Global Equity Corporate Governance
Program Update

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Contents

• Looking Back – 2018 Proxy Season Outcomes

• Looking Ahead – 2019 Proxy Season Outlook

• Summary of Outcomes
  – Board Diversity & Inclusion
  – Climate Action 100+
  – Global Proxy Voting
  – U.S. Executive Compensation Votes
  – U.S. Shareowner Campaigns with Proxy Solicitation Activity

• Appendix
  – ESG Strategic Plan Summary
  – Corporate Governance ESG Implementation
Looking Back – 2018 Proxy Season Outcomes

• Made progress in improving corporate board diversity, with 30% of companies engaged adding a diverse director to their boards (151 of 504 companies)

• Voted “against” 438 directors at 141 companies where diversity engagements did not result in constructive outcomes

• Voted “against” 43% of executive compensation proposals, up from a prior 5-year average of 16% (enhanced voting practice on compensation implemented in January 2018 following staff’s 2017 internal proxy season review)

• Shareowner campaigns targeting 121 companies resulted in 88 settlements, 16 ongoing engagements, and 17 proxy solicitations (companies were targeted on proxy access, climate risk reporting, majority vote, governance [opioids], and board diversity)
Looking Ahead – 2019 Proxy Season Outlook

• Build upon the July 2018 Board Offsite discussion to continue to make progress on improving board diversity through proxy voting, company engagements, and industry collaboration for greater market impact.

• Enhance D&I strategy to go beyond the boardroom: request EEO-1 data along with Board demographics, enabling insight to overall diversity of firm’s employees, it’s leadership pipeline, and how reflective a board’s diversity is of its workforce.

• CalPERS to continue playing a leading role in Climate Action 100+ strategy and engagements (Anne Simpson named inaugural Chair of the Climate Action 100+ Steering Committee).

• Apply enhanced Governance & Sustainability Principles to proxy voting, shareowner campaigns, and corporate engagement activities (notable enhancements approved by the Board in June 2018 were around environmental practices, worker & product safety and sexual harassment).
Board Diversity & Inclusion (D&I)

- 30% of companies engaged have since added a diverse director
- Voted “against” 438 directors at 141 companies (Board Chairs, Nominating & Governance Committee members, directors w/ tenure of >=12 years)
- Ran proxy solicitations on diversity proposals at 2 D&I companies
Climate Action 100+

- Close collaboration between Sustainable Investments and Corporate Governance
  - Joint ongoing efforts in researching and engaging companies
  - Formed a Climate Action 100+ Engagements Internal Working Group which meets biweekly
  - CalPERS is leading engagements on up to 20 portfolio companies globally

- CalPERS has a leading role in both strategy and engagements
  - Anne Simpson named inaugural Chair of the Climate Action 100+ Steering Committee
  - CalPERS is playing key role on convening this global group of 289 investors to engage 161 companies, representing approx. 85% of annual greenhouse gas emissions from fossil fuel combustion
  - 6 CalPERS staff members are devoting significant time to this initiative
Global Proxy Voting – Votes Cast 2014 to 2018 YTD

- Decreasing support for global management proposals
  - Japan Board Independence Update: 90 companies (~10%) from the 2017 vote “against” and letter writing campaign have since increased board independence to at least 1/3 per our ask

- Increasing support for global shareowner proposals
U.S. Executive Compensation Votes: 2013 to 2018 YTD

- Voted “against” 43% of executive compensation (“Say on Pay”) proposals (enhanced voting practice on compensation adopted in January 2018)
- Significant jump versus 5-year average (2013-17) votes “against” of 16%
U.S. Shareowner Campaigns with Proxy Solicitation Activity

- Total Targets: 121
- Total Settlements: 88 (73%)
- Proxy solicitations: 17
- Ongoing Engagements: 16
## ESG Strategic Plan | Updated Summary (3/19/18 Investment Committee)

### Strategic Environmental
- Data and corporate reporting standards (includes water risk)
- Manager Expectations (includes water risk)
  - Research
    - Sustainable Investment Research Initiative (SIRI)
    - Global Equity Strategies
  - Engage 80 100 + PRI Montreal Pledge Companies (identify water risk candidates) CA 100+
  - SASB 100

### Strategic Social
- Data and corporate reporting standards (includes human capital)
  - Human Capital Management Petition
- Manager Expectations
  - Research
    - Sustainable Investment Research Initiative
    - Diversity
    - Income inequality (action plan if warranted)
- Diversity and Inclusion
  - Engagement
  - Voting
  - 3D (Diverse Director DataSource)
  - Advocacy
  - External Managers
  - Internal Talent Management

