

Engagement policy

UPDATED JUNE 3, 2019

Wells Fargo Asset Management (WFAM) has built its philosophy, policies, and processes around delivering on client and community expectations in a responsible and sustainable way.

As active owners in the companies in which we invest, we regard stewardship as integral to our investment process. It enables us to have a voice and exercise ownership rights to improve disclosures and transparency and effect corporate activities, policies, and behaviors that affect attractive, long-term, risk-adjusted returns for our clients.

Wells Fargo Asset Management (WFAM) is a trade name used by the asset management businesses of Wells Fargo & Company. WFAM includes but is not limited to Galliard Capital Management, Inc.; Wells Capital Management Inc.; Wells Fargo Asset Management (International), LLC; Wells Fargo Asset Management Luxembourg S.A.; Wells Fargo Funds Distributor, LLC; and Wells Fargo Funds Management, LLC.

This engagement policy, in conjunction with the WFAM Proxy Voting Policies and Procedures, sets out how WFAM complies with the EU Shareholder Rights Directive II (EU 2017/828) (SRD II).

I. Philosophy and approach to engagement

WFAM's stewardship statement is:

As fiduciaries, we are committed to effective stewardship of the assets we manage on behalf of our clients. To us, good stewardship reflects responsible, active ownership and includes both engaging with investee companies and voting proxies in a manner that we believe will maximize the long-term value of our investments.

At WFAM, our motivation for engagement results from a strong desire to deepen our knowledge of investee companies in which we allocate capital, or where appropriate, to take action to protect invested capital. WFAM recognizes that there are many influences on the value of equity and fixed-income instruments and we attempt to identify and monitor those issues that have a material impact. Common issues that warrant engagement include firm strategy, board and risk management oversight, corporate culture, remuneration, capital budgeting and allocation, sustainability, environmental concerns, and governance.

The WFAM Stewardship Platform aggregates the views of our fundamental equity and fixed-income investment teams, the Investment Analytics team, and our dedicated Stewardship team. This collaborative review allows us to more broadly understand the challenges facing our investee companies and to identify areas where engagement is likely to have meaningful impact.

Based upon a prioritization process (as described in Section I.C), WFAM may communicate our views to company management and use the dialogue to further inform our understanding of the situation. We are most likely to engage if one or both of these criteria are met: 1.) we believe that doing so will result in protecting the value of capital we have invested on behalf of our clients, or 2.) fulfilling our firm-wide commitment to advancing environmental, social, and governance (ESG) issues while also seeking improved performance on those issues with investee companies. Investee engagement also provides incremental

insights that our fundamental investment teams can incorporate into their analysis of company risk and opportunities to further align risk-adjusted performance to client expectations.

As a large active investment manager with a commitment to deep fundamental research, we have extensive processes for monitoring investee companies: as part of our investment teams' research, through our independent portfolio risk management team, and through our engagement platform by the Stewardship team.

A. Fundamental investment teams

Rigorous, fundamental company research is a competitive advantage of our investment teams across global equity and global fixed-income asset classes. Our investment teams' bottom-up research processes include an in-depth analysis of the industry within which the company operates, the company's competitive positioning, and an assessment of the risks and factors that are current points of contention in the marketplace. Our fundamental teams have had a longstanding focus on good corporate governance and the quality and effectiveness of management is a key factor in making an investment decision. Spending time with the management of a company enables our investment teams to engage with companies on a variety of matters, including business strategy, risk, and material ESG issues. Our fundamental research analysts have decades of experience and in-depth knowledge of macroeconomic drivers, financial markets, industry trends, and operations/management of investee companies. Our engagements benefit from our deep, long-standing relationships between external investment management teams and their investee companies.

B. Senior investment leadership and Investment Analytics

ESG risk oversight is an important role of WFAM's senior investment leadership team and is incorporated as a component of our long-standing risk review meetings. On a regular basis, ESG exposures as well as the firm's most significant exposures to securities with poor overall ESG scores are reviewed with the Office of the CIO.¹ This ESG review process is also conducted on a monthly basis with each of our investment teams on their strategies, which leads to a constructive dialogue on the ESG exposures, risks, and dynamics of ESG issues over time.

Using third-party ESG data, the Investment Analytics team supplements the independent investment teams' fundamental research with a number of ex-ante and ex-post tools and reports based on a proprietary flagging system that highlights the most significant ESG risks at both the security and portfolio levels. Additionally, an ESG alert system is in place to notify investment teams of developing ESG-related issues that may have a large impact on specific companies or industries.

The ESG resources provided by Investment Analytics team are intended to act as a catalyst to drive additional research and/or company engagement. As such, the responsibility for ESG integration and monitoring is a partnership between the Investment Analytics team, each of our independent investment teams, and the dedicated ESG team.

¹ The Office of the Chief Investment Officer provides oversight for all investment activities at WFAM, including risk management oversight. It is comprised of senior investment. The function of the Office of the CIO is to oversee risk mitigation actions and to provide credible challenges to portfolio management teams to ensure portfolio positions are well understood and consistent with the investment team's stated process.

