Michael W. Frerichs
Illinois State Treasurer

Raising The Bar:

Treasurer Frerichs' 2021 Annual Sustainable Investment Report

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I. Letter from Treasurer Michael Frerichs

I am very pleased to present the Office of the Illinois State Treasurer's fifth Annual Sustainable Investment Report, which showcases our sustainable investing activities during calendar year 2021.

This report is an important instrument to tell the people of Illinois about what we are doing to protect their money, make smarter investment choices, and in the grand scheme, strengthen the economic well-being of Illinois citizens and institutions.

As the Treasurer of the State of Illinois, I am responsible for safeguarding and prudently investing approximately $50 billion on behalf of the State, units of local government, and individual retirement and college savers. To effectively execute my fiduciary duties as State Treasurer, and to ensure compliance with state law, my office integrates financially material sustainability factors into our investment decisions.

We deploy an investment philosophy that fuses traditional investment objectives — optimal risk-adjusted returns, low expenses, and diversification — with a focus on sustainability, corporate responsibility, and risk management. By doing so, not only do we position ourselves to better protect shareholder value and maximize returns, but we also help foster a business culture that is more attentive to systemic risks, societal impacts, and long-term growth. And that benefits all of us in Illinois and beyond.

During these turbulent times, we have seen how companies and investors are impacted by what many refer to as *sustainability factors*. When investors only examine a company's financial condition or technical stock indicators, they may not discern whether that company is prepared to withstand an acute shock, like a global pandemic, or manage a systemic risk, like climate change. But when investors analyze a company's sustainability, such as its climate transition plan, workforce practices, or the composition of its board of directors, investors can better assess wider risks and opportunities, and thus they can make more informed investment decisions.

My team and I work hard to ensure that the companies in which we invest, and the investment managers that we employ, disclose and account for the potential impact of material sustainability factors. These activities are critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants.

[1] Illinois Sustainable Investing Act (30 ILCS 238), available at: www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=4027&ChapterID=7

This year, we engaged over 3,200 companies on materially important sustainability issues, we conducted a comprehensive sustainability analysis of all our investment managers, and we conducted a customized sustainability analysis on more than 80 individual security issuers. All this work and more is detailed in this report. Notable highlights from 2021 include:

- **Engaged 3,200+ Companies on Material Sustainability Issues —** We conducted 56 principal engagements with individual companies, and we supported more than 3,200 coalition-based engagements on a range of material sustainability topics, including board diversity, human capital management, and climate change.
- **Conducted 80+ Sustainability Analyses of Individual Securities Issuers —** Using a customized assessment process that draws on a combination of internal analysis and external reporting, our office developed sustainability grades for more than 80 organizations as part of the approval process of debt issuers for the office's two internally managed investment programs.
- **Conducted 50+ Sustainability Analyses of Investment Managers —** Our office conducted a comprehensive evaluation of all our investment managers to assess and compare how and to what extent each integrates sustainability factors within their core processes.
- **Assets Managed by MWVD Firms Increased from $18 Million to $6.7 Billion —** Total assets managed by minority, women, veteran, and disabled-owned (MWVD) firms increased from $18 million in December 2014 to $6.7 billion in December 2021. That's a 372-fold increase.
- **28,176 Proxy Votes Cast at 3,048 Annual Meetings —** Our office voted on 28,176 proposals on corporate proxy ballots and at 3,048 annual stockholder meetings in 2021.

For more information on our sustainable investing activities, please visit www.IllinoisRaisingTheBar.com.

Onward,

Michael W. Frerichs

About the Office of the Illinois State Treasurer

The Office of the Illinois Treasurer, pursuant to the Illinois Constitution, is responsible for the receipt, safekeeping and investment of state monies, and for their disbursement.

The Illinois Treasurer is dedicated to prudently investing money on behalf of the State, units of government, and retirement and college savers, expertly managing the State's multiple banking functions, and providing first-rate financial services to individuals and government bodies in Illinois. Our decisions promote economic growth, education, access, and opportunity for individuals and government bodies across our State to give families the tools to achieve the American Dream. The Illinois Treasurer is committed to fulfilling this mission in a highly professional and ethical manner, while striving for transparency, efficiency, diversity and inclusion, sustainability, and preservation of public trust.

The Illinois Treasurer manages approximately $50 billion, which includes $24 billion in State investments, $17 billion in college savings and retirement savings funds, and $9 billion in funds managed on behalf of State agencies and units of local government.

On the investment front, the Illinois Treasurer oversees several programs, including:

- State Investments
- 529 College Savings Plans
- The Illinois Funds
- Illinois Growth and Innovation Fund
- Secure Choice Retirement Savings Program
- Illinois Achieving a Better Life Experience (ABLE) Program
- Student Investment Account

The Illinois Treasurer also administers the State's multiple banking functions and financial services, overseeing cash management activities, and processing payments and receipts on behalf of over 100 State agencies, boards, and commissions. In fiscal year 2021, the Illinois Treasurer processed $207 billion in receipts and $207 billion in expenditures on behalf of the State.

The Office of the Illinois Treasurer predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office. Learn more at www.illinoistreasurer.gov.

The Illinois Treasurer manages approximately

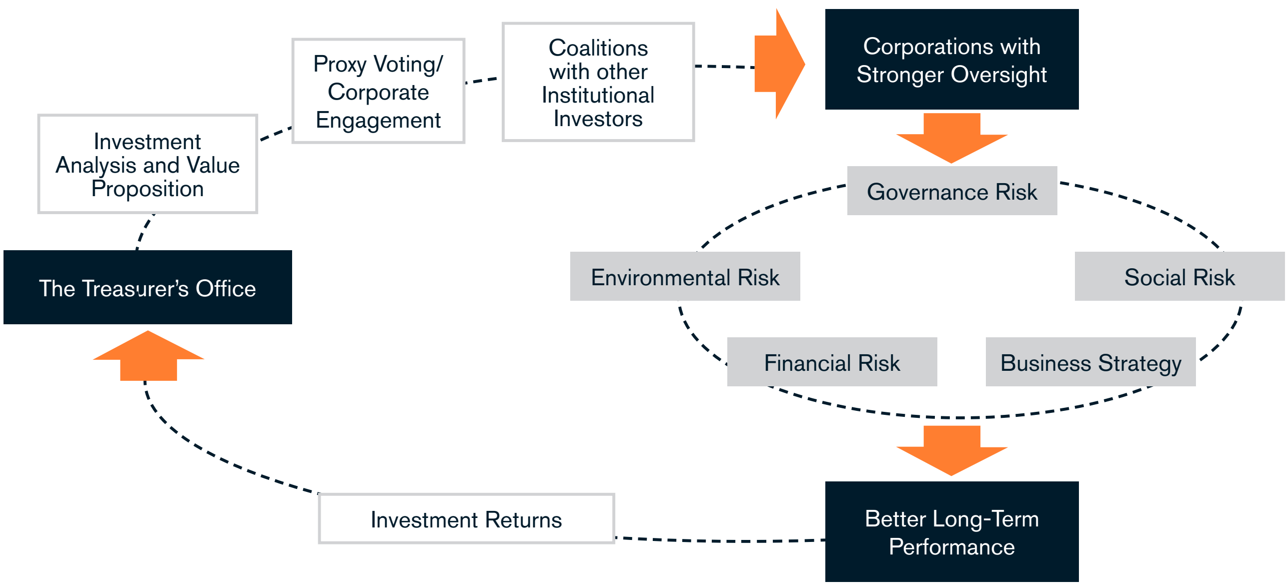
$50 billion.

II. Raising the Bar — The Treasurer's Sustainable Investing Strategy

OUR VIEW ON SUSTAINABLE INVESTING

Fulfilling Our Fiduciary Duty. We know that to fulfill our fiduciary duty and maximize investment returns, we need to focus on more than short-term gains and traditional indicators. Additional risk and value-added factors that may have a material financial impact on the performance of our investments need to be integrated into the decision-making process. This provides investors with a more complete view of a fund or company's short-term and long-term financial condition.

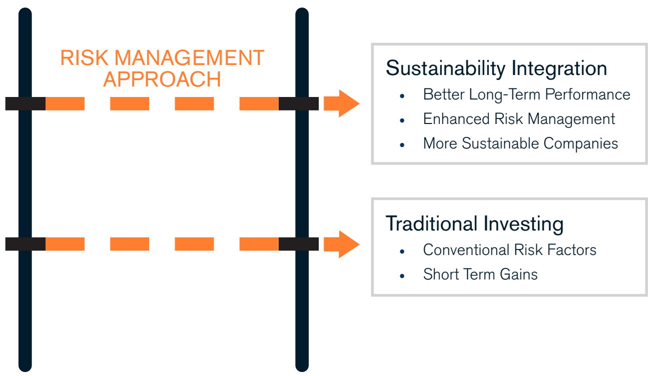
Sustainability Integration: Why It Matters



Sustainability Principles. In line with the Sustainability Accounting Standards Board (SASB)[2], we apply sustainability factors that are *material, relevant, decision-useful,* and *industry-specific.* We also work to ensure that the integration of sustainability factors *outweighs any costs* of implementation. These are five principles that guide our work in this space.

Sustainability Factors. Sustainability factors, which encompass a broader range of ESG (environment, social and governance) factors, are used to more comprehensively analyze an investment based on its risk profile and return potential. The sustainability factors we examine fall under five categories that include: (1) corporate governance and leadership; (2) environment, (3) social capital, (4) human capital, and (5) business model and innovation.

Higher Standards And Better Results



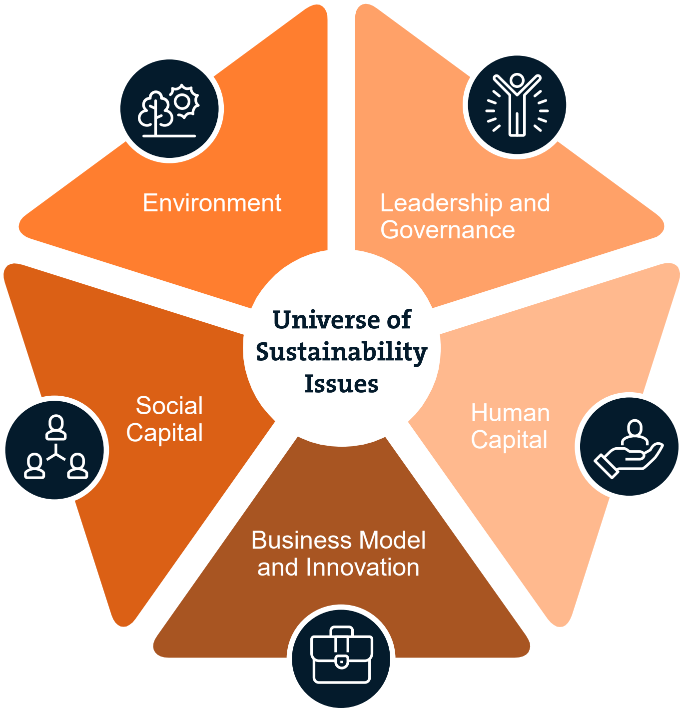
[2] Note that SASB recently merged with the International Integrated Reporting Council (IIRC) to form the Value Reporting Foundation.

Environment

- GHG Emissions
- Air Quality
- Energy Managment
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling



Leadership & Governance

- Business Ethics
- Competitive Behavior Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Source: Sustainability Accounting Standards Board (SASB)

Research Agrees. Studies clearly demonstrate that companies with sustainable policies are lower risk investments and frequently provide collateral benefits to investors.[3,4,5,6,7] Sustainable investing considers all stakeholders: employees; investors; community members; corporate leadership; and the environment.

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[3] Mark Fulton, Bruce Kahn, and Camilla Sharples. “Sustainable Investing: Establishing Long-Term Value and Performance.” Deutsche Bank Group. June 2012. Accessible at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2222740&rec=1&srcabs=2508281&alg=1&pos=2.

[4] Gunnar Friede, Timo Busch, and Alexander Bassen. "ESG and financial performance: aggregated evidence from more than 2000 empirical studies." *Journal of Sustainable Finance & Investment*, vol. 5, no. 4, 2016, pp. 210-233. Accessible at: https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917.

[5] Tim Verheyden, Robert G. Eccles, and Andreas Feiner. "ESG for All? The Impact of ESG Screening on Return, Risk, and Diversification." *Journal of Applied Corporate Finance*, vol. 28, no. 2, 2016., pp. 47-55. Accessible at: https://onlinelibrary.wiley.com/doi/abs/10.1111/jacf.12174.