### Strategic Governance
- Data and corporate reporting standards (focusing on the long-term)
- Manager Expectations
  - Research
    - Principles Review Topics:
      - Environmental Management Practices
      - Executive Compensation (Pay Ratio)
    - Emerging Topics for Principles Review
      - Product Safety
      - Indigenous Peoples’ Rights
      - HCM Disclosures
      - Geopolitical Risks
      - Compensation (Clawback)
    - Supply Chain Activities
    - Non-voting Shares and benchmarks
- Private Equity Fee and Profit Sharing Transparency (including AB 2833)
- Proxy Voting
- Shareowner Campaigns (Proxy Access / Majority Voting)
- Focus List (Japan Engagements)
- Divestment: Mandates, Policy & Principles

### Core
- Carbon Footprinting – Total fund
- Thermal Coal Companies – (SB185)
- Responsible Contractor Program
  - Labor Engagements

### Work through Partnerships to leverage resources and impact

- Corporate Engagements
- Financial Markets Advocacy / Federal and Legislative Guidelines
- Sustainability Report
- Response to Ad Hoc Media and Stakeholder Requests: Indigenous Peoples’ Rights; Geopolitical risk; Deforestation; Turkey; Assault Weapons

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Sustainable Development Goals Discussion / Review
1. Board Diversity & Inclusion (D&I)

Staff continued efforts to improve corporate board diversity through proxy voting, corporate engagement, and shareowner campaigns

Board Diversity Engagements
- Engaged 500+ U.S. companies in the Russell 3000 regarding lack of diversity on their boards
- The score card below highlights CalPERS efforts to promote board diversity during the 2018 proxy season

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Added or in the process of adding a diverse director</td>
<td>151</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Responded – Enhanced or in the process of enhancing diversity disclosure</td>
<td>126</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Responded – Inadequate Response</td>
<td>3</td>
</tr>
<tr>
<td>Tier 4</td>
<td>No Response</td>
<td>224</td>
</tr>
</tbody>
</table>

Board Diversity Proxy Voting – director withholds votes
- Withheld votes at non-responding and inadequately-responding companies within the R3000 D&I Initiative
- Voted “against” 438 directors (Board Chairs, Nominating & Governance Committee members, directors w/ tenure of >=12 years) at 141 companies

Board Diversity Shareowner Campaigns – ran proxy solicitations on diversity proposals at 2 D&I companies
- Pilgrim’s Pride → 15% support (78% controlling shareowner)
- First Hawaiian Bank → 25% support (62% controlling shareowner)
- First Hawaiian Bank – Positive Development: In an 8-K dated 8/1/18 First Hawaiian announced the appointment of two female directors

Board Diversity – Majority Vote for Directors Adoptions
- 44 D&I companies adopted majority vote for director elections following staff’s multifaceted engagements
Board Diversity & Inclusion: Next Steps

Corporate Engagement
- Consistent with the 5 Year Strategic Plan continue the engagement of Russell 3000 companies that lack board diversity

Proxy Voting
- Continue to withhold votes from directors at non-responsive companies lacking board diversity
- Run proxy solicitations at companies where diversity proposals have been filed that are consistent with CalPERS Governance & Sustainability Principles

Majority Vote for Director Election campaign
- 174 of 504 D&I initiative companies do not have majority vote (120 of 174 have been non-responsive to CalPERS engagement requests)
- File majority vote shareowner proposals and run proxy solicitations at non-responsive companies

Data Analytics
- Continue to push for improvements to data analytics platforms and corporate disclosures so as to overcome the challenges with board diversity data as discussed at the July 2018 Board offsite

Investor collaboration
- Continue to collaborate with other investors (partner funds and strategic organizations) to work towards the development of a market consensus around strategies to improve board diversity
Board Diversity & Inclusion: Potential ESG Strategic Plan Updates

Close collaboration between Sustainable Investments and Corporate Governance to propose enhancements to D&I strategy in the ESG Strategic Plan ahead of the March 2019 Investment Committee meeting, including:

- Enhance D&I KPI to capture all forms of diversity
  - From: All public companies in which CalPERS invests have a dimension of board diversity
  - To: All public companies in which CalPERS invests have a level of board diversity that reflects each company’s business, workforce, customer base, and society in general
  - Enhanced KPI will enable staff to file majority vote proposals and vote “against” directors (Board Chairs, Nominating & Governance Committee members, and long-tenured directors) at US companies that lack diversity as broadly-defined