C. Stewardship team

As a complement to the fundamental investment teams' bottom-up engagement activities and by using analysis from the Investment Analytics team on ESG research, our dedicated Stewardship team helps establish our engagement priorities and set strategic direction for stewardship. The Stewardship team monitors our holdings to identify companies where material ESG issues may arise and to engage with companies where we have substantial holdings, where WFAM owns a significant portion of the company (relative to its market cap and bond issuances), and/or where the holding is significant to a specific investment strategy or team.

Our engagement framework is designed to balance sector-specific focus, multi-sector (thematic) review, along with company-specific opportunities:

1. Sector-specific engagements: Engage with multiple companies within a sector on material issues as defined by the Sustainable Accounting Standards Board (SASB). WFAM typically identifies three to four sectors with material issues each year in an effort to address particular challenges and promote standards to improve material sustainability metrics.
2. Multi-sector engagements: Engage with companies across sectors on thematic issues that are material and where the companies are laggards. For instance, current thematic issues center on climate change, pollution and waste, data privacy and security, diversity, and corporate governance. WFAM applies the SASB materiality lens and then focuses on companies where we have significant firm-wide exposure. In an effort to avoid a size bias, we are mindful to partner with investment teams focused on down market capitalization securities along with lower credit-quality-focused fixed-income strategies.
3. Company-specific engagements: Engage with companies where controversies arise involving incidents of malfeasance, regulatory or legislative developments, or from societal debates relevant to the company.

WFAM has created a proprietary model that identifies companies within our engagement framework where material issues exist and allows us to then partner with fundamental investment teams to initiate engagement conversations. Engagements can include meetings and dialogue with companies, executives, board members, advisors, and other shareholders as appropriate with an aim to build trust and develop the mutual understanding that supports continued effective dialogue. The following principles serve as guideposts for our mosaic of evaluation:

- Aim to be constructive, patient, and persistent
- Set defined agenda with anticipated outcome
- Provide expectations and timelines for subsequent meetings
- Track and assess investee company feedback to determine level of follow-up engagement needed

II. Identifying and managing conflicts of interest

We always seek to place the interests of our clients first and to identify and manage any conflicts of interest, including those that arise from proxy voting or engagement. Wells Fargo Asset Management acts as a fiduciary with respect to its asset management activities and therefore we must act in the best interest of our clients and address conflicts that arise.

WFAM is bound by Wells Fargo's Vision and Values and has adopted a Code of Ethics Policy, which is supplementary and complements the Wells Fargo & Company Code of Ethics and Business Conduct. The policy applies to all WFAM employees and requires WFAM to implement appropriate processes and procedures to avoid, mitigate, or appropriately resolve conflicts of interest. It is pursuant to Rule 204A-1 under the Advisers Act in the U.S. and Markets in Financial Instruments Directive in Europe and is designed to ensure that we meet our fiduciary obligations. The policy governs employee personal trading activities and provides guidance with respect to potential conflicts of interest, insider trading, and the use of material nonpublic information. Additional detail for each of WFAM's SEC-registered advisors can be found in their SEC Form ADV Part 2A filing.

Our policies and procedures for managing conflicts of interest in relation to corporate governance issues are fully contained in the WFAM Proxy Voting Policy. WFAM may have a conflict of interest regarding a proxy to be voted upon if, for example, WFAM or its affiliates (such as a subadvisor or principal underwriter) have other relationships with the issuer of the proxy. Conflicts of interest are identified and managed through a strict and objective application of our voting policy and procedures. However, when the WFAM Proxy Committee becomes aware of a conflict of interest (as defined in the WFAM Proxy Voting Policy), it takes additional steps to mitigate the conflict, such as: instructing our proxy administrator and advisor, Institutional Share Services Inc. (ISS) to vote in accordance with its recommendation to its clients, engaging an independent fiduciary who will direct the vote, or consulting with Legal and Compliance and/or external counsel for guidance on resolving the conflict of interest.

III. Governance and escalation

WFAM takes a pragmatic and patient approach to our engagement framework in an effort to build mutual understanding that can drive effective results with issuers in which we invest. Through collaborative interaction with our portfolio management teams, who have deep knowledge and relationships with investee management, our Stewardship team assesses each engagement opportunity on its individual merit. Decisions to escalate may be informed by multiple constituents, including analysts, portfolio managers, WFAM senior leadership, and members of the Stewardship team. As the governance body for the Stewardship Platform, the WFAM Stewardship Governance Committee would deal with situations that require escalation.

Should we conclude that an investee has material deficiencies, our initial course of action would be to communicate our concerns to company management and provide our expectations for improvement. Ultimately, our progress on stewardship efforts will affect our fundamental assessment of these companies and, in turn, our willingness to maintain or exit our investment positions.

IV. Industry collaborations

We value participation in ESG and stewardship industry initiatives as a way to participate and contribute our expertise to evolve industry best practices and thought leadership. We have developed close partnerships

with leading industry associations, disclosures and standards bodies, and nonprofit organizations that are at the forefront of ESG and stewardship developments.

