCI Inc., American Express Company, VeriFone Systems, Inc., FMC Corporation, Nuance Communications, Inc., and Calix, Inc.

Remuneration Continues to Dominate Annual Meeting Season (United Kingdom) In 2017, there was a renewed debate in the market on the adequacy and effectiveness of the UK's corporate governance framework, given the Brexit vote and recent governance failures at UK companies. With intense public scrutiny over executive remuneration, we found that many companies proactively sought shareholder approval for a revised remuneration policy early in the process. Consequently, most companies had adequate time to respond to our feedback in order to ensure that they continue to receive high levels of support. During the year, we voted against 6.5 percent of remuneration policy proposals, down from 9.8 percent in 2016.

Key takeaways from our engagements with UK companies and analysis of remuneration-related proposals include the following:

- UK companies are adopting a more cautious approach to increases in remuneration, and they generally seem more responsive to shareholder feedback. It also appears that a growing number of remuneration-related resolutions in the UK are being withdrawn in behind-the-scenes negotiations to avoid embarrassing public showdowns.
- UK companies are continuing to increase holding periods on long-term incentives, and a large majority in the FTSE 100 now have a holding period of more than three years.
- Incentive design is still in need of improvement, particularly given that the traditional performance share plan with a combination of total shareholder return and earnings per share targets remains very popular in the UK. However, we find that this approach does not always provide a strong link between executive compensation and business strategy.
- In our engagements with UK companies, we made it clear that we expect remuneration committees to set appropriately stretching targets that are aligned to long-term strategy. We also stressed the importance of utilizing an additional return metric such as return on capital employed.

During 2017, we engaged with the chair of the executive compensation committee of QinetiQ Group plc and noted that there were concerns with the shift toward short-term variable remuneration and the similarity in performance targets (underlying operating profit) utilized under the two elements of their new incentive plan. In our engagement with the company, we also stressed the importance of utilizing an additional return metric, such as return on capital employed. Consequently, as no action was taken by the remuneration committee to address our concerns, we voted against the company's binding remuneration policy resolution at the annual meeting in July. While the remuneration policy passed, more than one-third of shareholders voted against this resolution.

We also engaged with the chair of the executive compensation committee of Pearson plc and noted that the targets utilized under the annual bonus were not sufficiently stretching and that there were concerns with the poor link between bonus payouts and financial performance. Consequently, as no action was taken by Pearson to address our concerns, we voted against the company's remuneration report at the annual meeting. Pearson was the only FTSE 100 company where the remuneration report resolution was defeated in 2017.

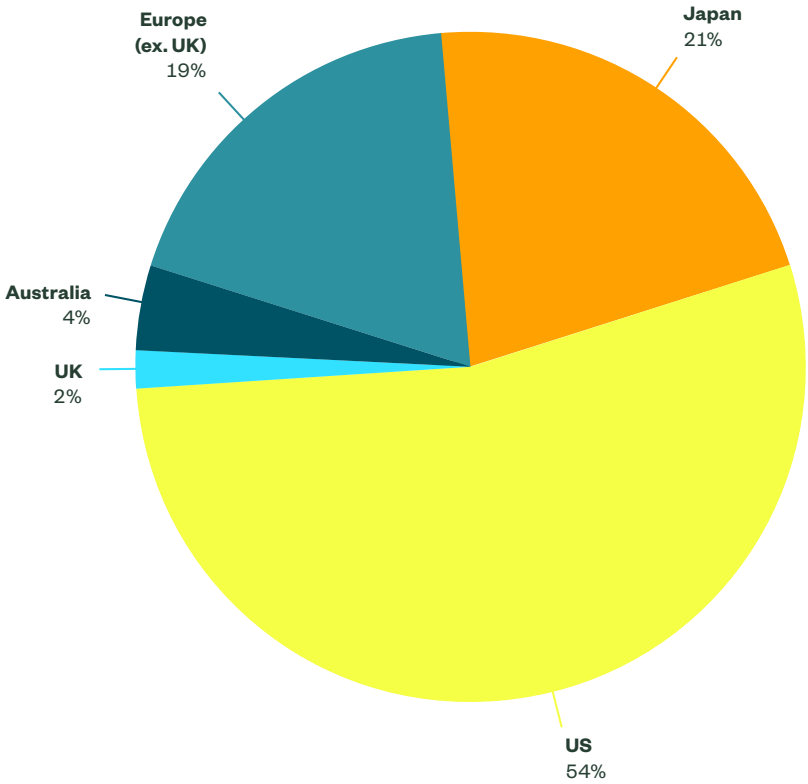
Restricted Share Schemes During 2017, a number of UK companies attempted to restructure their long-term plans by moving away from performance shares to time-vested restricted shares. As investors' views on this type of remuneration structure continue to evolve, several proposals that sought to adopt restricted share schemes received high levels of dissent or were withdrawn before the annual meeting.

In our view, a large majority of the restricted stock plans proposed in 2017 were not aligned with shareholder interests. When evaluating the appropriateness of a new restricted plan, we expect to see reduced quantum for increased certainty, longer holding periods, and safeguards against rewarding for failure, such as the inclusion of a robust financial underpinning.

