

2019 Parametric Proxy Voting Summary

This report summarizes how Parametric voted on behalf of its clients for all shareholder meetings that took place from July 1, 2018, through June 30, 2019. Parametric had voting authority on approximately \$109 billion in equity exposure as of June 30, 2019.

During the reporting period, Parametric voted in 10,164 shareholder meetings containing 98,705 proposals. Of these, 96,446 (or 98%) were proposed by management and 2,259 (or 2%) were proposed by shareholders. Overall, Parametric voted contrary to management recommendations for about 22% of total proposals.

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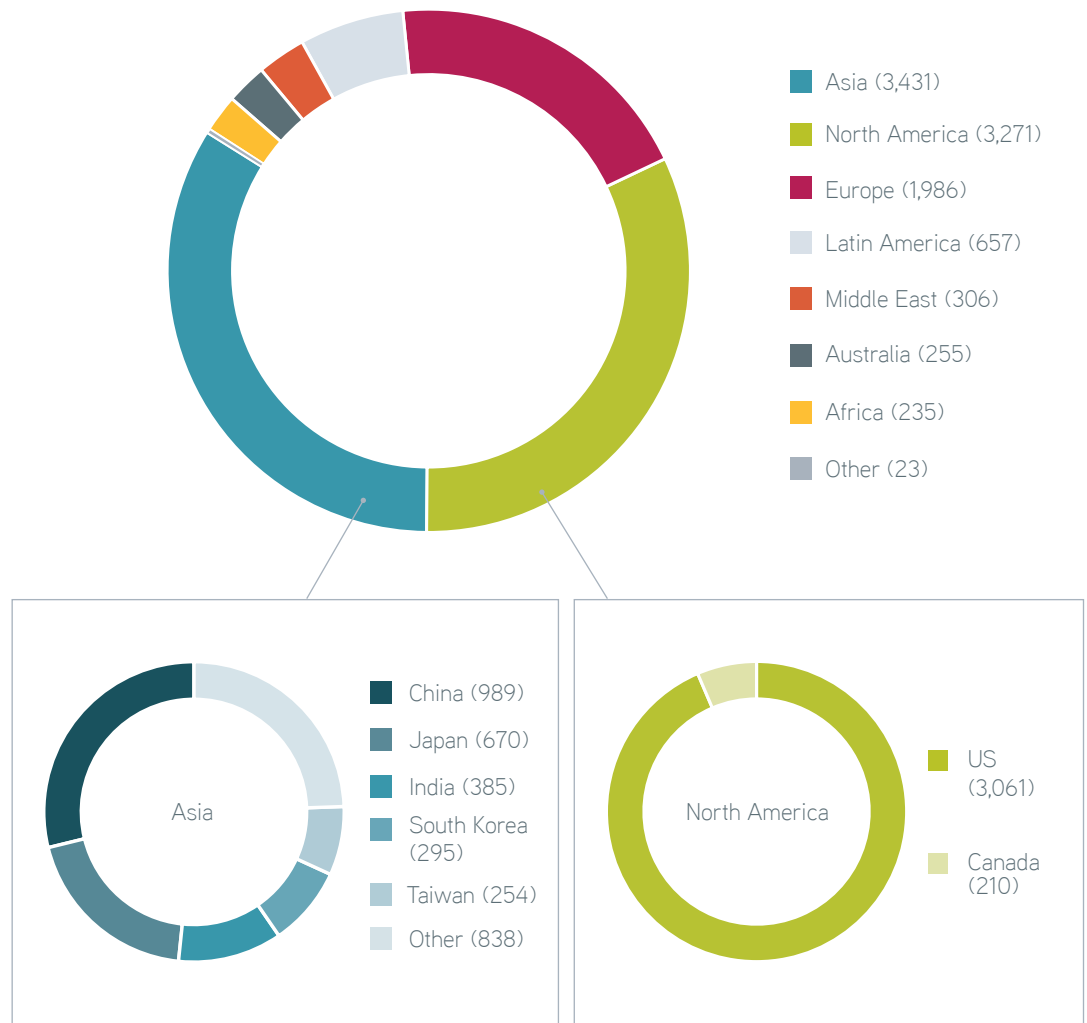
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Geography

Parametric voted at shareholder meetings in 89 different countries. The majority of these meetings occurred in the US and across a number of Asian countries.