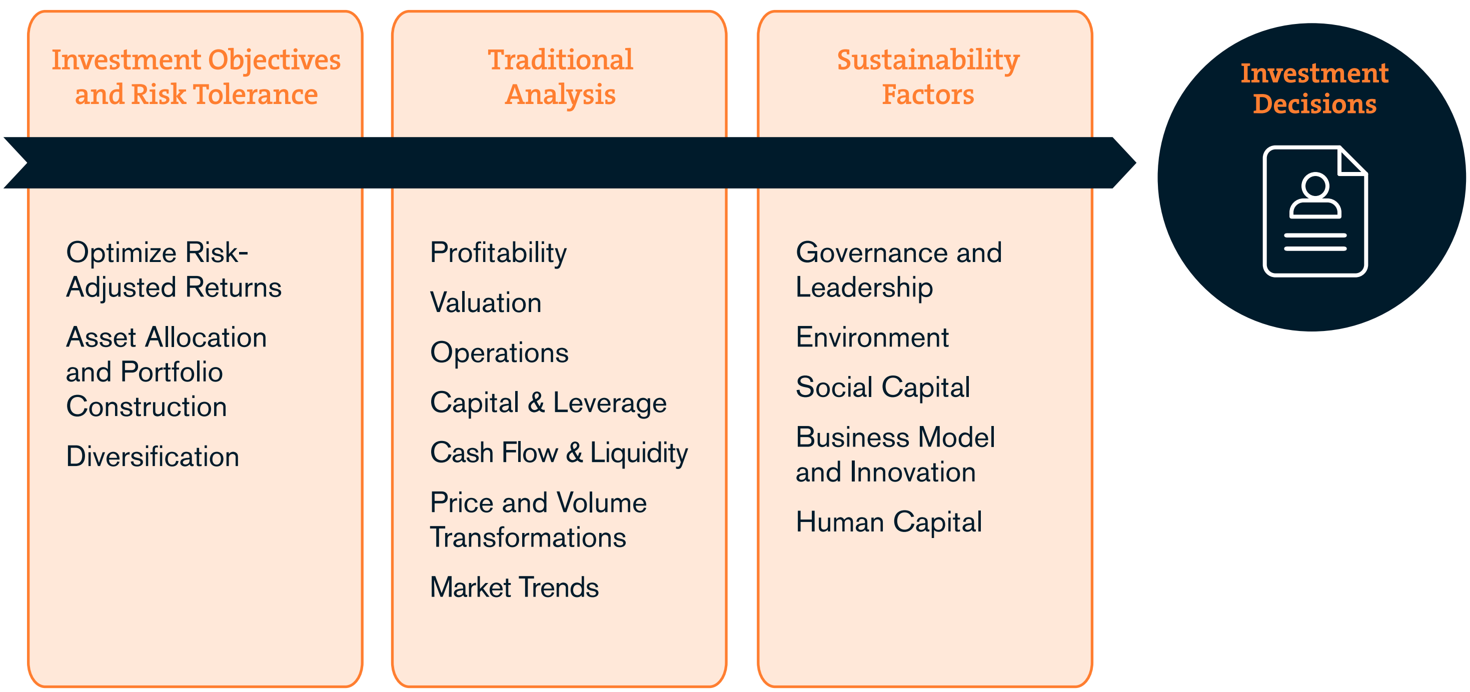
[6] Sakis Kotsantonis, Chris Pinney, and George Serafeim. "ESG Integration in Investment Management: Myths and Realities." *Journal of Applied Corporate Finance*, vol. 28, no. 2, 2016., pp. 10-16. Accessible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2808219.

[7] Robert G. Eccles, Ioannis Ioannou, and George Serafeim. "The Impact of Corporate Sustainability on Organizational Processes and Performance." *Management Science*, vol. 60, no. 11, 2014, pp. 2835-2857. Accessible at https://www.hbs.edu/faculty/Pages/item.aspx?num=47307.

Industry Consensus. It is widely recognized that sustainability factors, such as the way a company treats its workers or company's readiness to adapt to climate change, can and often do have a material impact on investment performance. Given that sustainability factors make investors better-informed and better decision-makers, the investment industry has witnessed steady growth in this space. "Global ESG assets are on track to exceed $53 trillion by 2025, representing more than a third of the $140.5 trillion in projected total assets under management," according to Bloomberg. The largest investment institutions in the world are integrating sustainability factors into their investment policies, processes, and decisions. Sustainable investing is not a niche pursuit, limited to a narrow band of dogmatic investors. It's widely embraced. And that's because it's smart business.

"Global ESG assets are on track to exceed $53 trillion by 2025, representing more than a third of the $140.5 trillion in projected total assets under management," according to Bloomberg.

More Rounded Analysis of Internally and Externally Managed Investments. The integration of material sustainability factors adds an additional layer of rigor to the fundamental analytical approach for manager due diligence and helps assess balance sheet strength, risk profile, and the reliability of future cash flows and debt repayments for security analysis.



Investment Stewardship Creates Value. When investors fuse traditional investment objectives — optimal risk-adjusted returns, low expenses, and diversification — with a focus on sustainability and sound corporate governance, they are better positioned to deliver long-term value. As such, the Illinois Treasurer utilizes investment stewardship best practices, like security analysis, manager due diligence, proxy voting, and corporate engagement, to optimize investment returns, actively manage risk exposures, signal issues of concern, encourage the adoption of best practices, and protect the long-term value of investment vehicles.

OUR APPROACH TO SUSTAINABLE INVESTING

Alignment with State Law. The Illinois Sustainable Investing Act (30 ILCS 238), which took effect on January 1, 2020, provides that all state and local government entities that hold and manage public funds, including the Illinois Treasurer, "shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty." As such, the Illinois Treasurer maintains sustainable investment policies and processes to act in compliance with state law and fulfill its duties to the people of Illinois.

The Illinois Sustainable Investing Act

The Illinois Sustainable Investing Act (PA 101-473) was signed into law by Governor J.B. Pritzker in 2019 with an effective date of January 1, 2020. The Act, the first of its kind, establishes a framework for public fund managers to consider sustainability factors in their investment portfolios and a method for implementation. The investment strategy of the Illinois Treasurer complies with the parameters outlined in the Act.

While the law establishes a standard for sustainability integration, it is flexible enough that individual public fund managers can customize how sustainability factors are considered and integrated in their investment decision-making processes. The law sets a standard of practice while maintaining managerial independence.

By codifying sustainable investment, the Act lays the groundwork for generations to come. The legislation has the potential to be replicated in other states, and could eventually drive demand for more widespread disclosures of sustainability data.

For more information, including information on how public funds in Illinois can comply with the Act and access sample investment policies and procedures, visit www.illinoistreasurer.gov/Local_Governments/Sustainable_Investing_Act.

The Three Legs. The Illinois Treasurer operationalizes its sustainable investing strategy primarily through three areas, each of which ties to specific divisions within the investment team:

INTERNAL MANAGEMENT

Division of Portfolio & Risk Analytics

Integration of sustainability factors into the review of individual debt issuers and investment counterparties approved for the office's two internally managed investment porfolios, State Investments and IPTIP Investments

EXTERNAL MANAGEMENT

Division of Investment Analysis & Due Diligence

Integration of sustainability factors in fund manager evaluations for public investments under the office's 529 College Savings Plans, Secure Choice Retirement Savings Plans, and ABLE Savings Plan

Division of Alternative Investments

Integration of sustainability factors in fund manager evaluations and engagement for alternative investment portfolios

ACTIVE OWNERSHIP

Division of Corporate Governance & Sustainable Investment

- Corporate Engagement
- Manager Due Diligence
- Proxy Voting
- Advocacy and Policymaking

Corporate Governance and Sustainable Investment Subcommittee. The Corporate Governance and Sustainable Investment Subcommittee (CGSI) is tasked to review the sustainable investment activities of the Illinois Treasurer and the outcomes of those activities in advancing the office's sustainable investment responsibilities. CGSI meets at least monthly to evaluate and provide guidance on the office's corporate engagements, proxy voting activities, public policy advocacy, external fund management, and review of debt issuers and investment counterparties, among other tasks. CGSI is composed of personnel from across different investment teams, providing an additional mechanism for direct coordination of duties, strategy development, and the exchange of best practices.

Strategies and Focus Areas. The Illinois Treasurer uses a multifaceted approach to advance its sustainable investment strategy and address material financial risks and opportunities. This includes:

1. Investment Policies

Our policies govern investment programs and specify that sustainability factors be integrated into portfolio construction, decision-making, investment analysis, and risk management.

2. Fund Manager Sourcing, Selection and Evaluation

Our office and our agents source, select and evaluate fund managers by their approach to sustainable investing, staffing experience and expertise, investment stewardship policies and programs, institutional track record, and sustainability ratings.

3. Investment Analysis & Due Diligence

We conduct regular analysis on external fund managers and other external counterparties to identify and address sustainability risks and opportunities.

4. Value Creation and Risk Management

We integrate sustainability factors and ratings into reviews of debt issuers and investment counterparties (e.g. corporate bond issuers, broker/dealers, etc.)

5. Proxy Voting

We exercise our proxy voting rights for those companies and funds where we maintain the ability to vote on management and shareholder proposals on annual ballots.

6. Corporate Engagement

We engage companies in our investment portfolio on sustainability risks and opportunities through direct dialogue with corporate leaders, collaborative engagements with investor coalitions, shareholder proposals, and public policy advocacy.

7. Strategic Partnerships

We actively partner with investor coalitions, service providers, data providers, and other stakeholders to better execute our sustainable investing duties, identify new and leading practices, strengthen our corporate engagement and proxy voting activities, and promote innovations and advancements in the wider investment arena.

8. Advocacy and Policymaking

We engage lawmakers and government entities to protect shareholder rights and promote sustainable investing practices.

SUSTAINABILITY INTEGRATION – INTERNALLY MANAGED INVESTMENTS

Division of Portfolio & Risk Analytics

The Division of Portfolio & Risk Analytics is responsible for analyzing, modeling, and reporting on investments in the Office's two internally managed investment programs, State Investments and The Illinois Funds. The team utilizes quantitative and qualitative analytical models to anticipate, identify, and mitigate financial risk exposures, as well as identify investment opportunities that provide additional prospects for return.

This Division of Portfolio & Risk Analytics chiefly reviews security issuers (i.e. issuers of corporate bonds, commercial paper, repurchase agreements, etc.), evaluating counterparties by creditworthiness, financial performance, sustainability, and other factors that may have a material and relevant financial impact on safety and performance. Existing and prospective broker/dealers are also examined to determine eligibility and suitability, with an evaluation of financial performance, compliance with regulators, sustainability, and other decision-useful factors.

Evaluating Debt Issuers by Sustainability Factors

In addition to traditional financial and technical analysis of investment prospects, the Division of Portfolio & Risk Analytics applies an additional layer of sustainability analysis to better inform investment decisions. This involves the collection and analysis of sustainability data, derived from companies' financial statements and reports from third-party providers, as well as the application of a customized analytical process developed by the Illinois Treasurer.

This process utilizes the conceptual framework and reporting standards developed by SASB, which provides a robust set of globally applicable industry-specific standards that identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry.

80+

security issuers are assigned a sustainability grade.

When evaluating an individual company by sustainability factors, the Division executes three tasks:

1. We develop a Sustainability Profile

The Division maps sustainability risks and opportunities by the type of potential financial impact (i.e. revenue and costs, assets and liabilities, and cost of capital or risk profile), and by the potential level of financial impact (i.e. high-impact or medium-impact) on a prospective security. This provides a basis to identify and weight the most significant sustainability risks and opportunities to the company.

Below is an example of the SASB-based matrix our office uses to assess the sustainability investment profile of debt issuers. For this example, SASB identifies five topics under five dimensions that are materially relevant for the security. The red and yellow triangles note the estimated potential impact of each topic on key financial drivers (note that the name of the issuer has been removed).

Financial Drivers					
SASB Dimension	***Environment***	***Human Capital***	***Business Model & Innovation***	***Business Model & Innovation***	***Business Model & Innovation***
SASB Topic	*Energy Management*	*Employee Health & Safety*	*Fuel Economy & Emissions in Use- phase*	*Materials Sourcing*	*Remanufacturing Design & Services*
Revenue			High	Medium	High
Market Share					
New Markets			Medium		Medium
Pricing Power			Medium		
Operating Expenses	High	Medium		High	Medium
Cost of Revenue					
R&D			High	Medium	High
Non-Operating Expenses	Medium				Medium
CapEx		Medium	Medium		
Extraordinary Expenses					
Assets					
Tangible Assets		Medium			
Intangible Assets					
Liabilities					
Contingent Liabilities &		Medium			
Pension & Other Liabilities					
Risk Profile	Medium		Medium	High	
Cost of Capital					
Industry Divestment Risk					
Key: ▲ High Impact ▲ Medium Impact					

Source: Office of the Illinois State Treasurer

2. We assign a Sustainability Grade

Focusing on the most significant sustainability risks, the Division reviews each sustainability topic and assigns a Sustainability Grade based on the performance of the company in setting targets and achieving goals. The scoring criteria is designed to reward only the highest grade available to exemplary industry leading counterparties.

3. We assign a Key Metrics Grade (based on a comparative analysis of peers and the industry)

The company is also assigned a Key Metrics Grade based on quantifiable and comparable industry metrics (i.e. profitability, liquidity, leverage, valuation and material sustainability metrics suggested by SASB). As such, the company is measured against industry competitors and assigned points based on industry-leading or industry-lagging metrics. The sustainability metrics are linked to the topics identified by SASB and are incorporated into the final Key Metrics Grade.