Engagement and Voting Highlights
Environmental and Social-Related Matters

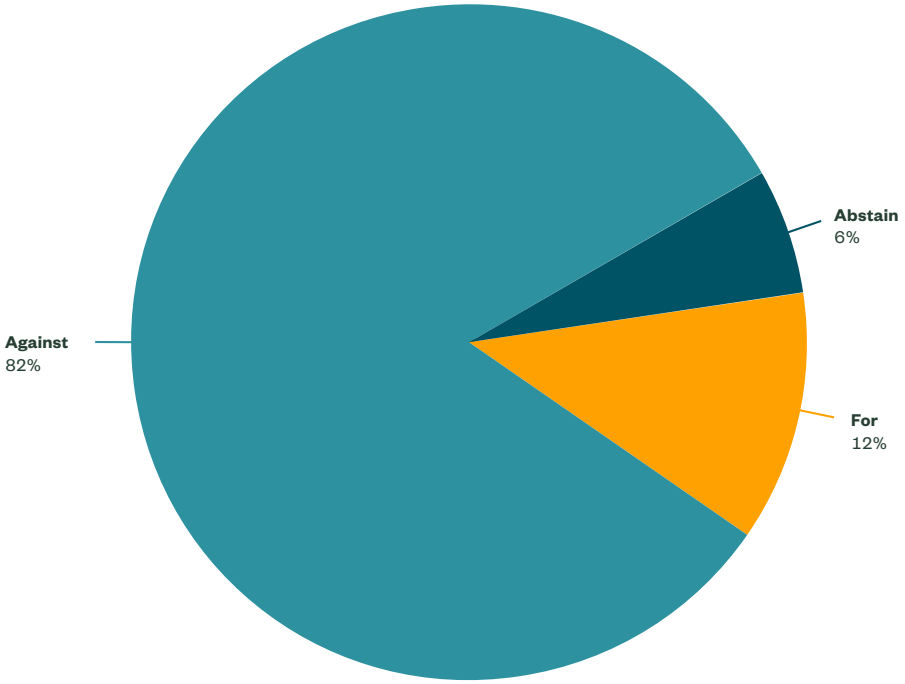
In 2017, we continued to see an increase in the number of shareholder proposals related to environmental and social (E&S) issues, up from 402 proposals in 2016 to 528 proposals in 2017, an increase of 31 percent. As in 2016, the increase in the number of proposals was primarily in the US, where investor focus on sustainability practices at companies and thematic vote campaigns by investor groups on climate-related issues is on the increase. On average, we supported 12.5 percent of E&S-related proposals, down from 21 percent in 2016, voted against such proposals 82 percent of the time, up from 69 percent in 2016, and abstained on 6 percent, down from 10 percent in 2016 (Figure 14). Our vote decisions reflect the overall trend in the US market, where companies are improving their reporting on sustainability issues (also see Focus on Sustainability and Long-Term Strategy under General Governance Matters).

Figure 13
Environmental and Social-Related Shareholder Resolutions by Region, January 1 to December 31, 2017



Source: State Street Global Advisors 2017 Voting Statistics.

Figure 14
Our Voting Decisions on E&S-Related Shareholder Items



Source: State Street Global Advisors 2016 Voting Statistics.

Engagement on Environmental and Social Matters

We have developed a framework for analyzing ballot proposals related to E&S-related issues at our portfolio companies.

Our Framework for Analyzing Environmental and Social Policies and Practices at Portfolio Companies

- The quality of a company's ESG disclosure, including the identification of material sustainability-related key performance indicators
- The relative performance of a company's sustainability program compared to that of its peers
- The underlying economics of its sustainability initiatives
- The level of board involvement in oversight of the company's sustainability practices
- Company responsiveness to our engagement efforts and/or voting feedback

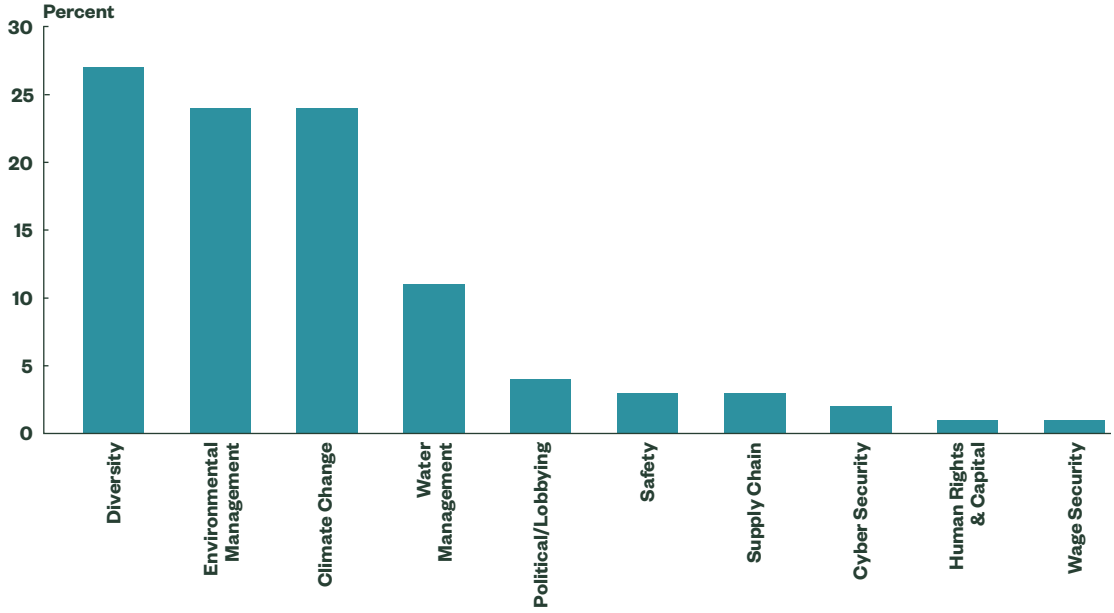
During engagement, we clearly communicate our expectations related to a company's disclosure pertaining to key E&S risks that impact the company's long-term strategy. Once communicated, we monitor the a company's responsiveness to our expectations. The vote rationale that drives our final voting decision includes the following:

- For vote (support for proposal): We will support shareholder proposals if the company does not meet market standards or has not been responsive to the feedback provided during engagement or our prior vote.

- Abstain vote (support with reservations): We may abstain on E&S-related shareholder proposals if the company has made some improvements to its E&S policies/practices but they remain below market standards or if the company has been partially responsive to our feedback.
- Against vote (no support for proposal): We do not support E&S-related shareholder proposals if the company's policies and practices do not meet market standards, are considered inadequate upon analysis, or if the company has not made a firm commitment to change during engagement.