- Enhance D&I strategy to include requesting companies to include their EEO-1 data along with Board demographics
  - CalPERS has voted ‘For’ shareowner proposals requesting disclosure of EEO-1 data
  - In the United States there is a reporting standard which requires all companies with 100 or more employees to file an EEO-1 by law
  - On an annual basis, companies report gender, race, and ethnic data on key positions and overall workforce
  - EEO-1 data can be compared year over year and between companies in similar industries
  - The EEO-1 data will enable staff to assess board’s diversity relative to its workforce in support of the proposed enhanced KPI
2. Climate Action 100+

Initiative Update

- Signatories to the Climate Action 100+ now 289 investors with over USD $30 trillion in AUM
- 61 companies were added to the original list of 100 companies in July 2018, bringing the total Climate Action 100+ list to 161 companies
- Climate Action 100+ Benchmarking Working Group is formalizing relationships with multiple external research firms to be announced at PRI in Person in September 2018
- Foundations donating over $1 million to support administration, technical and benchmarking work
- Lead and co-lead investors identified for all company engagements
- CalPERS is leading engagements on up to 20 portfolio companies globally
- Working to coordinate in-person meetings with senior management and director(s) from each company
- Climate Action 100+ website: [http://www.climateaction100.org/](http://www.climateaction100.org/)
CA 100+ | How is Climate Action 100+ governed?

A global **Steering Committee governs the Climate Action 100+ initiative** and is comprised of five leading investors and senior executives from each of the five founding investor network.

### Steering Committee

<table>
<thead>
<tr>
<th>Investor Representatives Appointed by Partner Networks</th>
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</thead>
<tbody>
<tr>
<td>ManuLife Asset Management</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Partner Investor Network CEOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Investor Group on Climate Change <em>(Asia)</em></td>
</tr>
</tbody>
</table>

Source: [http://www.climateaction100.org/](http://www.climateaction100.org/)
CA 100+ Engagement Goals

Investors signed on to Climate Action 100+ are requesting the boards and senior management of companies to:

1) **Implement a strong governance framework** which clearly articulates the board’s accountability and oversight of climate change risks and opportunities;

2) **Take action to reduce greenhouse gas emissions across the value chain**, consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial level;

3) **Provide enhanced corporate disclosure** in line with the [final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)](http://www.climateaction100.org/) and, when applicable, sector-specific Global Investor Coalition on Climate Change Investor Expectations on Climate Change [1] to enable investors to assess the robustness of companies’ business plans against a range of climate scenarios, including well below 2-degrees Celsius, and improve investment decision-making.

[1] The [Global Investor Coalition on Climate Change](http://www.climateaction100.org/) Investor Expectations on Climate Change sector guides cover oil and gas, mining, utilities and auto manufacturers and provide additional sector specific disclosure recommendations, particularly regarding the oversight of public policy positions.

- Staff cast votes in line with CalPERS’ Governance & Sustainability Principles and Investment Beliefs
- Voted at 9,189 meetings globally, supporting 83% of management proposals and 59% of shareowner proposals

**Number of Meetings Voted Globally**

<table>
<thead>
<tr>
<th>Year</th>
<th>Meetings Voted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11,568</td>
</tr>
<tr>
<td>2015</td>
<td>11,646</td>
</tr>
<tr>
<td>2016</td>
<td>11,673</td>
</tr>
<tr>
<td>2017</td>
<td>11,379</td>
</tr>
<tr>
<td>2018 (YTD)</td>
<td>9,189</td>
</tr>
</tbody>
</table>

**Number of Resolutions Voted Globally**

<table>
<thead>
<tr>
<th>Year</th>
<th>Resolutions Voted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>103,764</td>
</tr>
<tr>
<td>2015</td>
<td>106,120</td>
</tr>
<tr>
<td>2016</td>
<td>106,650</td>
</tr>
<tr>
<td>2017</td>
<td>107,941</td>
</tr>
<tr>
<td>2018 (YTD)</td>
<td>80,486</td>
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</table>