Sustainability Grades Assessed by the Illinois Treasury — Sector Averages

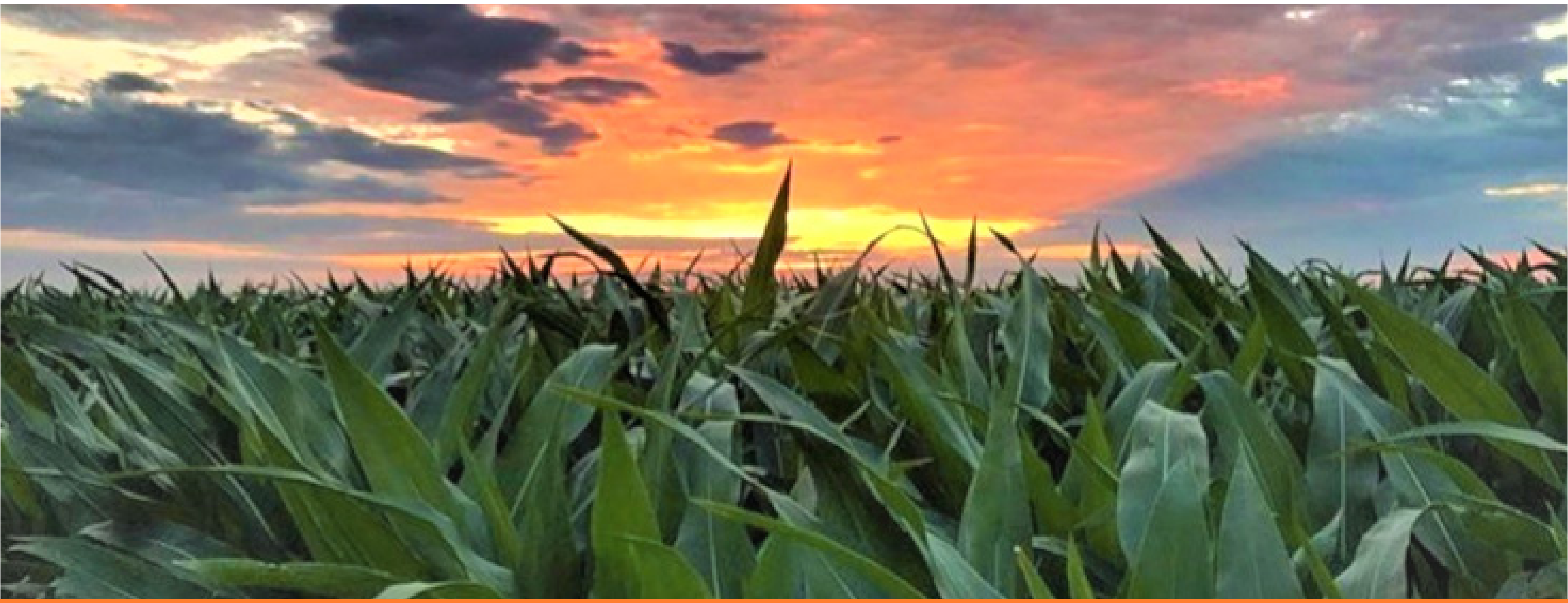
Sector	Average Sustainability Grade
Communication Services	B
Consumer Discretionary	C
Consumer Staples	B
Electrical Equipment	B
Energy	C
Financials	B
Health Care	C
Industrials	C
Information Technology	B
Materials	B
Transportation	A
Utilities	B

Engaging Debt Issuers on Sustainability Factors

During the evaluation process, the team conducts dialogue with companies when materially relevant sustainability information is not disclosed or only partially disclosed to ensure that the Sustainability Grade accurately reflects the company's activities, strategies and management of material sustainability factors.

Additional Sustainability Activities

- Engage in dialogues with other asset owners interested in integrating sustainability factors into fixed income investment decision-making.
- Collaborate with Principles for Responsible Investment (PRI) on sub-sovereign/municipal bond ESG integration.
- Explore opportunities for the portfolio within innovative green-bond structures.
- Assess correlations between sustainability factors and credit spreads.
- Review opportunities to add value through green and sustainability bonds.
- Evaluate sustainability risks during due diligence of broker/dealers.
- Share learnings on sustainability integration at events and conferences.



SUSTAINABILITY INTEGRATION – EXTERNALLY MANAGED INVESTMENTS

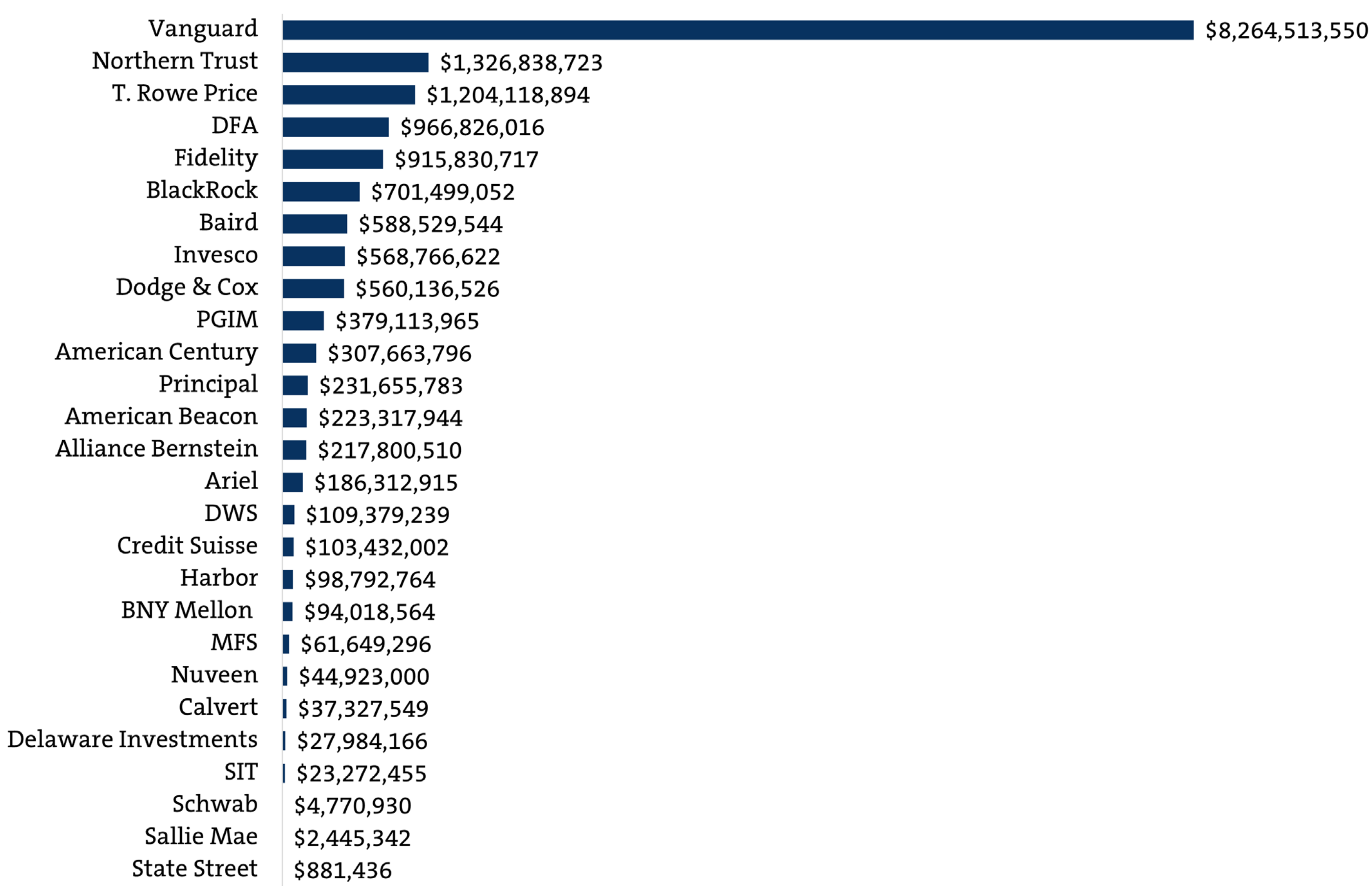
Division of Public Market Investments

The Division of Public Market Investments is responsible for monitoring externally managed portfolios and investment funds within the investment vehicles of the Treasurer's Office, including, but not limited to, the 529 College Savings Programs, Illinois Secure Choice Retirement Savings Program, and Illinois Achieving a Better Life Experience (ABLE) Savings Program.

The Division of Public Market Investments is responsible for the sourcing, selection, assessment, diligence, and integration of sustainability factors for all prospective and current investment managers. The team continually reviews investment framework/design, portfolio construction, manager selection, asset allocation and modification, economic impact, investment policies/objectives, and management structures, helping guide decisions regarding the continued appropriateness of investment managers, policies, and program structures.

Approximately $17 billion of total assets are managed by external investment managers.

Assets with Public Markets Managers (as of 12/31/2021)



Integrating Sustainability in Investment Manager Selection and Assessment

The Illinois Treasurer invests across a broad range of asset classes through external investment managers. With approximately $17 billion of total assets managed by external investment managers, the Division of Public Market Investments assesses prospective investment managers using quantitative and qualitative criteria that align with the analysis, due diligence, and risk management responsibilities derived from state law and the investment policies of the Illinois Treasurer. In addition, the team conducts due diligence and analytic procedures to evaluate investment managers' explicit and systematic inclusion of sustainability factors in their decision-making processes.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

Our manager line-up features **25 signatories** to Principles for Responsible Investment (PRI) across public market managers.

Alliance Bernstein	Garcia Hamilton (American Beacon)
American Century	Harbor (Westfield)
Ariel	Invesco
Baird	MFS
BNY Mellow (Standish)	Northern Trust
BlackRock	Nuveen (TIAA)
Calvert	Principal
Credit Suisse	PGIM
DFA	SIT
Delware (Macquarie)	T. Rowe
Dodge & Cox	Vanguard
DWS	State Street
Fidelity	

Engagement with Investment Managers on Sustainability Factors

The Division of Public Market Investments actively engages with its investment manager lineup throughout the year, conducting regular due diligence meetings, issuing assessments and questionnaires, and launching targeted engagements as relevant topics arise. For instance, if a manager's proxy voting decisions misalign with clearly identified sustainability risk exposures, such as board diversity or climate risk mitigation, the team uses its discretion to launch a dialogue, encourage best practices, and formulate an action plan for potential improvements.

Comprehensive Sustainability Evaluation of Current Investment Managers

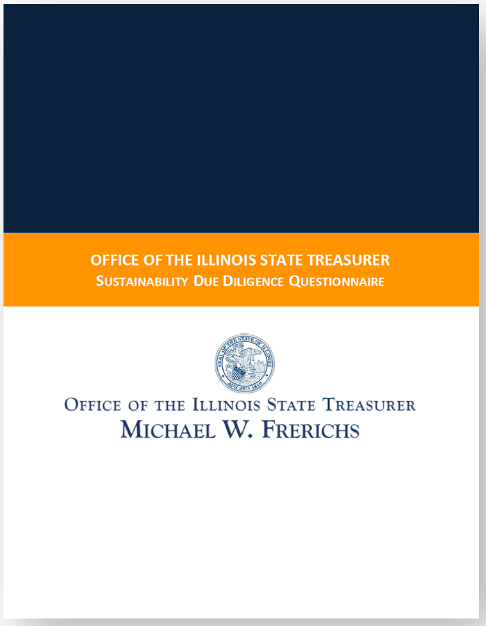
In 2021, the office developed a customized Sustainability Scorecard to assess both existing and prospective asset managers on the quality of their sustainable investment processes. Using information provided by managers via the office's Sustainability Due Diligence Questionnaire, the Scorecard assesses managers on a core sent of criteria, including the manager's research and personnel, sustainability integration processes, sustainability policy, proxy voting policy, and corporate engagement activities. This enables the office to obtain a quantitative assessment of all managers that is leveraged for comparative purposes, as well as to identify specific areas of improvement for individual managers.

All existing and prospective managers are also assessed every year on diversity, equity and inclusion. Managers complete a questionnaire that seeks information on the levels of diversity among the firm's leaders and workforce, as well as information on the organizational policies, programs and practices of the firm. Like the Sustainability Due Diligence Questionnaire, information from the diversity assessment is leveraged for comparative purposes and to identify specific areas of improvement for individual firms.

Eight Manager Searches Completed in 2021

Eight manager searches were completed in 2021 across equity and fixed income strategies. The team integrated sustainability considerations in the manager selection process to help determine the top candidate for inclusion in the investment portfolio.

The Illinois Treasurer's Sustainability Due Diligence Questionnaire (January 2021)

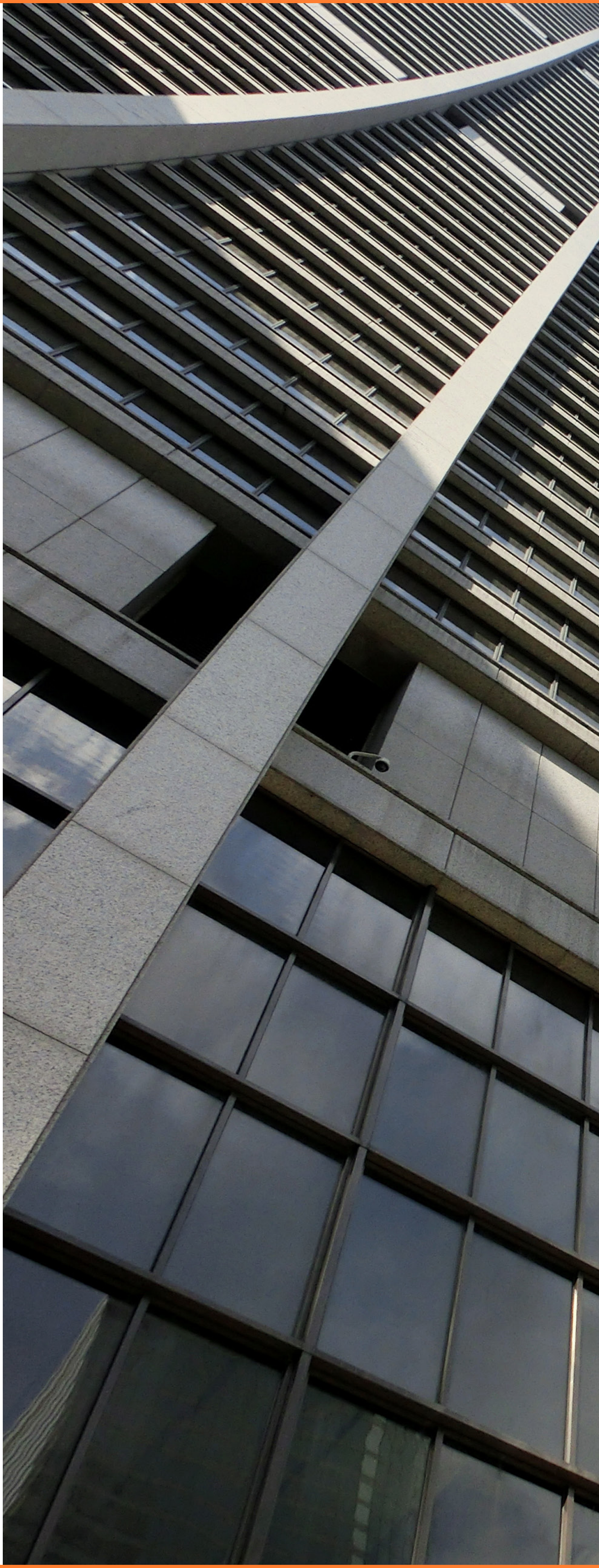

OFFICE OF THE ILLINOIS STATE TREASURER
SUSTAINABILITY DUE DILIGENCE QUESTIONNAIRE

OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

Click here to view The Illinois Treasurer's Sustainability Due Diligence Questionnaire (January 2021)

100%

of public market managers have established sustainability policies and processes.