In Figure 15, we provide an analysis of specific engagement topics related to E&S issues that were discussed with companies. During 2017, we engaged with a total of 196 companies in global markets on various E&S issues. Of these engagements, we had 108 engagements discussing climate change, 109 engagements discussing environmental management, 123 engagements discussing diversity and 49 engagements on water resource management. Details about our observations on engagements related to climate change, board composition and diversity, water management, and pay strategies are provided under the Stewardship Program section of this report. Below are examples of our engagement with companies on different E&S-related issues, as an illustration of our engagement activities in 2017.

Figure 15
Environmental and Social Engagement Topics



Source: State Street Global Advisors 2017 Voting Statistics.

Environmental Management

We engaged with 109 companies across 23 sectors about their environmental management practices. During discussions, we focused on if and how a company considered the life cycle effects of its products and informed product design and sustainability strategy. For example, Interface Inc., a manufacturer of carpet and office supplies, discussed how they have set a strategy of being carbon negative—i.e., how their products should help offset their carbon emissions in the long term. By repurposing used fishing nets into commercial carpets, the company reduces materials going into landfills while maintaining the quality of their products and securing a more diversified supply chain.

We also discussed the effects of the changing regulatory landscape on environmental practices, particularly within US companies. We found that in a few instance, companies were taking a wait-and-watch approach or backing away from improving sustainability practices, due to the potential easing of environmental regulation by the current presidential administration. In these conversations, we clarified that regulatory risk was just one aspect of ESG risks and urged the companies to consider the physical and economic/transition risks that are not influenced or abated by regulation. More important, we highlighted the potential loss of opportunity to grow and align strategy to changing consumer behavior and preferences.

Climate Change
(also see Asset Stewardship section)

We have been engaging with companies on climate change–related matters since 2014, and we have led 278 engagements with 191 companies across a diverse range of industries and markets. Last year was particularly active on the topic, with 108 engagements focused on climate change. Approximately 30 percent of these engagements were with companies within the energy and utilities sectors.

In 2017, the US experienced a particularly extreme hurricane season that included 17 named storms,[9] the most high profile being hurricanes Harvey, Irma and Maria. Consequently, 2017 was the most expensive year in terms of hurricane damage ever recorded, with more than $200 billion in damages.[10]

Through our engagements on climate-related risks with property and casualty insurance companies such as Swiss RE and Cincinnati Financial Corporation, we found that a number of companies were trying to capitalize on improved risk models that price climate risk more appropriately. Some companies also discussed how they are providing more sophisticated incentives for consumers who fortify their properties to make them more resilient to the physical effects of climate change.

A few reinsurance companies discussed their plans to offer new financial products such as high-yield catastrophe bonds to fund infrastructure improvements. Most of the insurance companies that we spoke to in 2017 reported that their board members have been increasingly active in learning about and discussing the implications of climate change on their business strategies.

Similar to insurance companies, we found that many utilities companies, such as Duke Energy Corporation and Xcel Energy Inc., were also attempting to price the effects of climate risk into their long-term strategy and capital allocation decisions. This was evidenced by an increase in the number of companies that conducted and published a scenario analysis of their potential climate risk. We found that utility companies appeared to be somewhat ahead of the oil and gas industry (particularly US companies that have not yet publicly disclosed these efforts in a meaningful way) in terms of scenario-planning disclosure, due to regulatory requirements to file Integrated Resource Plans.

We were able to engage with the board members of 92 companies on the topic of climate change, including the Allstate Corporation, Assurant Inc., Insurance Australia Group Ltd., American International Group, Inc., Oil Search Ltd., Santos Ltd., Exxon Mobil Corporation, PPL Corporation, Eni S.p.A, Repsol SA, Idemitsu Kosan Co., Ltd., and PetroChina.

9 https://edition.cnn.com/2017/05/15/us/2017-atlantic-hurricane-season-fast-facts/index.html
10 https://news.nationalgeographic.com/2017/11/2017-hurricane-season-most-expensive-us-history-spd/

Diversity
(also see Stewardship Program)

We engaged with 123 companies on board diversity in 2017. Through our engagements, we found that most companies are conscious of the need to enhance diversity throughout the organization, from entry-level employees to senior management and the board. However, while we continue to hear from some companies that there is a limited pool of suitable female board level candidates, we found that many companies have adopted successful practices to enhance diversity throughout all levels of the organization and the board.

Examples of companies that have introduced practices to enhance diversity include the Clorox Company, which views diversity as a business imperative and believes in the importance of setting the "tone at the top," with female directors and female executives comprising more than 30 percent of both the board and the executive team; Accenture plc, which has made a commitment to having females comprise 50 percent of their workforce by 2025. They have also set goals around increasing the number of females in leadership roles and new hires; United Rentals Inc., which has appointed, as part of their director search process, a third-party search firm to specifically focus on and provide a diverse candidate pool for review. In addition, Bendigo and Adelaide Bank Ltd. offers flexible work arrangements that help attract diverse candidates. The company also has a leadership development program that focuses on women in mid-level management positions.

Supply Chain Management

Water Management within Supply Chain Companies typically focus on their internal operations when it comes to water management issues. However, as production moves to third parties, companies need to consider water management practices at suppliers if they wish to improve their water utilization and management practices. For example, GlaxoSmithKline has historically focused its water management program on its own operations and factories, but after a holistic analysis and materiality assessment it found that the majority of their water impacts came from its suppliers, which that accounted for 84 percent of water use in the production process. Consequently, the company hired an outside consultant to develop a water footprint of its products throughout its supply chain. Subsequently, the company was able to build infrastructure to help secure community access to water resources and work to recharge aquifers where most needed.