**Global Management Proposals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Management Proposals Voted</th>
<th>Management Proposals Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>102,790</td>
<td>91%</td>
</tr>
<tr>
<td>2015</td>
<td>105,006</td>
<td>83%</td>
</tr>
<tr>
<td>2016</td>
<td>105,399</td>
<td>89%</td>
</tr>
<tr>
<td>2017</td>
<td>106,555</td>
<td>83%</td>
</tr>
<tr>
<td>2018 (YTD)</td>
<td>88,673</td>
<td>83%</td>
</tr>
</tbody>
</table>

**Global Shareowner Proposals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareowner Proposals Voted</th>
<th>Shareowner Proposals Supported</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>974</td>
<td>53%</td>
</tr>
<tr>
<td>2015</td>
<td>1,114</td>
<td>57%</td>
</tr>
<tr>
<td>2016</td>
<td>1,251</td>
<td>47%</td>
</tr>
<tr>
<td>2017</td>
<td>1,386</td>
<td>44%</td>
</tr>
<tr>
<td>2018 (YTD)</td>
<td>825</td>
<td>59%</td>
</tr>
</tbody>
</table>
United States & International Proxy Votes – Votes Cast 2014 to 2018 YTD

**United States Shareowner Proposals**
- 2014: 539 with 85% support
- 2015: 614 with 86% support
- 2016: 564 with 81% support
- 2017: 496 with 82% support
- 2018 YTD: 469 with 87% support

**International Shareowner Proposals**
- 2014: 435 with 17% support
- 2015: 500 with 20% support
- 2016: 687 with 19% support
- 2017: 890 with 22% support
- 2018 YTD: 356 with 22% support

**United States Management Proposals**
- 2014: 29,131 with 91% support
- 2015: 29,108 with 96% support
- 2016: 28,890 with 96% support
- 2017: 30,065 with 86% support
- 2018 YTD: 23,667 with 88% support

**International Management Proposals**
- 2014: 73,659 with 90% support
- 2015: 75,890 with 90% support
- 2016: 76,709 with 89% support
- 2017: 76,490 with 82% support
- 2018 YTD: 66,000 with 81% support
Notable Proxy Votes – 2018 YTD through 7/31/18

• **Wells Fargo & Co.**: Voted “against” 2 director nominees for oversight failures stemming from the retail banking scandal which came out in 2016. The 2 directors were the holdovers from the 9 directors we voted “against” in 2017. Staff also voted “against” the advisory vote on executive compensation for failing to link pay with performance.

• **Tesla Inc.**: Voted “against” the incentive compensation proposal for Elon Musk over concerns with magnitude of pay and dilution. CalPERS also withheld vote from non-independent directors who were up for re-election (nominees J. Murdoch and K. Musk). Tesla has a classified board and only 3 directors were up for re-election.

• **Equifax Inc.**: Voted “against” 4 directors for failure to oversee risk surrounding the massive 2017 data breach. Also, voted “against” the advisory vote on executive compensation for failing to appropriately link pay with performance.

• **Facebook**: Voted “against” 3 director nominees for risk oversight failures tied to the Cambridge Analytica scandal. Also, voted “for” shareowner proposals requesting one-share one-vote, formation of a risk oversight committee, simple majority vote, and gender pay equity.

• **Netflix Inc.**: Voted “against” 3 director nominees over accountability concerns. The Netflix board has not been accountable to shareowners by failing, since 2012, to implement majority passed shareowner resolutions. CalPERS staff also ran proxy solicitations for shareowner proposals requesting majority vote and proxy access.
Notable Proxy Votes – 2018 YTD through 7/31/18

- **Exxon Mobil Corp:** Voted “for” a shareowner proposals requesting a director skills set matrix and an independent board chairman. Also, voted “against” the advisory vote on executive compensation for failing to link pay with performance.

- **Kinder Morgan Inc.**: Voted “for” a shareowner proposal on climate risk reporting which received 59% shareowner support. CalPERS staff also ran a proxy solicitation in connection with this resolution.

- **Wynn Resorts**: Voted “against” J. Hagenbuch as a legacy board member who failed to oversee risk related to harassment allegations at the company.

- **Constellation Software**: Voted “for” a shareowner proposal requesting adoption of a board diversity policy. The proposal received 49% shareowner support.

- **The TJX Companies Inc.**: Voted “for” a shareowner proposal requesting a report on gender and ethnicity pay gaps. The proposal received 26% shareowner support.