Division of Alternative Investments

The Division of Alternative Investments is responsible for monitoring externally managed investment funds within the investment vehicles of the Treasurer's Office, including, but not limited to, the Illinois Growth and Innovation Fund (ILGIF), and the recently passed and signed into law Infrastructure Development Account Program.

The Division of Alternative Investments is responsible for the diligence, assessment, deal sourcing, selection, and integration of sustainability factors for all prospective and current investments with fund managers. The division continually reviews investment strategy and thesis, portfolio construction, manager selection, asset allocation and modification, economic impact, investment objectives, and management structures. The actions taken help guide their decisions regarding the continued appropriateness of investment managers, portfolio construction, and program structures. The team works closely with its investment advisor to deliver on the vision, mission, and goals of the ILGIF and other programs.

$500

million of the $1 billion evergreen fund has been committed to qualified external fund managers.

Integrating Sustainability in Fund Manager Sourcing and Diligence

The Illinois Treasurer invests across several strategies with the assistance of an external investment advisor. With approximately $500 million of total assets committed to external fund managers, the Division of Alternative Investments assesses prospective investment managers using quantitative and qualitative criteria that align with the analysis, due diligence, and risk management responsibilities derived from state law and the investment policies of the Illinois Treasurer. In addition, the team conducts due diligence and analytic procedures to evaluate investment managers' explicit and systematic inclusion of sustainability factors in their decision-making processes.

As part of our commitment to increasing diversity among the entities in which we invest, side letter provisions are requested and negotiated with all ILGIF managers. The provisions prioritize consideration of diverse-owned portfolio companies as a significant factor when identifying and conducting diligence on prospective investments. Additionally, ILGIF also requests provisions in which managers seek to identify, recruit, promote and retain diverse persons within the junior and senior investment teams of the management company, as well as the consideration of diverse persons for board seats for internal committees and portfolio companies.

ILGIF strives for fund managers to assess portfolio companies' management of sustainability factors to better understand the potential impact to long-term value. Desired portfolio company sustainability practices include compliance with business guidelines, active monitoring processes, procedures to identify and implement factors, a commitment of resources to manage factors, board interaction to ensure oversight, and sustainability considerations applied during the exit strategy preparation.

Sustainability Evaluation of General Partners

In 2021, the Treasurer's Office committed capital to 17 funds across Venture, Growth Equity, Buyout, and Private Credit strategies all with a nexus to the state of Illinois. As part of the due diligence efforts each investments recommendation included an impact analysis to assess the manager's integration of material sustainability factors into their investment process, due diligence processes, along with human capital considerations around Diversity, Equity, and Inclusion metrics at the management company but also portfolio company level. The approach included components related to the investment strategy, firm commitment to promoting DEI initiatives, diversity within portfolio companies and supply chains, and the reporting of sustainability metrics.

Fund Manager Spotlight:

As a part of the office's $1 billion impact investment fund, the Illinois Growth and Innovation Fund (ILGIF), the Illinois Treasurer has committed to invest $30 million to funds managed by The Vistria Group.

Vistria is a diverse private investment firm based in Chicago. Like the Illinois Treasurer, Vistria recognizes that sustainability factors — including diversity, climate change, and human capital management — can be integral to the financial performance of an investment fund or portfolio company. Further, Vistria is laser-focused on impact, as they "believe in a new approach to investing that delivers a dual effect — significant financial returns combined with positive social change for communities across America."

For each portfolio company and at each investment stage, Vistria leverages a unique impact framework. Not only does Vistria utilize recognized third-party standards including the Impact Management Project, the SASB, UN Principles for Responsible Investment (UNPRI), and the UN Sustainable Development Goals (UNSDGs), it works with portfolio companies to develop custom impact metrics, establish impact goals, and develop, monitor, and report on progress toward and achievement of those goals.

For example, Vistria's commitments and strategic priorities include:

- **Board Diversity —** Vistria mandates that its portfolio company boards work toward having at least one female and one minority member, with female and minority members accounting for 25 percent (or greater) of board seats.
- **Portfolio Company Diversity, Equity and Inclusion Practices —** Vistria maintains reporting requirements for workforce and management diversity, performs assessments of portfolio company diversity data, and helps companies establish formal diversity, equity and inclusion plans (including components such as pay equity considerations, supplier spend, community engagement, and leadership advancement).
- **Climate —** While Vistria's investments are not concentrated in companies that have significant direct impact on global warming, deforestation or pollution, the firm is moving toward a portfolio-wide climate accounting and mitigation plan, working across its portfolio to develop a detailed measure of its carbon footprint and establish meaningful carbon reduction strategies.
- **Focus on Impactful Business Sectors: Healthcare, Education, and Financial Services —** Vistria focuses its investments in middle-market businesses in Healthcare, Education, and Financial Services, which allows it to look deeper to find opportunities to create value and make for a positive and lasting impact to society. For example, it invests in healthcare companies that seek to offer high-quality, scalable, and value-driven solutions to address the nation's public health challenges, improving outcomes for patients, extending access to the underserved, supporting public health, and taking cost out of the system.

III. Investment Stewardship – Corporate Engagement Activities

Numbers Snapshot

56
Principal Engagements
Where the IL Treasurer led a corporate engagement

7
Shareholder Proposals Filed
Where the IL Treasurer formally submitted or withdrew a proposal filed at an individual portfolio company

3,000+
Engagements on Board Diversity
Where the IL Treasurer led or supported engagements to companies perceived as lagging on diversity measures

17
Advocacy Initiatives
Where the IL Treasurer led or supported legislative/regulatory changes or investor initiatives

3,247
Coalition Engagements & Letters*
Where the IL Treasurer supported a joint corporate engagement or letter

*The largest single effort included the Illinois Treasurer's letter to Russell 3000 companies on board diversity disclosure

Division of Corporate Governance & Sustainable Investment

The Division of Corporate Governance & Sustainable Investment is responsible for leading and managing the investment stewardship activities on behalf of the Illinois Treasurer, which further the office's compliance with the Illinois Sustainable Investing Act (PA 101-473) and support the office's core investment objectives to maximize anticipated financial returns, minimize projected risk, and effectuate the office's fiduciary duty.

The Illinois Treasurer seeks to employ industry best practices for investment stewardship, which includes three core activities: (1) corporate engagement, (2) proxy voting, and (3) public policy advocacy. These functions are vital to best-in-class investment management as they result in improved governance and reporting practices at portfolio companies, which ultimately benefits shareholders from increased expected performance and reduced risk exposures.[8,9]

> **"Corporate engagement and proxy voting represent critically important investor protections, providing a cost-effective, voluntary, market-based way to maintain a system of accountability among shareholders, corporate managers, and boards."**
>
> Treasurer Frerichs

Corporate Engagement

Engagement with portfolio companies and external investment managers helps the Illinois Treasurer both mitigate risk and enhance investment opportunities. No company or investment manager is perfect. There are many instances where collaborative engagement can help address risks and opportunities to long-term investment performance, often related to sustainability or environmental, social and governance (ESG) factors. Engagement is also an effective way to obtain increased disclosure from companies and asset managers on issues that can have a material impact on performance. In this way, engagement helps the Illinois Treasurer better understand the companies and fund managers in which it invests, which provides insight about investment quality, processes, and resilience.

Engagement enables the Illinois Treasurer to:

- Better manage investment risks by proactively identifying issues and collaborating with companies and managers to adopt risk management and transparency practices;
- Better understand a company or investment manager's value proposition, processes, and resilience; and
- Strengthen companies and investment managers over time by signaling areas of material risk and identifying opportunities for the adoption of stronger governance and reporting standards.

[8] Tamas Barko, Martijn Cremers, Luc Renneboog, "Shareholder Engagement on Environmental, Social and Governance Performance," European Corporate Governance Institute, September 5, 2018. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2977219.

[9] Elroy Dimson, Oguzhan Karakas, Xi Li, "Active Ownership," June 4, 2013. http://www.hbs.edu/faculty/conferences/2013-sustainability-and-corporation/Documents/Active_Ownership_-_Dimson_Karakas_Li_v131_complete.pdf?pwm=6295.

We engage companies in our investment portfolio on sustainability risks and opportunities through direct dialogue with corporate leaders, collaborative engagements with investor coalitions, shareholder proposals, and public policy advocacy.

The effective execution of corporate engagement duties entails a core set of activities, including:

- **Developing the Office's Sustainability Investment Policy Statement —** Developing the office's Sustainable Investment Policy Statement, which is reviewed annually, to outline the authority, philosophy, and investment criteria by which the office pursues corporate engagement activities.
- **Identifying and Prioritizing Material Sustainability Factors —** Identifying material sustainability risks and opportunities in the office's investment portfolio, including both systemic, industry-level and company-level risks and opportunities, to identify corporate engagement prospects and prioritize the deployment of staffing resources.
- **Developing Corporate Engagement Strategies —** Developing actionable strategies and tactics to address said risks and opportunities, which may include, for example, direct dialogue with corporate decision-makers, the introduction of shareholder proposals to encourage specific actions, and/or the use of proxy votes to encourage specific actions or hold board directors accountable for inaction.
- **Conducting Corporate Engagement —** Leading engagements with corporate decision-makers, chiefly members of senior management and corporate board directors, to learn more about the company's management of relevant sustainability issues, request additional disclosure on the company's strategy and long-term plans, and provide targeted recommendations to minimize risks and/or maximize anticipated returns, among other possibilities.

- **Evaluating Asset Managers on Sustainability Practices —** Assisting the Division of Public Markets Investments and Division of Alternative Investments in the evaluation and engagement of external investment managers utilized by the Illinois Treasurer to assess alignment, advance best practices for investment stewardship, and enhance investment opportunities.
- **Evaluating Debt Issuers on Sustainability Risks and Opportunities —** Assisting the Division of Portfolio Risk & Analytics in the evaluation and engagement of counterparties and debt issuers utilized by the office on sustainability risks and opportunities.
- **Forming Partnerships and Coalitions —** Building coalitions and coordinating activities with other asset owners and investment managers (e.g. Midwest Investors Diversity Initiative, Human Capital Management Coalition, Investors for Opioid and Pharmaceutical Accountability, Climate Action 100+, etc.).
- **Conducting Public Policy Advocacy —** Advocating for the Illinois Treasurer's position on the protection of institutional investors, shareholder rights, and corporate business and reporting practices.
- **Identifying Sustainable Investing Best Practices —** Examining data, research, and recommendations from third party providers, such as the SASB, Morningstar, Bloomberg, Principles for Responsible Investment (PRI), Ceres, Majority Action, and the Council for Institutional Investors (CII), to identify best practices in sustainable investing as well as to gather data and recommendations that can assist the office in addressing sustainability risks and opportunities in the investment portfolio.
- **Reporting Duties —** Reporting on the office's sustainable investment strategy and activities to ensure transparency and accountability, and to educate beneficiaries and fellow investors.

Proxy Voting

The Illinois Treasurer routinely votes on proxy ballot items for those companies and funds where it maintains the right to vote on management and shareholder proposals on annual ballots. This work is critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants. Proxy voting is fundamental right of all shareholders, and it is a critical function of fiduciary duty, providing shareholders with the ability to take part in official company decisions, convey views to corporate boards and management on business strategies, and hold boards accountable when companies fail to address material governance and risk management issues.

Proxy votes relate to a multitude of important areas of business, including but not limited to:

- Election of board directors
- Executive compensation
- Board oversight of sustainability risks and opportunities
- Disclosure on board practices and procedures, company operating practices and policies, and business strategy
- Ratification of auditors

Proxy voting is also an important catalyst for dialogue on governance and risk management best practices, both before and after companies' annual general meetings.

The execution of proxy voting duties chiefly entails:

- Development of the office's Proxy Voting Policy Statement, which is reviewed on an annual basis.
- Execution of the office's proxy votes at all companies and fund families wherein the Illinois Treasurer is entitled to a vote.
- Management and coordination with the office's Corporate Governance Consultant, Segal Marco Advisors, who advises and assists the office on proxy voting matters.
- Management of reporting duties on the office's proxy voting activities (note that all proxy votes are publicly available on the office's Proxy Voting Dashboard).
- Advocacy and coalition-building activities to protect the office's proxy voting and shareholder rights.

Public Policy Advocacy

The Illinois Treasurer engages with various governmental entities, ranging from the Illinois General Assembly to the U.S. Securities and Exchange Commission, that play a role in protecting investors and positioning the office to better execute its core duties. Public policy has an immense impact on the present and future sustainability in financial markets, and as such, it is important that investors make their voices heard.

The Illinois Treasurer strives to advocate for policy outcomes that protect the ability of institutional investors to serve their beneficiaries and participants, protect shareholder rights, provide enhanced corporate disclosure to investors on material sustainability topics, increase equity, diversity and inclusion in the marketplace, and address risks to market stability and economic prosperity.