Appendix

List of Companies Engaged by Topic

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
3D Systems Corp.	USA		●		●	●
3i Group plc	UK		●		●	
3M Company	USA		●			●
Abbott Laboratories	USA		●			
AbbVie Inc.	USA		●			●
Abengoa	EU-Others		●		●	
Accenture plc	UK					●
ACI Worldwide, Inc.	USA				●	
Activision Blizzard, Inc.	USA		●		●	
Aditya Birla Group	EM-India			●		
Adobe Systems Incorporated	USA		●			●
Advanced Micro Devices Inc	USA				●	
AECOM	USA				●	
Affiliated Managers Group, Inc.	USA		●		●	
Aflac Incorporated	USA				●	
AGCO Corp.	USA				●	
AGL Energy Ltd.	Australia	●	●		●	●
AGNC Investment Corporation	USA		●		●	
Air Lease Corporation	USA				●	
Air Liquide S.A.	EU-France				●	
Airbus	EU-France		●		●	●
Albioma	EU-France		●		●	
Alexander & Baldwin, Inc.	USA		●		●	●
Alexandria Real Estate Equities Inc.	USA		●			
Alkermes plc	EU-Ireland		●		●	
Allegheny Technologies Inc.	USA		●		●	●
Allegiant Travel Company	USA		●		●	
Alliance Trust	UK		●			
Alliant Energy Corporation	USA		●		●	●
Allianz SE	EU-France					●
Alpha Bank A.E.	EU-Others		●			

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Alphabet Inc.	USA				●	●
Amazon.com, Inc.	USA		●	●		●
Ambac Financial Group, Inc.	USA		●		●	●
AMC Entertainment Holdings, Inc.	USA		●			
Amcor Limited	Australia				●	●
Ameren Corporation	USA					●
American Axle & Manufacturing Holdings Inc.	USA		●		●	
American Campus Communities, Inc.	USA		●			●
American Electric Power Company, Inc.	USA		●			●
American Express Company	USA				●	●
American International Group, Inc.	USA		●			●
American States Water Company	USA					●
American Water Works Company, Inc.	USA		●			●
Ameriprise Financial, Inc.	USA		●		●	
AMN Healthcare, Inc.	USA		●			
Anadarko Petroleum Corporation	USA		●		●	●
Anika Therapeutics Inc.	USA		●		●	●
Apple Inc.	USA				●	
Aqua America, Inc.	USA		●			●
Aramark Corporation	USA		●		●	
Arch Capital Group Ltd.	USA		●		●	●
Arconic Inc.	USA		●	●		
Arconic Inc. (Dissident: Elliott Management)	USA			●		
Ardent Leisure Group	Australia		●		●	
Ares Commercial Real Estate Corporation	USA		●			
Arkema S.A.	EU-France		●		●	
Asahi Group Holdings Ltd	Japan					●
Ashford Hospitality Prime Inc.	USA		●			