We are a signatory to the Principles for Responsible Investment (PRI),² where we have committed to implementing the six principles around the integration of ESG. Beyond the commitment to integrating ESG and publicly reporting on our progress, we are actively contributing to the work of the PRI as a whole to help investment professionals across the industry increase their sophistication to ESG. This has included our membership in the PRI Fixed Income Advisory Committee, as well as sponsoring events that bring together investment professionals to discuss and learn from the latest industry trends. We are also seeking to become more active in PRI collaborations.

We are members of the Ceres Investor Network, a nonprofit organization working to advance sustainability across the global economy. Ceres connects institutional investors and provides opportunities to advance investment practices, corporate engagement strategies, and policy solutions. The collaborative nature of this network allows members to engage on key ESG issues in an effort to improve industry standards and further global sustainability.

We are also closely involved with the SASB, an organization dedicated to supporting the disclosure of material sustainability information across sectors in a decision-useful way. We are members of the Standards Board (accountable for the due process, outcomes, and ratification of the SASB standards themselves), a founding and current member of the Investor Advisory Group (composed of leading asset owners and asset managers who are committed to improving the quality and comparability of sustainability-related disclosure to investors), and a member of the SASB Alliance (composed of organizations and individuals that support the need to develop and explore best practices to integrate sustainability into existing processes). Furthermore, we have contributed the expertise of our investment professionals across the development of the standards themselves.

We are also members or signatories to:

- The Principles for Responsible Institutional Investors (Japan's Stewardship Code), a commitment to promote the value and sustainable growth of companies through active ownership and engagement activities
- CDP (formerly known as the Carbon Disclosure Project), an organization that runs the global disclosure system that enables companies, cities, states, and regions to measure and manage their environmental impacts (signatory through Wells Fargo & Company)

Also, we are actively reviewing other country stewardship codes with an intention of expanding our commitment to become a signatory to the major stewardship code frameworks around the world.

V. Connecting engagement with proxy voting

We believe engagement and proxy voting should be connected and the two activities should be managed harmoniously. WFAM supports sound corporate governance practices, shareholder rights, and transparency

2. Wells Fargo Asset Management (WFAM) is a trade name used by the asset management businesses of Wells Fargo & Company. WFAM includes Wells Capital Management and Galliard Capital Management, both registered investment advisers that are PRI signatories in their own right.

in investee companies. We believe there are opportunities to pursue these objectives via both the proxy process and in the course of our engagement activities.

Proxy voting and engagement form the two pillars of our Stewardship Platform. Our firm has developed proxy policies and procedures to ensure that WFAM exercises our voting responsibility as a fiduciary with the goal of maximizing value to clients.

Our Proxy Voting Policy establishes our top-of-house views, governance and committee structure and responsibilities, usage of proxy advisors, and voting transparency. Our top-of-house view reflects our beliefs that boards of directors of investee companies should have strong, independent leadership and should adopt structures and practices that enhance their effectiveness. We believe it is the responsibility of the board of directors to create, enhance, and protect shareholder value. We recognize that optimal corporate governance structures can vary by company size, industry, region of operations, and circumstances specific to the company.

Our proxy process is supported by the WFAM Proxy Governance Committee. The WFAM Proxy Governance Committee is responsible for overseeing the proxy voting process to ensure its implementation in conformance with the WFAM Proxy Voting Policy and Procedure. Members of the WFAM Proxy Governance Committee also oversee the implementation of WFAM Proxy Governance Committee recommendations for the respective functional areas in WFAM that they represent. The WFAM Proxy Governance Committee may delegate certain powers and responsibilities to a proxy voting subcommittee. Among other delegated matters, the Proxy Voting Subcommittee, in accordance with these policies and procedures, reviews and votes on routine proxy proposals that it considers under these policies and procedures in a timely manner. If necessary, the Proxy Voting Subcommittee escalates issues to the WFAM Proxy Governance Committee that are determined to be material by the Proxy Voting Subcommittee or otherwise in accordance with these policies and procedures. The Proxy Voting Subcommittee coordinates with WFAM Risk and Compliance to review the performance and independence of ISS in exercising its proxy voting responsibilities.

Other key features of our proxy process relate to integrating ESG issues into the proxy process and utilizing a set of importance ratings issued by our proxy advisor to filter issues into the WFAM Proxy Governance Committee for review, debate and decisioning. The importance ratings include the following topics: director contests, significant transactions (such as mergers, acquisitions, reorganizations, restructurings, spinoffs and sale/purchase of company assets), capitalization proposals, and antitakeover defenses.

VI. Commitment to transparency on stewardship activities

WFAM discloses its Stewardship Policy (including proxy voting policy and procedures and engagement policy) on our website. We work with clients to meet their individual reporting requirements for proxy and engagement activities, including proxy voting records for their accounts and rationale for votes or areas of engagement.

WFAM will make available on our website a 2019 Stewardship Activity Report and continue to publish at least annually, which highlights our proxy voting and engagement activity on our website at www.wfam.com.