Figure 1: Number of shareholder meetings by region

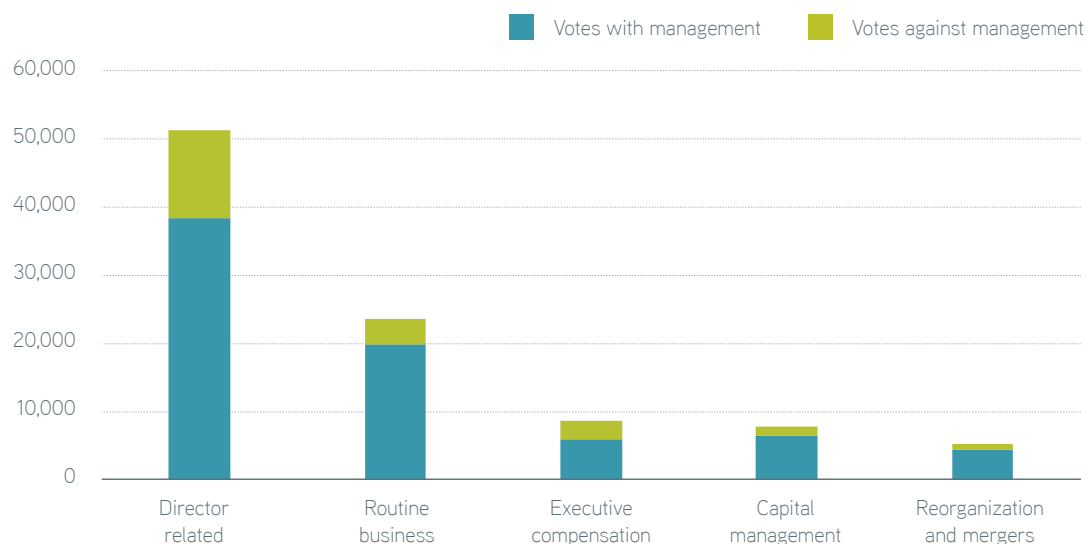


Source: Parametric, 6/30/2019

Management proposals

Of the 96,446 management proposals, the vast majority were related to director elections (53%) or routine business (24%). Routine business captures a wide range of activity, such as ratification of auditors, approval of meeting minutes, and allocation of income. The rest of the proposals were related to executive compensation, capital management, and mergers.

Figure 2: Number of votes on management proposals by category



Source: Parametric, 6/30/2019

Of 51,221 proposals related to director elections, Parametric voted against management on 12,910 proposals, or 25%. Many of these votes were due to either a lack of majority independence on the board or director non-independence on nominating, audit, or compensation committees. We believe the independence, competence, and responsiveness of directors is paramount. Board composition is one of Parametric's key areas of focus.

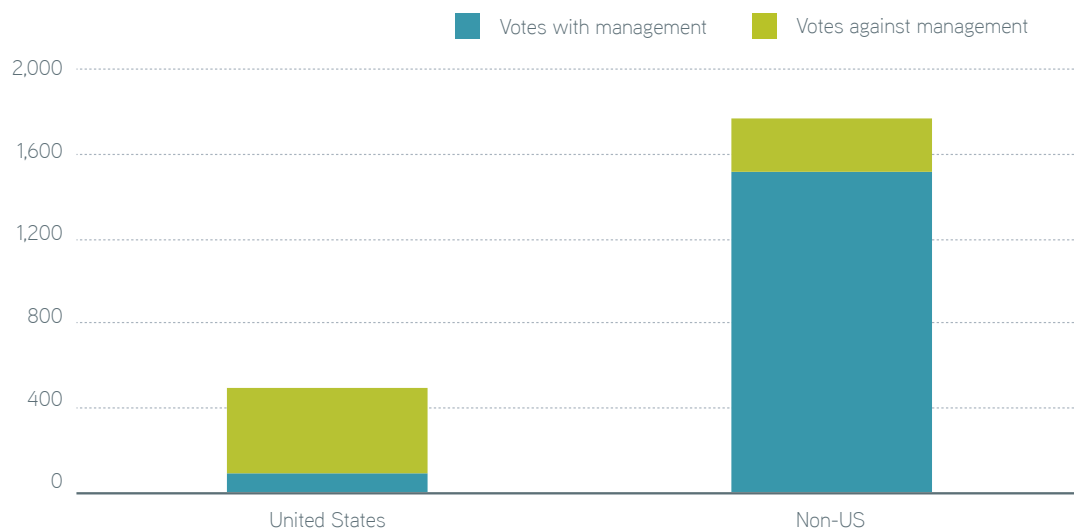
Of 8,684 executive compensation proposals, Parametric voted against management 2,768 times, or 32%. Parametric has generally supported executive compensation packages that are well disclosed, are reasonably in line with those of peers, and reflect long-term strategic company goals. Parametric doesn't support compensation packages with single-trigger provisions, packages with unreasonable payouts in the event of firm ownership change, or plans that are overly dilutive.