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Ashford Hospitality Trust, Inc.	USA		●		●	●
Ashland Global Holdings	USA		●			
Assicurazioni Generali SpA	EU-Italy		●		●	●
Assurant, Inc.	USA				●	●
ASX Limited	Australia		●			
Atlantia spa	EU-Italy		●		●	
Atlantic Power Corporation	Canada	●	●		●	
Atos	EU-France		●		●	
Atwood Oceanics, Inc.	USA		●		●	
AusNet Services	Australia		●		●	
Automatic Data Processing, Inc.	USA			●		
Automatic Data Processing, Inc. (Dissident: Pershing Square Capital)	USA			●		
AvalonBay Communities, Inc.	USA		●			●
Avnet, Inc.	USA		●		●	●
Axa S.A.	EU-France		●		●	●
BAE Systems plc	UK				●	
Ball Corporation	USA		●			●
Banco Popular Espanol S.A.	EU-Others				●	
Banco Santander S.A.	EU-Others		●		●	
Bank of America	USA		●			●
Bank of Ireland plc	EU-Ireland		●		●	
Barclays plc	UK		●			
Barnes & Noble Inc.	USA		●		●	
Barratt Developments	UK		●		●	
BASF SE	EU-Germany					●
BBVA	EU-Others				●	
Becton, Dickinson and Company	USA		●			
Bed Bath & Beyond	USA		●		●	
Bendigo and Adelaide Bank Ltd.	Australia		●			●
Berkeley Group	UK		●		●	
BHP Billiton	UK	●	●	●	●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
BlackRock, Inc.	USA	●			●	
Bluerock Residential Growth REIT, Inc.	USA		●			
BlueScope Steel Ltd.	Australia		●		●	●
Boingo Wireless, Inc.	USA				●	
BorgWarner Inc.	USA		●		●	
BP plc	UK				●	
British Land	UK		●			
Buffalo Wild Wings	USA			●		
Buffalo Wild Wings (Dissident Marcato)	USA			●		
Calavo Growers, Inc.	USA		●			●
California First National Bancorp	USA		●			●
California Resources Corporation	USA		●		●	●
California Water Service Group	USA					●
Calix, Inc.	USA		●		●	●
Campbell Soup Company	USA				●	●
Canadian Imperial Bank Of Commerce	Canada		●			
Canfor Corporation	Canada		●			●
Cap Gemini	EU-France		●			
Cardinal Health, Inc.	USA		●			●
Care Capital Properties Inc.	USA			●		
Carpenter Technology Corporation	USA				●	
Carrefour	EU-France					●
Casey's General Stores, Inc.	USA		●		●	
Casino Guichard Perrachon	EU-France		●		●	
Caterpillar Inc.	USA		●			
Caterpillar Inc. (Dissident: CtW Investments)	USA		●			
Celgene Corporation	USA		●			●
Centrica plc	UK	●	●		●	●
Charles River Laboratories International Inc.	USA					●
Chesapeake Energy Corporation	USA				●	●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Chevron Corporation	USA	●	●		●	●
Chevron Corporation (Dissident: CalPERS)	USA					●
Chicago Bridge & Iron Company N.V.	USA				●	
Chipotle Mexican Grill, Inc. (Dissident: Clean Yield Asset Management)	USA					●
Chubb Limited	Switzerland				●	
Cigna Corporation	USA		●			
Cincinnati Financial Corporation	USA		●		●	
Cisco Systems, Inc.	USA		●			●
Citi Trends, Inc.	USA	●	●	●		●
Citi Trends, Inc. (Dissident: Macellum Capital Management, LLC)	USA		●	●		
Citigroup Inc.	USA					●
Cliffs Natural Resources	USA				●	
Close Brothers	UK	●	●		●	
Cloud Peak Energy Inc.	USA		●		●	
Cognizant Technology Solutions Corporation	USA		●	●		
Comcast Corporation	USA				●	●
Commonwealth Bank of Australia	Australia		●		●	●
Connecticut Water Service, Inc.	USA					●
ConocoPhillips	USA	●			●	●
Contango Oil & Gas Company	USA		●			●
Convatec	UK		●			●
CorEnergy Infrastructure Trust Inc	USA		●			
Corning Incorporated	USA		●			●
Coronation Fund Managers	EM-South Africa		●		●	
Costco Wholesale Corporation	USA		●			
Credit Suisse Group AG	Switzerland	●	●		●	
Cree Inc.	USA		●		●	●
CRH plc	UK				●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Croda	UK				●	
CSRA Inc.	USA		●			
CSW Industrials, Inc.	USA		●		●	
CSX Corporation	USA		●	●	●	
CSX Corporation (Dissident: Mantle Ridge LP)	USA		●	●	●	
Culp, Inc.	USA		●			●
CVS Health Corporation	USA		●		●	●
Cypress Semiconductor Corporation	USA		●	●		●
Cypress Semiconductor Corporation (Dissident: T.J. Rodgers)	USA		●	●		●
CyrusOne Inc.	USA				●	
CytRx Corporation	USA		●		●	
Danaher Corporation	USA	●	●		●	●
Danone	EU-France	●			●	●
DARDEN RESTAURANTS INC.	USA					●
DARDEN RESTAURANTS, INC. (Dissident: Green Century Capital Management, Inc.)	USA					●
Darling Ingredients Inc.	USA		●		●	
Deckers Outdoor Corporation	USA	●	●	●	●	
Deere & Company	USA		●		●	
DENTSPLY SIRONA Inc.	USA		●			●
Dentsu Inc.	Japan		●			●
Deutsche Bank	EU-Germany		●		●	
Devon Energy Corporation	USA				●	●
DeVry Education Group Inc	USA		●			●
Diamondback Energy Inc.	USA		●		●	●
DMC Global Inc.	USA				●	
Dominion Resources Inc.	USA		●			●
Domino's Pizza Enterprises Ltd.	Australia				●	
Domino's Pizza, Inc.	USA					●
DTE Energy Company	USA	●				●
Duke Energy Corporation	USA	●			●	●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
DXC Technology Company	USA				●	
Dynegy Inc.	USA				●	●
E. I. du Pont de Nemours and Company	USA				●	●
E.ON	EU-Germany		●			●
Eagle Materials Inc.	USA		●		●	●
Eagle Pharmaceuticals Inc.	USA		●		●	
Ecolab Inc.	USA					●
Edenred SA	EU-France	●	●		●	
Edison International	USA					●
Edwards Lifesciences Corporation	USA		●		●	●
Electro Scientific Industries Inc.	USA		●			●
Eli Lilly and Company	USA		●			
EMCOR Group, Inc.	USA		●			●
Emerson Electric Co.	USA	●	●			●
Energen Corporation	USA		●			●
Eni S.p.A.	EU-Italy	●	●		●	
Entegris	USA					●
Entergy Corporation	USA		●			●
EQT Corporation	USA			●		
Equifax Inc.	USA	●	●			●
Equity LifeStyle Properties, Inc.	USA		●			
Equity Residential	USA	●	●			●
Ericsson	EU-Sweden		●		●	
Essilor International	EU-France		●	●	●	
Evercore Partners Inc.	USA				●	
Eversource Energy	USA		●			●
Exact Sciences Corporation	USA		●			
Exelixis Inc.	USA		●			
Exelon Corporation	USA	●			●	●
Expeditors International of Washington, Inc.	USA				●	
Expeditors International of Washington, Inc. (Dissident: Clean Yield Asset Management)	USA					●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Exxon Mobil Corporation	USA	●	●		●	●
Fabrinet	USA		●		●	
Facebook, Inc.	USA		●			●
Fairfax Media Ltd.	Australia		●			
Fanuc Corporation	Japan		●			●
FCB Financial Holdings Inc.	USA		●		●	●
Fidelity National Financial, Inc.	USA		●		●	
Fiesta Restaurant Group, Inc.	USA		●	●		
First Republic Bank	USA					●
FirstEnergy Corp.	USA				●	●
Fiserv, Inc.	USA				●	
Fluor Corporation	USA					●
FMC Corporation	USA		●		●	
Fonciere des Regions	EU-France		●		●	
Foot Locker, Inc.	USA		●			
Ford Motor Company	USA		●			●
Forest City Realty Trust, Inc.	USA		●			●
Fred's, Inc.	USA		●			
Freeport-McMoRan Inc.	USA	●			●	●
Fresenius Medical Care	EU-Germany		●		●	
Fresnillo plc	UK				●	
FTI Consulting, Inc.	USA				●	
FuelCell Energy, Inc.	USA		●		●	
Galena Biopharma, Inc.	USA		●			
Gemalto	EU-Others		●			
General Electric Company	USA	●	●		●	
General Mills, Inc.	USA		●			●
General Motors Company	USA		●	●		
General Motors Company (Dissident: Greenlight Capital Inc.)	USA		●	●		
Gilead Sciences, Inc.	USA		●			●
GlaxoSmithKline plc	UK					●
Goodman Group Ltd.	Australia		●		●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Granite Real Estate Investment Trust (Dissident: FrontFour Capital Group LLC)	Canada		●	●	●	
Greencore Group plc	UK				●	
Greenhill & Co., Inc.	USA		●		●	
H&R Block Inc.	USA		●			
Hasbro, Inc.	USA		●			●
HealthEquity, Inc.	USA		●		●	
Healthscope Ltd	Australia		●			
Heritage Insurance Holdings Inc.	USA	●	●	●		
Hess Corporation	USA	●	●			●
Hilltop Holdings, Inc.	USA		●		●	
Hiscox Ltd.	UK				●	●
HMS Holdings Corp.	USA		●		●	
Hologic, Inc.	USA		●		●	
Honda Motor Co., Ltd.	Japan		●			●
Honeywell International Inc.	USA	●	●		●	
HSBC Holdings plc	UK	●	●		●	●
Hudson Pacific Properties Inc.	USA		●			●
Hudson Pacific Properties Inc. (Dissident: CalSTRS)	USA		●			●
Hunting plc	UK				●	
Huntington Bancshares Incorporated	USA		●			●
Iberdrola	EU-Others	●	●		●	●
Idemitsu Kosan Co., Ltd.	Japan		●			●
IHI Corporation	Japan		●			●
Immunomedics, Inc.	USA		●	●		
Immunomedics, Inc. (Dissident: venBio)	USA		●	●	●	
Imperial Brands plc	UK				●	
Industria REIT	Australia		●			●
Inmobiliaria Colonial	EU-Others		●		●	
Innoviva, Inc.	USA			●		
Innoviva, Inc. (Dissident: Sarissa Capital)	USA			●		