- **Juniper Networks Inc.**: Voted “for” a shareowner proposal requesting disclosure of EEO-1 Data. Staff also attended this annual meeting to introduce the proposal into business on behalf of NYC Funds.
U.S. Executive Compensation Votes: 2013 to 2018 YTD

- Staff implemented an enhanced voting practice on executive compensation (“Say on Pay”) proposals in the United States starting with the 2018 proxy season
- CalPERS level of opposition increased at companies where compensation plans where not aligned with shareowner interests
  - In 2018 staff voted “against” 43% of “Say on Pay” proposals up for vote (18% in 2017, 5-year average of 16%)
  - Failure to align pay with performance was the primary reason to vote “against”
  - Other problematic features driving “against” votes included: short performance periods for long-term incentive awards, poor disclosure, short vesting periods for equity grants, discretionary awards, and similar metrics used for short and long-term incentive plans

![Say-on-Pay Voting – 2013 to 2018 (United States)](chart)
4. Corporate Engagement

Staff will generally engage with portfolio companies for the following reasons:

- **Ad hoc (event-triggered) engagements**: these are centered around controversies or governance concerns (e.g. Facebook and Cambridge Analytica)
- **Routine engagements**: these involve proxy calls with companies during the offseason and prior to Annual General Meetings (AGMs) and do not overlap with adhoc or initiative-based engagements
- **Initiative-based (thematic) engagements**: these are related to CalPERS’ Strategic and Core Initiatives (e.g. Diversity & Inclusion, Climate Action 100+, Majority Vote, Proxy Access, etc.)

**Staff engaged 1,540 unique companies from January 2018 through July 2018**
Engagement Objectives
1. Fact finding and to express concerns
2. Share CalPERS’ Principles & Beliefs
3. Seek company’s perspective
4. Seek resolution of issue/concern

CalPERS Corporate Engagement Flowchart

- Identify company concerns (directly or through stakeholders)
- Staff performs preliminary analysis before engaging with company
- Confidential engagement through phone, letter, and/or in-person meetings

Monitor the implementation of commitments

Positive Resolution

No Resolution

Exercise shareowner rights consistent with CalPERS’ Governance & Sustainability Principles
- Withhold proxy votes
- File shareowner proposals
- Shareowner engagement campaign
- Collaborate with partners
- Public statement of dissatisfaction
## U.S. Shareowner Campaigns with Proxy Solicitation Activity

### 2018 Shareowner Campaigns

<table>
<thead>
<tr>
<th>Category</th>
<th>Targets</th>
<th>Settlements</th>
<th>Proxy Solicitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxy Access</td>
<td>47</td>
<td>42</td>
<td>5</td>
</tr>
<tr>
<td>Climate Risk (2 Degree)</td>
<td>20</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Majority Vote</td>
<td>51</td>
<td>31</td>
<td>4</td>
</tr>
<tr>
<td>Governance (Opioid)</td>
<td>16</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Board Diversity</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

- Total Targets: 121
- Total Settlements: 88 (73%)
- Proxy solicitations: 17
- Ongoing Engagements: 16
Proxy Access Initiative:

- **Objective**: proxy access gives shareowners the right to nominate director candidates on a company’s ballot or proxy statement
- CalPERS’ proxy access proposal at Old Republic International Corporation passed with 77% support
- In December of 2017 staff began engaging 25 S&P 500 companies surrounding the adoption of proxy access
  - 8 companies have either adopted or committed to adopt proxy access
  - Staff is in various stages of engagement at the remaining 17 companies
  - Staff will file shareowner proposals at companies where negotiations are unsuccessful
- Staff continued to support NYC Funds’ proxy access campaign similar to prior years
  - NYC Funds targeted 47 companies in September 2017 and reached settlements with 43
  - CalPERS ran proxy solicitations at the remaining 4 companies where NYC Funds’ proxy access proposals went to vote
  - 2 of 4 received majority shareowner support (Hospitality Properties Trust → 85% and Netflix → 57%)

![Proxy Access Adoption (as of 7/31/18)](chart)

Source: ISS Analytics
Climate Risk Reporting Initiative:

- **Objective**: CalPERS supports accurate and timely disclosure surrounding environmental risks and opportunities associated with climate change risk
- **20 climate risk reporting targets where identified in 2018**
  - 12 settlements reached, and 3 companies removed due to M&A activity
  - CalPERS ran proxy solicitations at the remaining 5 companies where 2 degree scenario proposals went to vote
  - 2 out of 5 proposals passed (Kinder Morgan → 59% and Anadarko → 53%)
  - Average support level of 36% in 2018

Source: ISS Analytics
Majority Vote for Director Elections Initiative:

- **Objective:** to reform the director election process through replacing plurality voting with a majority vote standard for director elections. Plurality voting allows a director to be elected with a single vote, regardless of the number of votes “withheld”

- **Staff began engagements of 50 companies surrounding the adoption of majority vote**
  - 34 companies have either adopted or committed to adopt majority vote
  - 16 companies are in various stages of engagement
  - Staff will file proposals where negotiations are unsuccessful
  - CalPERS filed 3 shareowner proposals that went to vote and passed receiving majority shareowner support (Utah Medical Products, New Senior Investment Group, and 2U Inc.)