BOARD DIVERSITY

Diversity is a Critical Dimension of Effective Board Composition and Performance. Boards of directors wield immense influence over the governance, management, business strategy, and financial performance of corporations. They also serve as the elected representatives of a company's shareholders, which further ensures that boards are focused and legally bound to protect and grow shareholder value. Given this level of influence and materiality to investors, it is clear why corporate leaders, financial analysts, institutional investors, and other stakeholders devote time and attention to the composition of corporate boards, including the diversity of board members.

Companies with a diverse board — inclusive of gender, race, ethnicity, skill sets, professional backgrounds, and LGBTQ status — are better positioned to execute good governance, effective risk management, and optimal decision-making.[10,11,12] Given the correlation between board diversity and long-term outperformance,[13] asset owners like the Illinois Treasurer have a direct interest in ensuring that the companies in which they invest are diverse and inclusive at the highest levels, and that they disclose their board composition.

The Business Case for Investors. For long-term investors like the Illinois Treasurer, board diversity is critically important because it can have a notable impact on investment performance. A 2020 McKinsey study of over 1,000 large companies found that corporate leadership groups with the highest levels of racial and ethnic diversity outperformed by 36 percent in terms of profitability. Further, there was a profitability differential of 48 percent between companies with the highest gender diversity at the executive level and companies with the least. The call for board diversity and its associated benefits for companies and investors is reiterated by prominent business leaders as well. The Business Roundtable affirms:

"Diverse backgrounds and experiences on corporate boards strengthen board performance and, in turn, help drive long-term economic value. Boards should develop a framework for identifying appropriately diverse candidates, which asks the nominating/corporate governance committee to consider women and/or minority candidates for each open board seat."[14]


Michael W. Frerichs
Illinois State Treasurer

WHITE PAPER

The Investment Case for Board Diversity

A Review of the Academic and Practitioner Research on the Value of Gender and Racial/Ethnic Board Diversity for Investors

Office of the Illinois State Treasurer
October 2020

Introduction

In the enduring quest among investors, scholars, and business professionals to identify what attributes or human phenomena contribute to successful companies, board diversity stands out. The diversity of a company's board of directors has received immense attention over the years. Academics and practitioners seek to determine whether and to what extent different diversity characteristics – which may include diversity of gender, race, ethnicity, age, religion, class, sexual orientation, personality, political ideology, skill sets, professional experience, or disability status, among others – impact group dynamics, board effectiveness, and ultimately, the financial performance of companies.

This level of attention is warranted given the fact that "good corporate governance can create and preserve value for investors… and good governance begins with a great board of directors."[1] Boards of directors wield immense influence over the governance, management, business strategy, and financial performance of corporations. They also serve as the direct representatives of a company's shareholders, which further ensures that boards are focused and legally bound to protect and grow shareholder value. Given this level of influence and materiality to investors, it is clear why corporate leaders, financial analysts, institutional investors, and other stakeholders devote so much time and attention to the composition of corporate boards, including the diversity of board members.

While diversity comes in infinite stripes, many of which are ripe for analysis, significant attention has focused on corporate board diversity as constituted by the gender and racial/ethnic composition of board members. While there is clearly an ethical and principled case for board diversity in the interests of equity, inclusion, and social justice,

1 | Page

The Office of the Illinois State Treasurer authored a white paper in 2020 titled **"The Investment Case for Board Diversity."** The paper examines the wealth of academic and practitioner literature on board diversity to provide further insight on the investment case for gender and racial/ethnic diversity on corporate boards.

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[10] Catherine Philips, Katie Liljenquist, and Margaret Neale, "Better Decsions Through Diversity," *Kellogg Insight*, October 2010. Available at https://insight.kellogg.northwestern.edu/article/better_decisions_through_diversity.

[11] Stephanie Creary, "When and Why Diversity Improves Your Board's Performance," *Harvard Business Review*, March 27, 2019, https://hbr.org/2019/03/when-and-why-diversity-improves-your-boards-performance.

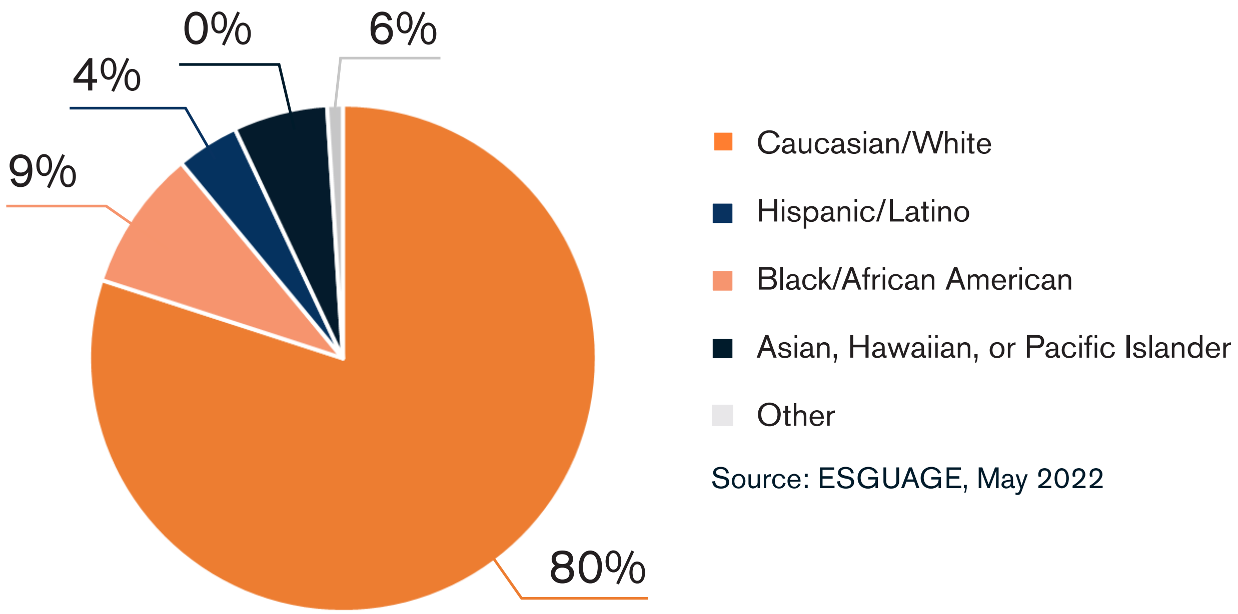
[12] David Rock and Heidi Grant, "Why Diverse Teams are Smarter," *Harvard Business Review*, Nov. 4, 2016, available at: https://hbr.org/2016/11/why-diverse-teams-are-smarter.

[13] "Diversity Wins," McKinsey & Company, 2020, available at: www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf.

[14] The Business Roundtable, "Principles of Corporate Governance," available at www.businessroundtable.org/policy-perspectives/corporate-governance/principles-of-corporate-governance

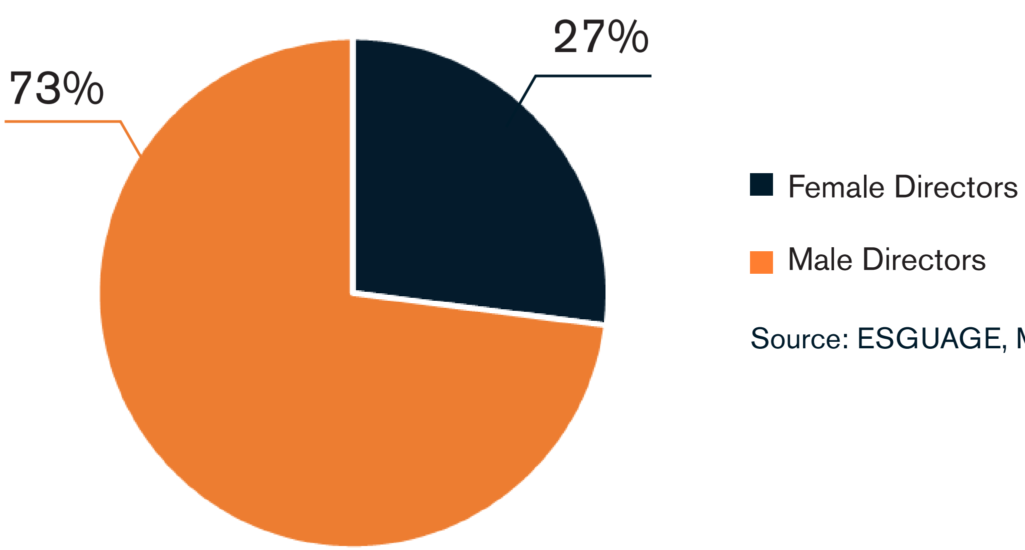
Shortfalls Linger. Despite board consensus on the value of board diversity and improving trends, women still only occupy 27 percent of board seats among Russell 3000 companies, and persons of color occupy only 20 percent of board seats.[15]

Racial Diversity among Russell 3000 Board Directors



Source: ESGUAGE, May 2022

Gender Diversity among Russell 3000 Board Directors



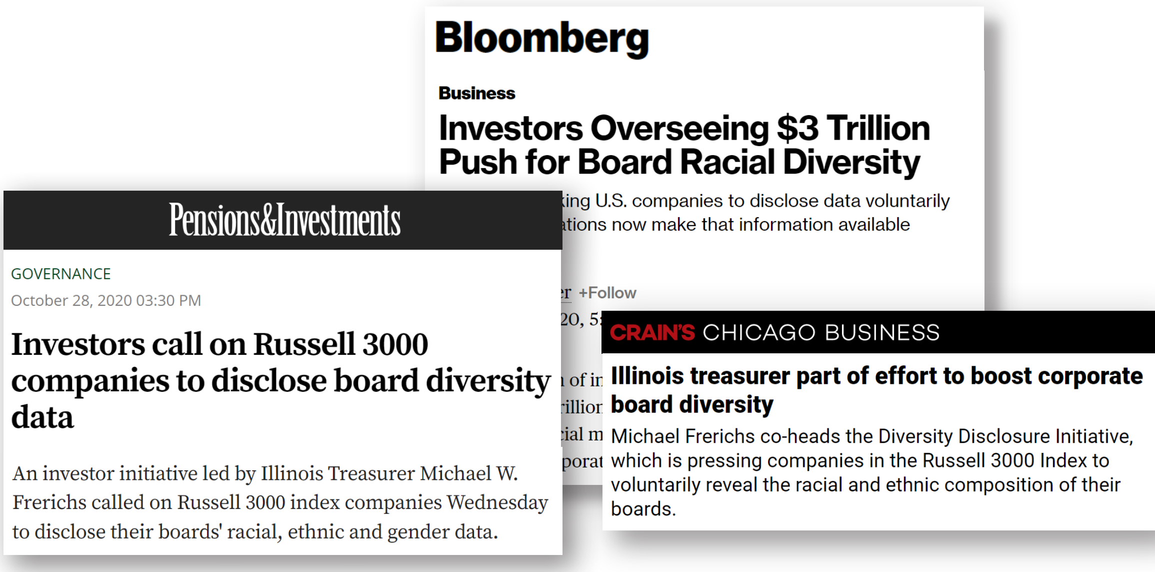
Source: ESGUAGE, May 2022

[15] ESGAUGE: The Conference Board, "Corporate Board Practices," available at: https://conferenceboard.esgauge.org/boardpractices/dashboard/boardcomp/6/9.

Actions and Results

Treasurer Frerichs has been working to increase corporate board diversity since 2016, utilizing an array of strategies — including direct shareholder-company engagement, proxy voting, and public advocacy — to counter the unacceptably slow pace of change and ensure diversity is a corporate governance priority. In 2021, the Illinois Treasurer took numerous actions to encourage and foster boardroom change and create shareholder value.

Russell 3000 Board Diversity Disclosure Initiative — The Illinois Treasurer is leading an investor initiative asking that all companies within the Russell 3000 Index disclose the makeup of their boards of directors — inclusive of gender, race and ethnicity — given the correlation between board diversity and long-term performance. Launched in October 2020, the initiative has grown to include 26 investor organizations representing over $3 trillion in assets under management and advisement.


Bloomberg

Business

Investors Overseeing $3 Trillion Push for Board Racial Diversity

Pensions&Investments

GOVERNANCE

October 28, 2020 03:30 PM

Investors call on Russell 3000 companies to disclose board diversity data

An investor initiative led by Illinois Treasurer Michael W. Frerichs called on Russell 3000 index companies Wednesday to disclose their boards' racial, ethnic and gender data.

CRAIN'S CHICAGO BUSINESS

Illinois treasurer part of effort to boost corporate board diversity

Michael Frerichs co-heads the Diversity Disclosure Initiative, which is pressing companies in the Russell 3000 Index to voluntarily reveal the racial and ethnic composition of their boards.

In October 2020, Treasurer Frerichs and fellow investors sent an initial letter to Russell 3000 companies, asking each to report the racial, ethnic and gender composition of the board of directors in their 2021 annual proxy statement. In October 2021, Treasurer Frerichs intensified his call and partnered with ISS to analyze the board diversity disclosures of Russell 3000 companies. Using ISS data as of June 30, 2021, the office grouped companies in the following three categories:

- 117 companies (4 percent) provide exemplary disclosure, reporting the race, ethnicity and gender of individual board directors, often via a "Board Matrix;"
- 926 companies (31 percent) provide partial disclosure, such as reporting the race, ethnicity and gender of board directors in aggregate or for only certain members; and
- 1,847 firms (62 percent), neglect to disclose the race, ethnicity, and gender of board directors in public filings.

In 2021, Treasurer Frerichs' letter was customized for the three groups above. Those with exemplary disclosure were commended, those with partial disclosure were recognized and encouraged to enhance their reporting, and those with no disclosure were urged to begin reporting.