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Insurance Australia Group Ltd.	Australia					●
Intel Corporation	USA		●			●
Intercontinental Exchange, Inc.	USA		●		●	●
Interface, Inc.	USA	●	●		●	●
International Business Machines Corporation	USA	●	●		●	●
International Paper Company	USA		●		●	
Invesco Office J–REIT, Inc.	Japan		●			●
Investa Office Fund	Australia		●			
Investment Technology Group, Inc.	USA					●
Ionis Pharmaceuticals, Inc.	USA				●	
Irish Continental Group	EU-Ireland				●	
iStar Inc.	USA		●			
ITT Inc.	USA		●			
ITV plc	UK		●			
Jacobs Engineering Group Inc.	USA		●			●
James Hardie Industries plc	Australia		●		●	●
JFE Holdings	Japan		●			●
Johnson & Johnson	USA				●	
Johnson Controls International plc	EU-Ireland				●	
Jones Lang LaSalle Incorporated	USA				●	
JPMorgan Chase & Co.	USA	●			●	●
Julius Baer Gruppe	Switzerland		●			●
Juniper Networks Inc.	USA		●			●
Kaiser Aluminum	USA		●			●
Kansas City Southern	USA				●	
Kellogg Company	USA					●
Kforce Inc.	USA		●		●	
Kinder Morgan, Inc.	USA	●	●			●
KMG Chemicals, Inc.	USA		●			
Knowles Corporation	USA		●		●	
Koninklijke DSM NV	EU-Others		●			
L Air Liquide S.A.	EU-France				●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Laboratory Corporation of America Holdings	USA		●		●	
LafargeHolcim	EU-France		●		●	
Lagardere SCA	EU-France				●	
L'Air Liquide	EU-France		●		●	
Lam Research Corporation	USA		●			●
Lar Espana	EU-Others		●		●	●
Laredo Petroleum Inc.	USA				●	
LaSalle Hotel Properties	USA		●			
LaSalle LOGIPORT REIT	Japan		●			●
Legg Mason, Inc.	USA		●			●
Leggett & Platt, Incorporated	USA		●		●	
Lennar Corporation	USA		●		●	
Liberty Property Trust	USA		●		●	●
Linde AG	EU-Germany			●		
Lithia Motors	USA		●			
Lockheed Martin Corporation	USA	●	●			
London Stock Exchange Group plc	UK			●		
London Stock Exchange Group plc (Dissident: TCI)	UK			●		
Lonza	EU-Germany		●			
LSC Communications, Inc.	USA		●		●	
Lumos Networks Corp.	USA		●			●
Luxottica	EU-Italy					●
M.D.C. Holdings, Inc.	USA		●		●	●
Mack-Cali Realty Corporation	USA		●			
Macquarie Group Limited	Australia		●		●	
Man Group	UK	●	●		●	
Manhattan Associates Inc.	USA		●		●	●
Marathon Oil Corporation	USA		●		●	●
Marathon Petroleum Corporation	USA	●				●
Mastercard Incorporated	USA		●		●	●
McKesson Corporation	USA	●	●		●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
McKesson Corporation (Dissident: International Brotherhood of Teamsters)	USA					●
MCUBS MidCity Investment Corporation	Japan		●			●
Mediaset SpA	EU-Italy		●		●	
Mediobanca SpA	EU-Italy		●		●	
Mercialys	EU-France				●	
Merck & Co., Inc.	USA		●			●
Merck KGAA	EU-Germany				●	
Merlin Properties	EU-Others		●		●	
MetLife, Inc.	USA		●			●
MGE Energy, Inc.	USA					●
Microsoft	USA		●		●	●
Mitsubishi Corp.	Japan		●			
Mitsubishi Estate Co., Ltd.	Japan		●		●	
Mitsubishi Heavy Industries	Japan		●			●
Mitsubishi UFJ Financial Group	Japan		●			●
Mitsui & Co., Ltd	Japan		●		●	●
Mizuho FG	Japan		●			
MOL Group plc	EU-Others		●		●	
Mondelez International, Inc.	USA				●	●
Monmouth Real Estate Investment Corporation	USA		●			
Mothercare plc	UK		●		●	
MSCI Inc.	USA				●	
Nabors Industries Ltd.	USA		●		●	●
NCR Corporation	USA				●	
Nestle SA	Switzerland	●	●	●	●	
NetApp, Inc.	USA		●			●
Netflix, Inc.	USA		●			
New York Community Bancorp Inc.	USA		●		●	
Newcrest Mining Limited	Australia				●	●
Newell Brands Inc.	USA		●			
Newmont Mining Corporation	USA				●	●
News Corporation	USA		●			