- 367 of the 400 companies engaged since 2010 have either adopted or committed to adopt majority vote for director elections based on CalPERS request

**Source:** ISS Analytics
## Proxy Solicitations Outcomes

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Proposal</th>
<th>AGM</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noble Energy</td>
<td>Climate Risk</td>
<td>4/24/2018</td>
<td>46% - Fail</td>
</tr>
<tr>
<td>Charter Communications</td>
<td>Proxy Access</td>
<td>4/25/2018</td>
<td>38% - Fail</td>
</tr>
<tr>
<td>First Hawaiian Inc.</td>
<td>Board Diversity</td>
<td>4/25/2018</td>
<td>25% - Fail</td>
</tr>
<tr>
<td>Utah Medical Products Inc.</td>
<td>Majority Vote</td>
<td>5/4/2018</td>
<td>80% - Pass</td>
</tr>
<tr>
<td>Kinder Morgan</td>
<td>Climate Risk</td>
<td>5/9/2018</td>
<td>59% - Pass</td>
</tr>
<tr>
<td>Pilgrims Pride</td>
<td>Board Diversity</td>
<td>5/10/2018</td>
<td>15% - Fail</td>
</tr>
<tr>
<td>MGE Energy</td>
<td>Climate Risk</td>
<td>5/15/2018</td>
<td>10% - Fail</td>
</tr>
<tr>
<td>Anadarko</td>
<td>Climate Risk</td>
<td>5/15/2018</td>
<td>53% - Pass</td>
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<tr>
<td>Universal Health Services, Inc.</td>
<td>Proxy Access</td>
<td>5/17/2017</td>
<td>8% - Fail</td>
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<tr>
<td>PNM Resources</td>
<td>Climate Risk</td>
<td>5/22/2018</td>
<td>13% - Fail</td>
</tr>
<tr>
<td>Old Republic</td>
<td>Proxy Access</td>
<td>5/25/2018</td>
<td>77% - Pass</td>
</tr>
<tr>
<td>Netflix</td>
<td>Proxy Access</td>
<td>6/6/2018</td>
<td>57% - Pass</td>
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<td>Netflix</td>
<td>Majority Vote (Binding S/P)</td>
<td>6/6/2018</td>
<td>71% - Fail</td>
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<tr>
<td>New Senior Investment Group</td>
<td>Majority Vote</td>
<td>6/11/2018</td>
<td>92% - Pass</td>
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<td>Hospitality Properties Trust</td>
<td>Proxy Access</td>
<td>6/15/2018</td>
<td>85% - Pass</td>
</tr>
<tr>
<td>2U Inc.</td>
<td>Majority Vote</td>
<td>6/25/2018</td>
<td>87% - Pass</td>
</tr>
<tr>
<td>McKesson Corp.</td>
<td>Report on Lobbying</td>
<td>7/26/2018</td>
<td>38% - Fail</td>
</tr>
</tbody>
</table>
Japan Board Independence Initiative:

Objective: Increase board independence at Japanese portfolio companies and market. In 2017, Staff amended the proxy voting practice for Japan to vote “against” non-independent directors when board independence is less than 1/3

- 2017 Proxy Season: Voted “against” 6509 non-independent directors at 864 companies (of ~1200) and wrote letters to communicate voting rationale and encourage the appointment of independent directors to reach at least 1/3 threshold
- 2018 Proxy Season: Voted “against” 6124 non-independent directors at 794 (of ~1200) companies and wrote letters to communicate voting rationale and encourage the appointment of independent directors to reach at least 1/3 threshold
- Progress Update: 90 companies (~10%) from the 2017 vote “against” and letter writing campaign have since increased board independence to at least 1/3

Source: IR Japan; Universe: Tokyo Stock Exchange 1st Section as of June 30, 2018