- See our 2020 Example Letter to Russell 3000 Companies
- See our 2021 Example Letter to Top Performers, 2021 Example Letter to Middle Performers, and 2021 Example Letter to Bottom Performers
- Read our October 2021 Press Release Announcing the Second Wave of the Initiative
- Read our October 2020 Press Release Announcing the Call for Board Diversity Disclosure

Looking ahead, members of the initiative are examining policies to vote against nominating committees with no reported racial/ethnic diversity in their proxy statements and expanding more direct shareholder engagement in 2022 and beyond. Note that the Illinois Treasurer updated its proxy voting policy in 2021 to vote against all against nominating committee members where companies fail to provide the racial composition of the board and/or where gender diversity is lacking.

This initiative aligns with the work of The Thirty Percent Coalition, a national organization that, in addition to advocating for board diversity, has called on companies to publicly disclose their board composition, inclusive of gender, race and ethnicity. This initiative builds on the Coalition's work by expanding this call to action to Russell 3000 companies. It also builds on the momentum of the Midwest Investors Diversity Initiative and the Northeast Investors Diversity Initiative.

"Insular corporate boards make too many decisions in an echo chamber and miss opportunities for growth and leadership. Providing racial, ethnic and gender data for all board directors will allow institutional investors to identify strategic weaknesses that inhibit growth and provide specific guidance to maximize shareholder value."

– Treasurer Frerichs

Midwest Investors Diversity Initiative —
The Illinois Treasurer leads the Midwest Investors Diversity Initiative (MIDI), a 16-member coalition comprised of regional institutional investors with over $820 billion in assets under management and advisement. MIDI engages companies in the Midwest facing board diversity shortfalls, working collaboratively to understand company policies and make targeted recommendations to institutionalize best practices and improve board diversity.

MIDI offers guidance and tools to help companies take steps to diversify their boards and adopt best disclosure practices, including collaborating with companies to:

- Adopt a policy for the search and inclusion of minority and female board candidates.
- Require minority and female candidates be interviewed for every open board seat.
- Instruct third party search firms to include such candidates in the initial pool.
- Expand the candidate pool to include candidates from non-traditional sources, such as candidates outside the C-suite or qualified first-time directors.
- Disclose the gender and race/ethnicity of individual board directors annually via a board matrix.
- Disclose the company's consolidated EEO-1 report annually.

Results to date: Since 2016, when the group was formed, MIDI has engaged 70 companies. Among the companies engaged, 95 women and persons of color have received board appointments and 51 companies have adopted a diverse search policy.

For the 2021-2022 proxy season, MIDI engaged 19 companies, and we're pleased to report the following results to date:

- Five companies appointed or committed to appoint a diverse director.
- Nine companies committed to disclose their board diversity.
- Four companies committed to adopt policies that prioritize diversity as a factor in candidate search processes.
- Three companies committed to disclose their EEO-1 report.

MIDI also developed a Company Toolkit on Board Diversity & Disclosure, which provides companies with a practical set of recommendations and resources for maintaining a diverse board of directors.

Numbers Snapshot: Results from MIDI Engagements Since 2016

70

Midwest companies engaged on board diversity

95

Diverse directors appointed at MIDI-engaged companies, including 75 women, 38 persons of color, and 18 women of color

51

MIDI-engaged companies have adopted a diverse search policy (31 of which fully align with the Rooney Rule)

46

MIDI-engaged companies that now disclose board diversity

MIDWEST INVESTORS DIVERSITY INITIATIVE

The Thirty Percent Coalition — Since 2018, the Illinois Treasurer has been actively involved on the Board of Directors of the Thirty Percent Coalition, which is comprised of more than 90 members with $7 trillion in assets under management (AUM). This coalition is committed to the goal of advancing women, including women of color, on boards of public companies.

Results to date: As part of the leadership team of the Thirty Percent Coalition, the Illinois Treasurer and fellow investors have **successfully engaged over 400 companies** that have now appointed a woman to their boards.

Calling on NASDAQ and Corporations to Disclose Board Diversity — Treasurer Frerichs issued a comment letter to support Nasdaq's proposed listing rules related to board diversity, which is an important and sensible plan to increase standardization, transparency, and disclosure on a material board attribute.

Proxy Voting — The Illinois Treasurer exercises its proxy voting rights to support proposals to increase board diversity, gender pay gap reporting, and the inclusion of diversity as a performance metric for CEO pay.

Results: The Illinois Treasurer's amended its 2021 Proxy Voting Guidelines to enable the office to vote against nominating committees at companies that fail to disclose the gender and race/ethnicity of their board directors.

Results: The Illinois Treasurer maintains a policy to vote against nominating committees at companies that have less than two women directors.

Results: In 2021, the Illinois Treasurer voted against 2,556 directors on nominating committees for failure to disclose the racial composition of the board, and voted against 1,419 directors on nominating committees for lack of gender diversity. The Illinois Treasurer also cast votes in favor of 5 shareholder proposals aimed to increase board diversity in 2021 and 6 proposals to report on gender pay gap.

Illinois Passes Legislation Requiring Companies to Report on Corporate Board Diversity

In another positive step aiming to increase board diversity, the State of Illinois passed legislation in 2019 (Public Act 101-0589) that requires corporations headquartered in Illinois to report on the composition of their board members starting in January 2021. The new law also requires that companies report on their policies and practices for promoting diversity, equity, and inclusion among its board and executive officers.

CLIMATE RISKS AND OPPORTUNITIES

Climate Risk is a Systemic Risk to the Global Economy. Companies, investors, and government officials alike are increasingly aware of the material risks posed by climate change to our economy, financial markets, and investment portfolios. In Illinois, the state legislature has taken the position that consideration of environmental factors (among other factors) is vital to maximizing the safety and performance of public funds.[16]

The science is clear: "The world faces unavoidable multiple climate hazards over the next two decades with global warming of 1.5° Celsius," and the window to avert catastrophic consequences is closing fast.[17] While many businesses and economies are already facing the physical impacts of climate change with the onset of more frequent and severe weather events, the adverse effects of unchecked warming are projected to be far worse, causing irreversible disruptions and losses of resources, ecosystems, and infrastructure.[18]

Given these fast-evolving risks and market conditions, companies have a responsibility to their investors — and to their communities, customers, and workers — to prepare for and participate in the energy transition. Similarly, investors have a responsibility to their beneficiaries to ensure that the companies in which they invest are addressing the financial risks posed by climate change and effectively positioning themselves for long-term sustainability.

> "Near-term actions that limit global warming to close to 1.5°C would substantially reduce projected losses and damages related to climate change in human systems and ecosystems, compared to higher warming levels..."
>
> - IPCC, 6th Assessment Report: Impacts, Adaptation, and Vulnerability, Feb 2022

The Business Case for Investors.
Climate change and climate-related issues present market risks and opportunities to investors in numerous respects:

- **Legal Factors —** More stringent restrictions and penalties for violations, and increased scrutiny and litigation from government entities, interest groups, and consumers.
- **Regulatory Factors —** Tightening emissions and energy efficiency standards, changing subsidies and taxes, and retooling energy-inefficient infrastructure.
- **Reputational Factors —** Changing consumer preferences, as well as increased market demand and public advocacy for sustainable energy, air quality, water, and waste management practices.
- **Technological Factors —** Advances in energy storage, clean energy products, or energy efficiency undermining or optimizing existing business models.
- **Physical Factors —** More frequent and severe weather events disrupting physical operations.[19]

Addressing the Physical and Transition Risks of Climate Change. Climate change represents systemic risks and opportunities to every investor portfolio. The exposure to climate risks and opportunities cannot be diversified away. Companies and investors must be proactive in addressing their exposures. At the same time, the climate transition also presents enormous opportunities to innovative companies and dynamic investors.

To that end, the Illinois Treasurer actively works to ensure that the funds and companies in which it invests are carefully managing climate and environmental risks in areas including, but not limited to:

- Greenhouse Gas Emissions
- Air Quality
- Energy Management
- Water and Wastewater Management
- Waste and Hazardous Materials Management
- Ecological and Biodiversity Impacts

[16] Illinois Sustainable Investing Act (30 ILCS 238), available at: www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=4027&ChapterID=7.

[17] International Panel on Climate Change, *Sixth Assessment Report: Impacts, Adaptation and Vulnerability*, February 28, 2022, available at https://www.ipcc.ch/report/ar6/wg2/resources/press/press-release.

[18] International Panel on Climate Change, *Special Report: Global Warming of 1.5 Degrees Celsius*, available at: https://www.ipcc.ch/sr15/chapter/spm/.

[19] Phillip Hildebran and Deborah Winshel, "Adapting Portfolios to Climate Change," BlackRock Investment Institute, September 2016.

The Illinois Treasurer deploys an array of strategies to address climate risks and opportunities, and to hold companies accountable for their pledges and for their failures to act. This includes our proxy voting rights, our right to file shareholder proposals, direct engagement with corporate leaders, and leadership in influential investor coalitions like Ceres and Climate Action 100+.

Actions and Results

Targeted Corporate Engagements — The Illinois Treasurer directly engages companies with material climate risk exposures, both independently and in coalition with fellow institutional investors, to drive progress and hold corporate leaders accountable. For example, the Illinois Treasurer is a member of Climate Action 100+, an investor coalition including over 700 members with $68 trillion in assets working to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. CA 100+ investors are engaging 166 focus companies that account for up to 80 percent of corporate greenhouse gas emissions. The Illinois Treasurer leads and supports individual engagements under CA 100+, as well as supporting the larger initiative.

Corporate Engagement Spotlight: Southern Company — Southern Company is the nation's third largest electric utility by power generation and market share. It is also the nation's third largest emitter of greenhouse gases (GHG).[20] Given the company's notable exposure to material business risks (and opportunities), the Illinois Treasurer launched a direct engagement with the company in 2018, seeking the establishment of GHG reduction targets, accelerated decarbonization plans, and improved governance and reporting practices, among other actions. In 2020, the Illinois Treasurer was selected to co-lead the Climate Action 100+ investor group engaging Southern Company, which contains 28 members and conducts dialogue with the company on a frequent basis. In response to shareholder feedback, the company has made the following improvements:

- **Establishment of Net-Zero Greenhouse Gas Emissions Goals —** In May 2020, Southern Company committed to net zero greenhouse gas emissions by 2050 for Scope 1 direct emissions. In another positive commitment, announced in January 2022, subsidiary Georgia Power took the step of planning to eliminate coal facilities by 2035.

[20] Political Economy Research Institute, University of Massachusetts Amherst, "Greenhouse 100 Polluters Index (2021 Report, Based on 2019 Data)", available at https://peri.umass.edu/greenhouse-100-polluters-index-current.

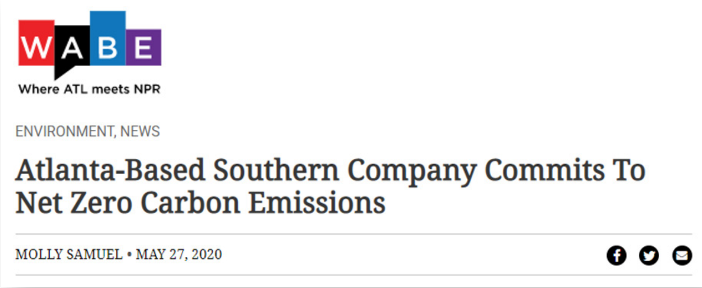
- **Public Support for Climate Provisions within Build Back Better —** Southern Company announced its support for the Build Back Better framework in February 2022, which includes important provisions to protect stakeholders and advance the net zero transition.

- **Publication of the Company's Decarbonization Strategy —** In April 2018, Southern Company issued its *Planning for a Low Carbon Future* report, and in September 2020, it issued its *Implementation and Action Toward Net Zero* report, which discloses the company's enterprise-wide decarbonization strategy.

- **Publication of the Company's Just Transition Report —** In April 2022, the company published a report outlining the company's Just Transition principles, describing how the company seeks to manage the potential impacts of the energy transition on workers, communities, and customers.

- **Establishment of Board-Level Duties and Responsibilities for the Net Zero Strategy —** Southern Company has vested its Board Chair with direct responsibility for oversight of climate change issues, and the company has named positions and committees at the board-level with responsibility for the company's net zero carbon strategy and environmental policy and planning issues.

- **Linking Executive Compensation to the Company's Decarbonization Goals —** In 2019, Southern Company linked the CEO's pay to progress made achieving the company's GHG emission targets, an important first step to incentivize management to execute this core business objective. In 2022, the company linked the pay of additional executive officers to progress made achieving GHG reduction targets.



While the Illinois Treasurer recognizes progress made in recent years, the critical objective that must be accomplished is alignment of the company's own activities with a transition to net zero emissions economy-wide by 2050. At present, despite the company's stated commitment to this goal, the company's target-setting, capital expenditure, and public policy activities remain unaligned with limiting warming to 1.5° Celsius. The Illinois Treasurer believes that additional actions are necessary to mitigate material risk exposures, enhance oversight and governance processes, and better position the company for sustainable long-term growth.

Given these risk oversight shortfalls, as well as the fact that the company maintains a combined CEO and Board Chair, the Illinois Treasurer announced its intention to vote against the re-election of the company's Board Chair at the company's annual meeting in May 2022.

Looking ahead, the Illinois Treasurer will continue its engagement, working with the company to enhance its GHG reduction targets, decarbonization strategy, capital expenditures, lobbying on climate policies, Just Transition plans, and executive compensation policies.

Corporate Engagement Spotlight: Sempra Energy
The Illinois Treasurer joined fellow investors Calvert Investments and As You Sow to co-file a shareholder proposal in November 2020 at the electric utility Sempra Energy, headquartered in San Diego, CA. Sempra Energy is the owner of one of the largest energy networks in North America, and given its high dependence on natural gas, the company is exposed to mounting climate risks. Sempra Energy is also under scrutiny for reported efforts to undermine regulatory climate standards. Given these issues, the Illinois Treasurer is co-leading an engagement with the company to improve its governance, reporting, and lobbying activities on climate-related topics.

