BNY | INVESTMENTS | MELLON

PROXY VOTING REPORT

FALL 2024

GUIDING PRINCIPLES

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

Align the long-term economic interests of a company's management & board of directors with those of the company's stakeholders

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

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

MELLON PROXY VOTING & GUIDING PRINCIPLES

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

At Mellon, we have a fiduciary responsibility to our clients to ensure our proxy voting decisions are in their best long-term economic interest. As shareholders, we approach proxy voting with the same precision and engagement that we apply to our index investment activities. When our clients entrust us with proxy voting responsibility, we understand and take seriously that we owe them a duty of care with respect to voting proxies. In evaluating proxies, Mellon focuses on factors that are financially material to individual companies in support of maximizing long-term economic value.

Our fifth semi-annual voting report covering January to June 2024 focuses on vote rationales, showcasing the variety of topics Mellon voted on during the 2024 proxy season. We voted approximately 10,400 meetings globally comprising over 107,000 proposals.

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

JANUARY 1 - JUNE 30, 2024

BY THE NUMBERS

107,983
proposals

105,545
management proposals

2,838
shareholder proposals

10,434
meetings

8,998
companies

65
countries

88% supported management on 88% of management proposals

88% supported management on 88% of director-related proposals

27% opposed management on 27% of Say-on-Pay proposals

91% supported 91% of governance-related proposals

83% supported 83% of governance shareholder proposals

90% supported 90% of shareholder requests for independent chairperson

REFLECTION

CONTESTED SHAREHOLDER MEETINGS ON THE RISE

The Securities and Exchange Commission (SEC) amended the federal proxy rules, effective for all meetings held after August 31, 2022, to require the use of universal proxy cards by management and shareholders soliciting proxy votes for their candidates in director election contests. The market expected an uptick in meetings after the rule was finalized. Were these expectations realized?

We expected the rule change to result in a slight uptick during the 2023 proxy season, but we did not see that materialize to the extent we anticipated as 15 contests were voted by Mellon during the period spanning January 1, 2023, to June 30, 2023.[1] We again expected an increase in contested situations in 2024, but Mellon voted only 14 contests during the same time period in 2024. We saw an increase in high-profile contests that went to a vote during the 2024 proxy season, such as at The Walt Disney Company (DIS) and Norfolk Southern Corp (NSC). That said, the market can never truly predict when these numbers will increase or decrease. Mellon closely tracks any mentions of possible contested situations to ensure that we are prepared if an activist decides to file a proxy statement.

Does Mellon engage any differently in the case of companies and activists in contested situations?

Engagement during contested situations is much more involved and time-consuming versus traditional engagement for an uncontested election. In cases of contested situations, our internal proxy voting procedures require us to track every regulatory filing issued by both the targeted company and the dissident. For example, SEC filings for an uncontested meeting usually are relatively limited after the definitive proxy statement has been filed. For a contested situation, we could see upwards of 30 filings since the publication of the definitive proxy statement.

Actual engagement calls with the company increase, and calls are also held with the dissident. This requires significant planning, structure and collaboration with the BNY Proxy Voting & Governance Research (PVGR) Team, which we rely on for our robust engagement program. Working together, we are able to effectively plan and execute on upwards of three to five calls in a very short period of time. Members of our Proxy Voting Committee also participate in engagement calls for contested situations. It is crucial that we maintain the ability to communicate effectively with both parties to ensure no information is missed during the compressed timeframe.

Given Mellon's long tenure dealing with many different versions of proxy voting-related situations, what would Mellon recommend companies do to prepare for activist activity?

It is never ideal when a company's first time reaching out to an investor is during a contested situation. It is very important for companies to ensure they have an ongoing engagement program so that, when an activist is present and vocal, a good communication relationship has already been established with their top investors. In best-case scenarios, investors are aware of current company strategies and any changes to such strategies so that if an activist becomes vocal, the other investors are not starting the conversation with the company from ground zero.

In addition to encouraging clear disclosures, we find value in ensuring we maintain a steady cadence of conversations with companies so any changes to our voting guidelines are clearly understood by our portfolio holding companies. We also use these conversations to ensure we mark for identification and closer review any items that sit outside of companies' regular agenda items for their upcoming annual meetings. We encourage companies to contact Mellon if they are not previously engaged with us. You can contact the engagement scheduling team at corporategovernance@bny.com.

JANUARY 1 – JUNE 30, 2024

PROXY VOTING

DECISIONS & RATIONALE

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

GOVERNANCE

When we consider governance issues, we seek to promote structures that will align the interests of a company's management and board with the long-term economic interests of a company's shareholders. In addition to tenure and relevant experience, we also believe it is important to elect independent directors and separate the CEO and chairperson roles. These practices help alleviate conflicts of interest and enhance communication between leadership and shareholders.