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Nexity	EU-France					●
Nintendo Co. Ltd.	Japan		●			
Nippon Yusen K.K.	Japan		●			●
NN Group	EU-Others		●		●	●
Noble Energy, Inc.	USA		●			●
Norfolk Southern Corporation	USA		●			●
Novagold Resources Inc.	Canada		●			●
Novartis	Switzerland		●		●	
NRG Energy, Inc.	USA		●			●
NRG Energy, Inc. (Dissident: New York City Pension Funds)	USA		●			●
Nuance Communications, Inc.	USA		●		●	
NuVasive Inc.	USA				●	
NVIDIA Corporation	USA		●			
Oasis Petroleum Inc.	USA		●			●
Occidental Petroleum Corporation	USA	●	●			●
Oil Search Ltd.	Australia					●
Old Mutual plc	UK		●		●	●
Old Republic International Corporation	USA		●			
Omeros Corporation	USA		●		●	●
Omnicom Group Inc	USA		●			●
OMRON Corporation	Japan					●
Ophthotech Corporation	USA				●	●
Opus Bank	USA					●
Oracle Corporation	USA		●		●	
Orange	EU-France	●	●		●	
Orbital ATK, Inc.	USA		●			
O'Reilly Automotive, Inc.	USA		●			
Orica Ltd.	Australia	●	●		●	
Origin Energy Ltd.	Australia					●
Owens Realty Mortgage Inc.	USA		●			●
P. H. Glatfelter Company	USA				●	
PACCAR Inc	USA		●		●	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Pacific Premier Bancorp, Inc.	USA				●	
Paddy Power	UK		●		●	
Palo Alto Networks, Inc.	USA				●	●
Paycom Software, Inc.	USA		●			
PBF Energy Inc.	USA		●			●
Pearson	UK		●		●	
Pebblebrook Hotel Trust	USA		●			
Pentair plc	USA		●		●	
Persimmon plc	UK		●		●	
PetroChina	EM-China		●			●
Petropavlosk (M&G / Sothic Capital Dissidents)	UK		●	●		
PHH Corporation	USA		●		●	
Philip Morris International Inc.	USA		●			●
PICO Holdings, Inc.	USA		●			●
Pinnacle West Capital Corporation	USA		●		●	
Pioneer Natural Resources Company	USA					●
Plexus Corp.	USA				●	
PNM Resources, Inc.	USA		●		●	●
Post Holdings, Inc.	USA		●		●	●
PPL Corporation	USA	●	●			●
Praxair, Inc.	USA	●	●		●	
Primary Health Care Ltd.	Australia		●		●	
Primerica, Inc.	USA		●			●
Primo Water Corporation	USA		●		●	
PrivateBancorp, Inc.	USA		●			
Progress Software Corporation	USA		●			●
Prosperity Bancshares, Inc.	USA		●			
Prothena Corp PLC	USA		●			●
Prudential Financial, Inc.	USA		●			●
Prudential plc	UK		●		●	
Public Storage	USA		●			
Publicis Groupe	EU-France				●	

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QEP Resources, Inc.	USA		●			●
QinetiQ Group plc	UK	●	●		●	
QUALCOMM Incorporated	USA		●			
Quality Care Properties Inc.	USA		●			
Quest Diagnostics Incorporated	USA		●		●	●
Quintiles IMS Holdings, Inc.	USA		●		●	
Ralph Lauren Corporation	USA				●	
Rambus	USA	●			●	
Ramsay Health Care Ltd.	Australia		●		●	
RandGold	UK		●			
Range Resources Corporation	USA				●	●
Rayonier Advanced Materials Inc.	USA				●	●
REA Group Limited	Australia		●			
Reckitt Benckiser	UK	●	●		●	●
Regeneron Pharmaceuticals Inc.	USA		●		●	
Regions Financial Corporation	USA		●			●
Reinsurance Group of America Incorporated	USA	●	●			
Reis, Inc.	USA		●			
Renault	EU-France		●		●	
Rent-A-Center, Inc.	USA			●		
Rent-A-Center, Inc. (Dissident Engaged Capital	USA			●		
Repsol SA	EU-Others	●	●		●	●
Republic Services, Inc.	USA		●		●	●
Rexel	EU-France		●		●	
Ricoh Co., Ltd.	Japan		●			●
RLJ Lodging Trust	USA		●	●		
Rockwell Medical, Inc.	USA		●	●		
Rockwell Medical, Inc. (Dissident: Richmond Brothers)	USA		●	●		
Rohm Co., Ltd.	Japan		●			●
Rolls Royce plc	UK	●	●		●	
Ross Stores, Inc.	USA		●			