Results to date: In April 2021, in response to investor feedback, Sempra Energy established an enterprise-wide goal for net-zero greenhouse gas emissions by 2050, applicable to Scope 1, 2 and 3 emissions.

In May 2022, also in response to investor feedback, Sempra Energy conducted a review of its industry trade associations to determine whether its associations align with the Paris Agreement to limit the global temperature increase to no more than 2 degrees Celsius with an ambition set at 1.5 degrees Celsius.

Sempra Energy has vested the Safety, Sustainability and Technology Committee of its board of directors with direct responsibility for oversight of climate change and environmental issues.

"We have reached a time where boards need to act. We as a fiduciary and shareholder need to act. Climate risk is an investment risk. It's a systemic risk for the entire economy, but the transition also presents enormous opportunities for innovative companies and forward-thinking investors."

– Treasurer Frerichs

Asset Manager Engagements — The Illinois Treasurer engages directly with its external asset managers to assess alignment with the Treasurer's investment policies and to encourage the adoption of best-in-class investment analysis and stewardship practices. This includes a focus on the proxy voting, corporate engagement, and security selection processes of managers on issues related to climate change. If a manager is identified as having laggard practices, the Illinois Treasurer will communicate concerns and make recommendations, and if warranted, the office may put the manager on watch or remove them from the investment lineup.

Manager Engagement Spotlight: Vanguard
The Illinois Treasurer entrusts Vanguard to manage over $8 billion on its behalf. The office and its beneficiaries have a vested interest ensuring that Vanguard is managing funds in a prudent manner that accounts for long-term risk exposures like climate change. Given concerns about Vanguard's proxy voting record on environmental, social, and governance issues, specifically on climate change,[21] the Illinois Treasurer co-filed a resolution with Boston Trust Walden requesting that Vanguard initiate a review and issue a report assessing its proxy voting record and evaluate the company's proxy voting policies and guiding criteria related to climate change. In 2020, Vanguard only supported 15 percent of key climate resolutions, as identified by Morningstar.[22]

Results: In 2021, Vanguard demonstrated a notable increase in support of ESG shareholder proposals on proxy ballots, including climate-related proposals. Based on an analysis conducted by the Illinois Treasurer and Boston Trust Walden, Vanguard supported 50 percent of climate-related shareholder proposals in 2021.

In June 2021, Vanguard issued a letter to the U.S. Securities and Exchange Commission voicing its support for climate disclosure rules that would provide investors with uniform reporting on Scope 1 and 2 emissions as well as disclosure on a company's targets and plans to manage climate risk exposures.

In January 2022, Vanguard released a paper on the firm's expectations for companies with significant coal exposure, outlining increased expectations for climate-

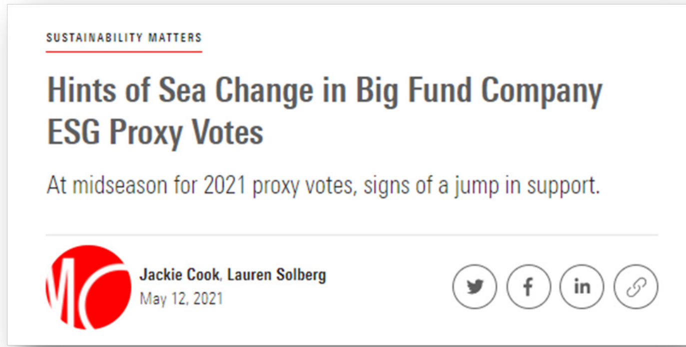
[21] Majority Action. "Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2021." Available at https://www.majorityaction.us/climate-in-the-boardroom-2021#:~:text=Climate%20in%20the%20Boardroom%3A%20How,fuels%2C%20further%20accelerating%20global%20warming..

[22] Jackie Cook and Tom Lauricella, "How Big Fund Families Voted on Climate Change: 2020 Edition," Morningstar. September 28, 2020. Available at www.morningstar.com/articles/1002749/how-big-fund-families-voted-on-climate-change-2020-edition.

competent boards, robust climate risk oversight, emission-reduction initiatives, and disclosure corporate political involvement and lobbying.

Vanguard also increased transparency on its voting decisions and engagement activities on ESG issues, as evidenced in its 2021 Investment Stewardship Report.

The Illinois Treasurer and Boston Trust Walden continue to undertake active dialogue with Vanguard, conduct due diligence on stewardship activities, and advocate for enhanced proxy voting and investment management practices.


SUSTAINABILITY MATTERS

Hints of Sea Change in Big Fund Company ESG Proxy Votes

At midseason for 2021 proxy votes, signs of a jump in support.

Jackie Cook, Lauren Solberg
May 12, 2021

Proxy Voting: Holding Companies Accountable for Addressing Climate Risks – The Illinois Treasurer adopted a proxy voting policy in 2021 that enables the office to vote against board directors that fail to address climate risks. As a fiduciary and shareholder, the Illinois Treasurer has a responsibility to use its voting rights to ensure boards are effectively managing material risk exposures. As such, the office integrates climate factors into board director votes. This includes the ability to vote against directors at companies that have, for example: (1) failed to set science-based carbon reduction targets; (2) failed to properly disclose climate risk exposures aligned with SASB or TCFD; (3) failed to discuss viable climate transition plans related to capital expenditure plans; and/or (4) failed to align their lobbying and political spending activities with the net-zero transition.

Results: In 2021, the Illinois Treasurer voted against directors at 20 companies flagged as climate laggards, consistent with the office's voting policy.

Results: In addition to exercising proxy votes to hold individual board directors accountable, the Illinois Treasurer frequently supports shareholder proposals that seek to enhance governance and reporting practices at climate-impacted companies. In 2021, the office supported 50 shareholder proposals on environmental topics, including proposals that ask companies to adopt GHG reduction targets and report on their climate change lobbying activities, among others.

"The time has come for clear standards for climate disclosure. Investors need consistent, comparable, and reliable information on the climate risks facing the companies in which they invest. This will help us do our jobs better, enabling us to make more informed decisions and better protect our investments for the long-term."

– Treasurer Frerichs

Public Policy: Advocating for Standardized Climate Disclosure Rules — The Illinois Treasurer issued a letter to the U.S. Securities and Exchange Commission in June 2021 voicing support for the proposed rule to enhance and standardize climate-related disclosures. The proposed rule would require public companies and foreign private issuers to include climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are likely to have a material impact on their business, operations, or financial condition, as well as the company's GHG emissions, among other important information.

Investing in Green Bonds — The Illinois Treasurer has invested $95 million in green bonds since 2017, which generate a strong investment return while supporting positive environmental impacts, including renewable energy and energy efficiency.

Inclusion of a preference for Green Technology Goals under ILGIF — As a part of the Illinois Growth and Innovation Fund (ILGIF), the Illinois Treasurer actively supports fund managers and portfolio companies that have demonstrated experience and/or a proven ability to invest in green technology businesses in Illinois. To date, 39 green tech businesses have received financial support through ILGIF.

Serving on the Board of Ceres — Since 2019, Treasurer Frerichs has served on the board of Ceres, a nonprofit organization working with influential investors and companies to drive solutions and build a sustainable future for people and the planet. The Illinois Treasurer is also a member of the Ceres Investor Water Hub, which evaluates and acts on water risks in investment portfolios.

Partnering with Leading Organizations — The Illinois Treasurer is an active member and partner of several groups that assist investors in addressing climate-related risks and opportunities.

Strategic Partners on Climate Projects:

Ceres

PRI Principles for Responsible Investment

Climate Action 100+ Global Investors Driving Business Transition

majority action

HUMAN CAPITAL MANAGEMENT

Workers are a Core Asset. Human capital management is material to investment performance. Companies that treat their workers as a vital asset better position themselves and their investors for long-term rewards. Conversely, poor human capital management practices can create substantial operational, legal, regulatory, and reputational risks that can lead to depressed financial performance. Companies that consider their workforce to be an important asset should manage their human capital with as much care and analytical insight as they manage their tangible and financial capital.

The Business Case for Investors. Effective human capital management strategies drive positive long-term performance through enhanced worker productivity and better risk management. A large body of empirical work supports the link between effective human capital management and corporate performance in the areas of increased total shareholder return, return on assets and return on capital, profitability, and overall relative firm performance. [23, 24, 25, 26, 27]

Alignment with SASB. In line with SASB, the Illinois Treasurer recognizes that the following sub-topics under human capital management can have a material impact on companies and investors:

- **Labor Practices and Relations —** Companies benefit from taking a long-term perspective on managing workers, contractors, and suppliers. This relates to practices involving fair compensation, workers' rights, worker health and safety, and workforce productivity enhancements through skills and capacity building, research and development, and capital investments. Companies that subvert the law or international standards for labor practices are exposed to operational, legal, regulatory, and reputational risks that may create roadblocks for both its existing operations as well as efforts to expand to other markets. Conversely, companies with fair labor policies and practices may be at a competitive advantage in attracting and employing an effective workforce, which can lead to a healthy company culture, stronger customer loyalty, increased revenue, and reduced costs.

"Companies that treat their workers as a vital asset better position themselves and their investors for long-term rewards."
– Treasurer Frerichs

- **Employee Health and Safety —** This topic includes a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). Employee health and safety is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of internal practices as well as those of contractors and vendors.

- **Employee Engagement, Equity, Diversity and Inclusion —** Companies can benefit from ensuring that their company culture and hiring, promotion, and retention practices embrace equity, diversity and inclusion. Companies that respond to demographic shifts and recognize the needs of these diverse populations may be better able to capture demand from these segments, which can provide companies a competitive advantage. In addition, companies that improve employee compensation, benefits, training, and engagement are likely to improve retention and productivity, which can lead to profitability and long-term value creation.

[23] Laurie Bassi and Daniel McMurrer, "Maximizing Your Return on People," *Harvard Business Review*, March 2007, Available at https://hbr.org/2007/03/maximizing-your-return-on-people.

[24] Jeff Higgins and Donald Atwater, "Linking Human Capital to Business Performance," Human Capital Management Institute, December 2012, http://www.talentalign.com/wp-content/uploads/2013/04/Linking-Human-Capital-To-Business-Performance-TA-Version1.pdf.

[25] Ken Ohler, "2015 Trends in Global Employee Engagement," Aon Hewitt, 2015, http://www.aon.com/attachments/human-capital-consulting/2015-Trends-in-Global-Employee-Engagement-Report.pdf.

[26] Larry Beeferman and Aaron Bernstein, "The Materiality of Human Capital to Corporate Finance," Harvard University, April 2015, https://lwp.law.harvard.edu/publications/materiality-human-capital-corporate-financial-performance.

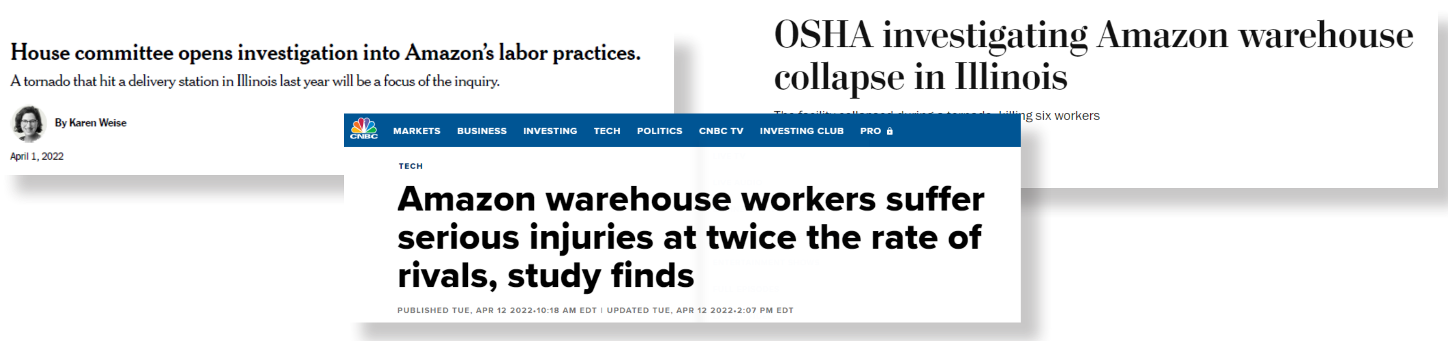
[27] "BlackRock Investment Stewardship's approach to engagement on human capital management," BlackRock Investment Stewardship, January 2019. Available at https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-human-capital.pdf

Actions and Results

Corporate Engagement Spotlight: Amazon — In 2020, the Illinois Treasurer launched an engagement with Amazon on issues related to COVID-19 and worker safety, given reports of insufficient health and safety protections and retaliation against workers that raised concerns. While the engagement began with a focus on workplace safety issues related COVID-19, the scope expanded as additional issues came to light, prompting concerns about the company's overall human capital management practices. There are reports of unusually high injury rates and employee turnover at Amazon warehouses,[28] active interference with workers' freedom of association,[29] and failures to assess the company's impact on civil rights and racial equity.[30] This information suggests that Amazon may face human capital challenges that are systemic and pervasive.

On December 10, 2021, a tornado struck an Amazon facility in Edwardsville, Illinois, resulting in the tragic death of six workers: Etheria Hebb, Deandre Morrow, Kevin Dickey, Clayton Cope, Larry Virden, and Austin McEwen. Given reports of improper safety protocol at the Edwardsville facility,31, 32, 33 combined with mounting concerns about the company's overall human capital management practices, the Illinois Treasurer sent a letter to the Chair of Amazon's Leadership Development and Compensation Committee. The letter asked for a meeting to determine what the Board of Directors is doing to manage the likelihood of adverse impacts to the company's workers, operations, reputation, and regulatory oversight. The Illinois Treasurer also co-signed a letter, along with the New York City Comptroller and New York State Comptroller, reiterating similar concerns about human capital management and asking for a meeting with board members. Despite repeated requests, the board did not meet with institutional investors to discuss its human capital management oversight and disclosure.