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

ENVIRONMENTAL & SOCIAL

As long-term shareholders, we believe companies have a duty to disclose potentially material environmental risks as well as related emerging opportunities. We carefully consider supporting proposals calling for increased disclosure surrounding emissions and waste reduction for companies where it is material to their industry and long-term risk profile. We also consider if proposals have a specific, realistic time horizon, pragmatic cost impacts, and alignment with broader business goals.

In addition, we believe properly managing human capital generally gives rise to a productive and inclusive workforce where all voices are heard. We encourage companies to have transparent disclosure related to workforce statistics, pay equity, and the health and safety of employees and customers to provide shareholders with a holistic view on how the company is managing their specific human capital risks. The Proxy Committee carefully considers supporting proposals that ask for improved transparency on human capital policies and procedures only where it is deemed to be a material risk that could impact the long-term value of the company.

SPOTLIGHT

VOTING RATIONALES

DRAFTKINGS INC.

In May 2024, Mellon voted against the Say-on-Pay proposal due to the primarily time-based structure of the long-term incentive plan. The CEO received a significant equity award in fiscal year 2023 (FY23), with most of the award lacking performance-based conditions. Furthermore, forward-looking goals were not disclosed. Although this Say-on-Pay proposal did pass, Mellon will continue to engage to encourage the company to strengthen the performance-based aspect of their long-term incentive plan to increase transparency by disclosing their forward-looking objectives.

THE CARLYLE GROUP INC.

In April 2024, Mellon voted against the Say-on-Pay proposal due to concerns with several aspects of the pay structure. The CEO's annual bonus plan heavily relies on qualitative factors, and Mellon believes annual bonus plans should be more focused on quantitative factors. Additionally, other named executive officer (NEO) bonuses are entirely discretionary, and while board discretion is important, we do not support this practice. We will aim to engage with the company to address these issues.

BANK OF AMERICA CORPORATION

In April 2024, Mellon voted in favor of a shareholder proposal requiring the board to adopt a policy requiring that, whenever possible, the chair of the board is an independent director. Although the bank does have an independent lead director in their current structure, we believe that an independent board chair serves the company and shareholders more effectively. At the time of the company's annual meeting, its board chair was not independent.

ELI LILLY AND COMPANY

In May 2024, Mellon supported a management proposal to declassify the board of directors. Although this proposal garnered approximately 70% of votes in favor, the proposal needed the support of at least 80% of outstanding shares to pass. Mellon appreciates the company's efforts to positively change their governance structure by including this proposal on their agenda.

META PLATFORMS, INC.

In May 2024, we supported a shareholder proposal to approve the recapitalization of stock to have one vote per share. Mellon believes that shareholders generally benefit from a one vote per share capital structure where voting interests are better aligned with a company's long-term economic interests. We will continue to engage with Meta on this topic in the future.

FIRSTENERGY CORP.

In May 2024, Mellon voted against a shareholder proposal requesting FirstEnergy Corp. to commission an audited report on how net zero goals, assessed using the Energy Policy Research Foundation's model, would impact the company's financial assumptions. Mellon believed this proposal was overly prescriptive and that FirstEnergy already provides extensive disclosures on multiple topics surrounding steps taken to monitor material environmental and financial risk. Mellon will continue to engage with the company to ensure all disclosures are transparent and updated.

MERCHANTS BANCORP

In May 2024, Mellon voted against the Say-on-Pay proposal due to the overlapping performance metrics in the short- and long-term plans. We believe the overlapping metrics have the potential to provide duplicative rewards or outsized payouts for the same area of performance and advise companies to avoid this practice.

AIR PRODUCTS AND CHEMICALS, INC.

In January 2024, Mellon voted against the Say-on-Pay proposal due to concerns with the long-term incentive plan (LTIP) structure. Mellon prefers to see the LTIP comprised of at least two-thirds performance-based equity vehicles for companies of this size. Additionally, CEO pay levels were set well above the median of their peer group, with CEO compensation targeting the 75th percentile of the peer reference group. Mellon will engage to discuss the structure of their LTIP and encourage the use of more performance-based equity in their plan.

TEXAS ROADHOUSE, INC.

In May 2024, Mellon voted against the Say-on-Pay proposal due to concerns with the structure of a severance payment made to a former NEO. We carefully review severance payments when disclosed and prefer to see cash payments of this magnitude accompanied by sufficient rationale. Mellon will engage to discuss the company's approach to severance payments for executive personnel.

TELEFLEX INCORPORATED

In May 2024, Mellon did not support a shareholder proposal asking to reduce the ownership threshold for shareholders to call a special meeting to 10 percent. The company presently has three investors each holding shares that exceed the proposed 10 percent threshold. Mellon prefers that no single shareholder has the ability to exercise the right to call a special meeting on its own.

MOLINA HEALTHCARE

In May 2024, we did not support a shareholder proposal asking to adopt a simple majority vote. The company's governing documents currently do not contain any requirement greater than a simple majority vote. We viewed support of this proposal as unnecessary as Molina's current provisions are reasonable and provide shareholders with the ability to affect change when needed.