Of 5,174 reorganization and merger proposals, Parametric voted against management on 721 proposals, or 14%. Parametric has typically supported mergers that appear likely to increase shareholder returns over the long term and considers multiple factors, such as the strategic rationale, the premium or discount being offered, and potential conflicts of interest.

Shareholder proposals

Of the 2,259 shareholder proposals, 494 were for US companies and 1,765 were for companies outside the United States. Over a third of the US shareholder proposals targeted companies that are constituents of the S&P 500® Index.

Figure 3: Number of votes on shareholder proposals by region



Source: Parametric, 6/30/2019

At US companies the majority of shareholder proposals were related to more traditional governance issues around shareholder rights and compensation, and the rest were environmental or social in nature. Parametric voted in support of the majority of shareholder proposals of all types at US companies. Management opposed these proposals, which means a vote for these proposals would be considered a vote against management.

At non-US companies, almost all shareholder proposals were related to director elections and compensation, with only about 5% being environmental or social in nature. Almost half of all shareholder proposals in countries other than the US occurred in Asia, with three-quarters of them being at companies in China. Parametric voted in support of about 60% of shareholder proposals of all types at non-US companies. Because management commonly supported these shareholder proposals, the minority were considered a vote against management.

Examples of Parametric's shareholder proposal votes

Advisory vote on political contributions

While Parametric voted for 38 of the 39 shareholder proposals requesting additional political contribution disclosures, we didn't support the shareholder proposal at Intel. Parametric believed the request for an annual advisory vote to allow political contributions was unnecessary considering that Intel already reports political contributions on a semiannual basis.

Nuclear energy

Parametric didn't support a shareholder proposal at Tokyo Electric Power to decommission, halt debris removal from, and freeze the Fukushima Daiichi nuclear power station for 60 years. We believed this decision was best left to the discretion of the board, which oversees management. Parametric didn't support similar proposals at other Japanese companies to phase out or materially change the use of nuclear facilities.

Opioid epidemic

Parametric supported a shareholder proposal at Walgreens asking the company to explain how it's monitoring and managing opioid-related risks. We believed additional disclosure would help shareholders assess these risks and encourage management accountability. Parametric also supported similar resolutions at Rite Aid and Mallinckrodt for these reasons.

Gender pay equity

Parametric supported shareholder proposals at Amazon, Google, and 12 other companies to publish reports on the median pay gap between male and female employees. While some of these companies already had disclosed some gender pay statistics, we believed that additional disclosure would benefit shareholders.

Climate risk disclosure

Shareholder proposals asking for additional climate risk disclosures have seen an increase in investor support. They often get about 30% of shareholder support—almost twice as much support as they did 15 years ago.

However, the number of environmental proposals going to a vote has decreased since 2016, likely due in part to the increased effectiveness of shareholder engagement. Parametric has been supportive of proposals that ask for additional disclosures of material risks to the business while being mindful of the costs of additional reporting. Parametric supported all 10 shareholder proposals asking for reports or assessments of climate-related policy, including one of this nature at Amazon.

Nonclimate environmental proposals

Parametric voted in support of all 15 environmental shareholder proposals at US companies outside of climate risk disclosure, covering topics such as water pollution and sustainable packaging.

One example of a proposal we supported was a report on sustainable packaging at Starbucks. We believed that additional disclosure would be helpful to shareholders in assessing salient environmental risks and encouraging the organization to manage packaging responsibly. Generally, Parametric has been supportive of nonbinding shareholder resolutions that provide new information about potential material risks to shareholders at reasonable costs.

Proxy access

Proposals regarding adoption of proxy access and requirements on calling a special meeting have also gotten more common over the past few years. Parametric supported all proxy access shareholder proposals, including one at Universal Health Services. Parametric believes proxy access is a fundamental shareholder right.

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