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Royal Bafokeng Platinum Ltd.	EM-South Africa					●
Royal Bank of Canada	Canada		●			●
Royal Dutch Shell	UK	●	●		●	
RSA Insurance	UK		●		●	
RWE AG	EU-Germany		●			●
Ryder System, Inc.	USA		●		●	
Sabra Health Care REIT Inc.	USA			●		
Safestore plc	UK		●		●	
Safran	EU-France		●		●	
Salesforce.com, Inc.	USA				●	●
Samsung Electronics Co. Ltd.	EM- Korea		●			
Sanderson Farms, Inc.	USA					●
Sanofi	EU-France		●		●	
Santos Ltd.	Australia					●
Sapporo Holdings Limited	Japan		●			●
SBA Communications Corporation	USA		●			
SCA Property Group	Australia		●			●
Schneider Electric	EU-France		●		●	●
Scor Se	EU-France				●	
SeaWorld Entertainment Inc	USA		●		●	
SeaWorld Entertainment Inc. (large shareholder: Hill Path Capital)	USA		●		●	
Sempra Energy	USA		●		●	
Severn Trent	UK		●		●	●
Shire plc	UK		●		●	
Shutterfly Inc	USA				●	
Siemens AG	EU-Germany		●			●
Signature Bank	USA		●		●	
Simpson Manufacturing Co., Inc.	USA		●			
SINA Corporation	EM-China		●			
SINA Corporation (Dissident: Aristeia Capital)	EM-China		●			
SJW Group	USA					●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Sky plc	UK		●		●	
SL Green Realty Corp.	USA				●	●
Snam SpA	EU-Italy		●			
Solvay S.A.	EU-France				●	
Sonus Networks, Inc.	USA				●	
Sony Corporation	Japan		●		●	●
South32 Limited	Australia		●		●	●
Southwestern Energy Company	USA				●	●
Spire Inc.	USA		●			●
Splunk Inc.	USA				●	●
Sprouts Farmers Market Inc.	USA				●	
Standard Chartered	UK				●	
Starbucks Corporation	USA					●
Suncorp	Australia		●			●
Superior Energy Services, Inc.	USA		●		●	
Superior Industries International, Inc.	USA				●	
Swiss RE	Switzerland					●
Sysco Corporation	USA		●		●	●
T. Rowe Price Group, Inc.	USA		●			●
Tabcorp Holdings Ltd.	Australia		●		●	
Taishin FHC	EM-Taiwan		●	●		
Tapestry, Inc.	USA					●
Target Corporation	USA		●		●	●
Taubman Centers, Inc.	USA		●	●		
Taubman Centers, Inc. (Dissident: Land & Buildings)	USA		●	●		
Telefonica S.A.	EU-Others		●		●	
Teleperformance S.A.	EU-France	●	●		●	
Tenet Healthcare Corporation	USA				●	
Teradata Corporation	USA		●		●	
Terna SpA	EU-Italy		●		●	●
Tesco	UK		●	●	●	
Tesla, Inc.	USA		●			●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
The AES Corporation	USA				●	●
The Allstate Corporation	USA		●			●
The Bank of New York Mellon Corporation	USA		●		●	●
The Boeing Company	USA		●		●	●
The Boston Beer Company Inc.	USA		●		●	
The Children's Place, Inc.	USA				●	
The Clorox Company	USA		●		●	●
The Coca-Cola Company	USA	●	●		●	
The Goldman Sachs Group, Inc.	USA	●	●		●	●
The Hartford Financial Services Group, Inc.	USA		●			●
The Home Depot, Inc.	USA		●			●
The Kroger Co.	USA		●		●	
The Mosaic Company	USA		●		●	
The Procter & Gamble Company	USA	●	●	●		
The Procter & Gamble Company (Dissident: Trian)	USA			●		
The Southern Company	USA	●	●		●	●
The TJX Companies, Inc.	USA				●	
The Ultimate Software Group, Inc.	USA		●		●	●
The Walt Disney Company	USA				●	●
TIER REIT, Inc.	USA		●			●
Time Inc.	USA		●		●	
Toll Brothers, Inc.	USA		●			
Total	EU-France					●
Toyota Motor Corporation	Japan		●			●
Tractor Supply Company	USA		●			
Tredegar Corporation	USA					●
Tribune Media Company	USA				●	
Trinseo S.A.	USA		●			
Tronc, Inc.	USA				●	
Trustco Bank Corp NY	USA		●		●	
Twenty-First Century Fox, Inc.	USA		●		●	●
Tyson Foods, Inc.	USA					●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
U.S. Bancorp	USA				●	
Ubisoft Entertainment	EU-France	●	●		●	
UBS Group AG	EU-Others		●		●	
UDG Healthcare plc	UK		●		●	
Unibail-Rodamco SE	EU-France				●	●
Unicredit	EU-Italy		●		●	
United Natural Foods, Inc.	USA		●		●	
United Parcel Service, Inc.	USA		●		●	●
United Rentals, Inc.	USA		●			
United Technologies Corporation	USA		●		●	●
Universal Insurance Holdings Inc.	USA		●		●	
Unum Group	USA		●			●
US Bancorp	USA					
US Foods Holding Corp.	USA				●	●
Vale S.A.	EM-Brazil		●			
Valeo	EU-France				●	
Valley National Bancorp	USA		●			
Vallourec	EU-France				●	
Vectren Corporation	USA		●			●
Veolia	EU-France		●		●	
VeriFone Systems, Inc.	USA				●	
Verint Systems, Inc.	USA				●	
Vertex Pharmaceuticals Incorporated	USA				●	●
Vicinity Centres	Australia		●		●	
Vinci	EU-France		●		●	
Visa Inc	USA		●		●	●
Vitamin Shoppe, Inc.	USA		●		●	
Vivendi SA	EU-France		●		●	
Vornado Realty Trust	USA					●
Voya Financial, Inc.	USA		●		●	
Vulcan Materials Company	USA		●		●	●
W. R. Berkley Corporation	USA	●	●		●	●
Walgreens Boots Alliance, Inc.	USA				●	●

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/ M&A	Pay	ES
Walgreens Boots Alliance, Inc. (Dissident: Clean Yield Asset Management)	USA					●
Waters Corporation	USA		●			
Watsco, Inc.	USA		●			
Weis Markets Inc.	USA		●			
Wells Fargo & Company	USA	●	●			
Western Digital Corporation	USA		●		●	
Westfield Corp	Australia		●		●	●
Whitestone REIT	USA				●	●
Whole Foods Market, Inc. (Dissident: Janus)	USA		●			
Wolters Kluwer NV	EU-Others		●			
Woodside Petroleum Ltd.	Australia				●	●
Woolworths Ltd.	Australia		●			
Wyndham Worldwide Corporation	USA				●	
Wynn Resorts, Limited	USA				●	
XL Catlin	USA		●			
Xperi Corporation	USA		●			
Yamaha Motor Co. Ltd.	Japan		●			●
Yit Corporation	EU-Finland		●			
YUM! Brands, Inc.	USA					●
Zodiac Aerospace	EU-France			●		
ZTE Corporation	EM-China		●		●	

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