NORTHERN TRUST CORPORATION

In April 2024, Mellon withheld support from the chair of the nominating and governance committee due to board tenure concerns, as the average director tenure is over 12 years. We believe that there should be a practice of thoughtful board refreshment over time to ensure the proper mix of skills, viewpoints, and guidance from each director.

GENERAL MOTORS COMPANY

In June 2024, Mellon did not support a shareholder proposal requesting a report assessing General Motors' sustainability risks in its supply chain regarding low-carbon steel and aluminum 2030 procurement targets and deforestation risk. GM clearly states their goals related to low-carbon materials in their disclosures, and they are not lagging in this regard as compared to peers. Mellon views the current disclosures as robust but will continue to review the company's future enhancements to all disclosures to ensure they remain up-to-date and transparent.

ENGAGEMENT

PRECISION WITH PURPOSE

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

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

The Proxy Committee partners with Mellon's senior professionals and the BNY PVGR Team to widen the scope of discussion topics with management teams, allowing for the proactive examination of company-specific matters beyond compensation. Whether the concern is sustainability targets, board structure, or compensation, taking steps to maximize long-term shareholder value together with our clients' best financial interests remains our top priority.

SIMPSON MANUFACTURING COMPANY

We met with representatives of Simpson Manufacturing Company (SSD), Inc. in February 2024, including the Board Chair, the CFO and Treasurer and General Counsel.

GOVERNANCE

Mellon reviewed our tenure guideline with the company as the company's average board tenure at the time of the last annual meeting was 10 years. Our guideline identifies that an average board tenure of 12 years or higher will trigger a deeper review of the board's refreshment process overall. Once a company's tenure reaches an average of nine years, we inform the company of our guideline. Simpson Manufacturing Co., Inc. indicated that they are trying to improve their disclosure around board directors' independent skills and experience. We advised the company to inculcate definitions of skills into their board skills matrix. These definitions will allow Mellon and other investors to better assess the board's overall composition.

COMPENSATION

At the 2023 shareholder meeting, we supported the Say-on-Pay proposal. Mellon prefers to see a majority performance-based long-term incentive plan (LTIP) structure, and we note that Simpson Manufacturing Co., Inc. has not made any material changes to its compensation program and has kept the CEO pay 80% performance-based in the last two years. Mellon encouraged the company to remain transparent and disclose rationales behind Compensation Committee decisions around pay changes if they occur in the future.

HUMAN CAPITAL MANAGEMENT

We inquired about the company's workplace safety practices and the recent improvement in employee incident rates. Simpson Manufacturing Co., Inc. informed us that they established new senior management committees to submit to the exacting European standard. The company is looking to create more robust reporting to identify "near misses." Furthermore, they have created safety committees comprised of employees who work the closest with the machines daily. Mellon views this as a very holistic approach, which will result in an overall positive outcome for both the employees and management.

BEST BUY CO., INC.

In March 2024, we met with representatives from Best Buy Co., Inc. (BBY) including their Associate Corporate Counsel, Senior Vice President & Deputy General Counsel, Chief Communications & Public Affairs Officer, Director of Human Rights & Corporate Responsibility, Associate Director of Sustainability, among others.

GOVERNANCE

Mellon acknowledged Best Buy’s improvements on their proxy statement disclosure that covers board oversight. This enhancement, which includes a flowchart of responsibilities, was a result of previous discussions between Mellon and Best Buy. Additionally, we encouraged the company to define the skill sets used in their skills matrix to avoid industry-specific interpretation discrepancies. Mellon expressed satisfaction with Best Buy’s average board tenure and skill set, as well as the company maintaining the right for shareholders to call a special meeting at a threshold of 10%.

COMPENSATION

We reviewed our compensation guideline stating that at least two-thirds of long-term incentives should be performance-based equity for a company with this market capitalization. We discussed our vote against Best Buy’s Say-on-Pay in 2023, which was related to this guideline. While Mellon does consider other factors when reviewing compensation structure, this was the main driver of the vote against. Best Buy appreciated the clarity and mentioned they would consider this feedback moving forward.

HUMAN CAPITAL MANAGEMENT

Mellon inquired about Best Buy’s leadership initiatives from the previous year and the selection process for these programs. We asked if employee resource groups (ERGs) are available for hourly employees or just corporate staff. Best Buy clarified that many ERGs are open to all employees. During the pandemic, they switched to remote ERGs, boosting participation from field employees. Best Buy also mentioned their inclusion and diversity steering committees, which include employees from both corporate offices and the field. Additionally, they have Focused Employee Involvement Networks and a Net Impact Group focused on sustainability, allowing employees to engage with topics they care about. Mellon believes that well-managed and widely accessible human capital structures can lead to a more engaged workforce, which will positively impact the company’s long-term value.

ABOUT MELLON

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

Disclosure

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

[1] Internal voting data.

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