Results: Given the company's non-responsiveness to shareholders and its failure to adequately oversee human capital management, the Illinois Treasurer joined the New York City Comptroller and New York State Comptroller in launching a "vote no" campaign against the re-election of two Amazon board directors, Judith McGrath and Daniel Huttenlocher, at the company's annual meeting on May 25, 2022. Both individuals are longstanding members of the Leadership Development and Compensation Committee. Preliminary data suggests that both directors received the lowest votes among all board nominees, with McGrath receiving 27 percent votes against and Huttenlocher receiving 8 percent against (among independent investors). Looking ahead, the Illinois Treasurer will continue its engagement of Amazon seeking more robust oversight of human capital management.



[28] Jay Greene and Chris Alcantara, *The Washington Post*, "Amazon warehouse workers suffer serious injuries at higher rates than other firms," June 1, 2021, available at https://www.washingtonpost.com/technology/2021/06/01/amazon-osha-injury-rate/ and www.marketplace.org/2021/06/18/amazon-workforce-turnover-dominance-investigation/.

[29] Jacob Knutson, Axios, "Amazon violated federal law with anti-union meetings, labor board says," May 7, 2022, available at https://www.axios.com/2022/05/07/nlrb-amazon-violated-law-union-meetings.

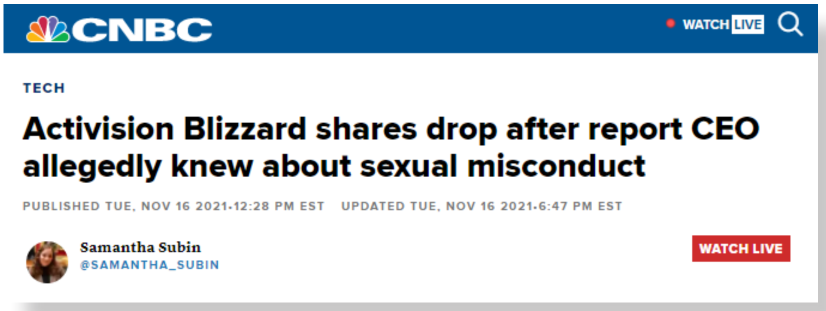
[30] David Jeans, *Forbes*, "Amazon Shareholders Want To Force 'The Everything Store' To Accept A Racial Reckoning," May 21, 2021, available at https://www.forbes.com/sites/davidjeans/2021/05/21/amazon-racial-equity-audit-shareholder-vote/?sh=54995933d161.

[31] Bryan Menegus, Engadget, "Amazon's casualties in Illinois aren't an isolated incident," December 13, 2021, available at https://www.engadget.com/amazon-tornado-edwardsville-illinois-deaths-climate-220437155.html.

[32] Spencer Soper, Michael Tobin, and Michael Smith, Bloomberg, "'Keep Driving': Amazon Dispatcher Texts Show Chaos Amid Twisters," December 16, 2021, available at https://www.bloomberg.com/news/features/2021-12-17/amazon-tornado-aftermath-workers-say-they-lacked-emergency-training.

[33] "Letter to Amazon on Edwardsville, IL Warehouse Collapse," Elizabeth Warren, Cori Bush, Alexandria Ocasio-Cortez, available at https://www.warren.senate.gov/imo/media/doc/2021.12.20%20Letter%20to%20Amazon%20re.%20Edwardsville,%20IL%20warehouse%20collapse.pdf.

Corporate Engagement Spotlight: Activision Blizzard — In 2021, several alarming reports were issued about misconduct and a toxic work environment at Activision Blizzard, the California-based videogame giant. The Wall Street Journal reported that the company's CEO learned of allegations of rape and employee misconduct in 2018, but failed to inform the company's board of directors, even after regulators began investigating the incidents.[34] As a result, the CEO was subpoenaed by the SEC in September 2021. Activision Blizzard was also sued by the California Department of Fair Employment and Housing in July 2021, alleging the company paid women less than their male counterparts, provided them with fewer opportunities to advance, and failed to address complaints by female employees of sexual harassment. Separately, the U.S. Equal Employment Opportunity Commission has been investigating allegations of gender-based harassment at Activision since at least May 2020.



Results: Given mounting risks and oversight failures relating to workplace practices, the Illinois Treasurer led a coalition of state treasurers in [calling on Activision Blizzard] to meet with investors and address outstanding issues. While the company made several changes in recent months, including (1) the creation of a new investigations unit to examine complaints of harassment, discrimination and retaliation, (2) entering an agreement with the U.S. Equal Employment Opportunity Commission to enhance workplace policies and practices, and (3) the appointment of a new Chief People Officer vested with responsibility for such matters, concerns remain about the effectiveness of the company's board of directors and unaddressed risk exposures.

While the office's engagement with the company is ongoing, on June 21, 2022, the company will hold its annual shareholder meeting and investors will vote on the election of board directors as well as a shareholder proposal regarding the company's efforts to prevent abuse, harassment, and discrimination.

[34] *The Wall Street Journal*, "Activision CEO Bobby Kotick Knew for Years About Sexual-Misconduct Allegations at Videogame Giant," November 16, 2021, available at https://www.wsj.com/articles/activision-videogames-bobby-kotick-sexual-misconduct-allegations-11637075680?mod=article_inline.

Member of the Human Capital Management Coalition — The Illinois Treasurer is an active member of the Human Capital Management Coalition (HCMC), a group of 36 investors with more than $8 trillion in assets led by the UAW Retiree Medical Benefits Trust. HCMC seeks to engage companies to understand their human capital management policies and encourage disclosure of metrics to track policy implementation. The coalition also educates regulators on the relevance of human capital disclosures, as robust disclosure provides investors with material, relevant and decision-useful information to better assess the performance of the companies they own.

Public Policy: Urging the SEC to Enhance Standards for Human Capital Management Disclosure — The Illinois Treasurer joined fellow state treasurers in calling on the SEC to strengthen human capital disclosure rules for U.S. publicly traded companies. While the SEC took an important first step in the fall of 2020 to require companies to report on fundamental human capital features, including the number of personnel and overall workforce resources, the Illinois Treasurer continues to seek more precise quantitative and qualitative standards by which company practices can be more easily discerned and compared. The Illinois Treasurer and fellow investors encourage the SEC to require disclosure on: (1) the number of workers involved in the corporate enterprise, including contracted and contingent labor; (2) the total cost of that workforce to the company, including a reasonable snapshot of pay equity across the workforce; (3) employee turnover or a similar workforce stability metric; (4) workforce diversity data, focused on gender and racial/ethnic diversity across different levels of seniority; and (5) retirement security data, including the percentage of a company's workforce eligible for retirement savings. Such disclosure would provide investors with valuable information to make more informed investment decisions.

Public Policy: Calling on the SEC to Require Companies to Disclose Workforce Demographic Data — The Illinois Treasurer joined fellow investors with more than $956 billion in assets in urging the SEC to require that companies disclose their annual EEO-1 reports, which document the gender and race of employees by job category. This public disclosure would respond to the need for consistent, comparable, and decision-useful data on U.S. workforce demographics at virtually no additional cost to companies.

"Protect All Workers" Campaign — The Illinois Treasurer enthusiastically supports the "Protect All Workers" Campaign, led by SEIU. Not only does this campaign highlight the systemic vulnerabilities that COVID-19 has made so abundantly clear, it urges corporations, governments, institutional investors, and elected officials to seize the moment and implement actionable solutions to protect workers, strengthen businesses, and enhance the health and long-term security of communities. Campaign tenets include:

- Provide fully funded and accessible healthcare for every worker in America.
- Provide job, wage, and economic security for every worker, including providing increased access to emergency childcare funds, debt relief, and housing assistance.
- Provide increased investment in the health and safety of every worker.
- Put working families at the center of every emergency relief package, including addressing the disproportionate impact of economic and health crises on diverse communities.

GOVERNANCE AND BOARD ACCOUNTABILITY

Leadership Matters. Even the best leaders need advice, counsel, and oversight. Oversight of U.S. businesses falls to boards of directors. The directors hire the CEO, evaluate performance, and oversee strategy for the corporation. They enforce governance practices vital to the company's integrity and performance, ensure the cultivation of an inclusive workplace, and guide that workplace toward sustainable growth. Boards of directors wield immense influence over the governance, management, business strategy, and financial performance of corporations. They also serve as the direct representatives of a company's shareholders, elected by the investors to represent shareholders' interests in their oversight of corporate management.

The Value Proposition for Investors. Given their level of influence, it is clear why corporate leaders, financial analysts, institutional investors, and other stakeholders devote so much time and attention to the composition, competencies, and oversight practices of corporate boards. Effective boards help build strong companies. And unperforming boards, or boards that disregard sound governance practices, may present elevated risks. The Illinois Treasurer frequently engages the companies in which it invests on issues of board governance and accountability, given the materiality of these issues. When corporate boards uphold high standards of accountability, transparency, ethical conduct, risk management, and sustainability, companies and their investors are often better positioned for long-term success.[35,36]

"The legal responsibility for supervising investments resides squarely with the board of directors. Whatever authority other parties may have to influence or implement investment decisions, such authority ought to be shaped, guided, and constrained by the oversight of an informed board."

-BoardSource[37]

Key Governance Factors. The office's Sustainability Investment Policy Statement, as well as the office's Proxy Voting Policy Statement, delineate the Illinois Treasurer's position on key governance factors. This includes positions on the following well-trodden governance topics:

- **Board Independence —** Boards of directors should maintain a level of independence from management to exercise proper oversight and serve the interests of shareholders.
- **Separation of the CEO and Board Chair —** The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the board is also the CEO of the company, the quality of the board's oversight is obviously hindered. An independent chairman helps avoid any conflicts of interest in the board's role of overseeing management.[38] According to a 2021 Spencer Stuart report, 59 percent of S&P 500 firms maintain split roles between the CEO and Chair.[39]
- **Transparency —** Shareholders benefit from full disclosure of board practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation, among other areas. With due respect to proprietary information, companies should strive to be transparent in their business operations. Disclosure concerning matters of shareholder or public interest provides useful information and mitigates risks inherent with undisclosed matters.

[35] Sanjai Bhagat and Brian Bolton, "Corporate Governance and Firm Performance," *Journal of Corporate Finance*, June 2008, available at https://www.sciencedirect.com/science/article/abs/pii/S0929119908000242.

[36] Amama Shauka and Grzegorz Trojanowski, "Board Governance and Corporate Performance," *Journal of Business Finance & Accounting*, August 18, 2017, available at https://onlinelibrary.wiley.com/doi/full/10.1111/jbfa.12271.

[37] BoardSource, "The Board's Role in Supervising Investments and Three Must-Dos." 2021. Available at: www.boardsource.org/resources/supervising-investments-boards-role-three-must-dos/.

[38] Noam Noked, "The Costs of a Combined CEO/Board Chair." Harvard Law School Forum on Corporate Governance. July 2012. Available at: https://corpgov.law.harvard.edu/2012/07/13/the-costs-of-a-combined-chairceo/.

[39] https://www.spencerstuart.com/-/media/2021/october/ssbi2021/usbi2021-highlights.pdf

- **Oversight of Material Sustainability Risks —** Boards of directors have a responsibility to oversee and respond to risks that may have a material impact on performance. This includes material sustainability risks and opportunities, such as climate change and human capital management, as an inadequate response can have an adverse effect on shareholders.
- **Sensible Executive Compensation Programs —** Excessive executive compensation programs may signal board entrenchment and exacerbate income inequality. Executive compensation should be reflective of company performance and within a reasonable range of compensation levels at industry-leading companies.
- **Board Diversity —** Research demonstrates that a diverse board of directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism. Diversity is inclusive of gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ+ status.

Actions and Results

Corporate Engagement Spotlight:
Meta Platforms — Meta Platforms, formerly known as Facebook, is facing a barrage of governance and sustainability challenges. In recent years, the company has overlooked or mishandled significant controversies, including data breaches, election interference, rampant misinformation, anti-trust accusations, and targeting children despite knowledge of the harms its products can inflict. The company's responses to significant problems have been inadequate, and the board has been unable to exercise effective oversight of management and balance growth with long-term sustainability. As such, Meta now faces a myriad of regulatory, legal, and reputational risk exposures, all of which exposes the company's investors to increased financial risks.

At the heart of these failings is the company's board leadership structure. Mark Zuckerberg serves as both the Chief Executive Officer (CEO) and board chair. To enhance the company's governance structure and increase independent oversight, the Illinois Treasurer filed a shareholder proposal seeking to separate the CEO and board chair roles. The separation of the CEO and board chair would benefit investors by providing Zuckerberg the time to devote to his role as CEO and director, separate from an independent board chair who would be able to act as fiduciary on behalf of long-term investors.

S&P Global

Facebook faces renewed push to split CEO, chairman roles amid controversies

Results: The Illinois Treasurer's independent board chair proposal received a vote at the company's annual shareholder meeting in May 2021. The proposal won support among 52 percent of the company's independent shareholders, sending a clear message that non-insiders want to separate the roles of CEO and board chair (Mr. Zuckerberg and other Meta insiders control a majority of the voting shares at the company). While the office continues dialogue with the company, the Illinois Treasurer re-filed the independent chair proposal for consideration at the company's 2022 annual shareholder meeting, anticipating that it will receive strong support among non-insiders.

Pensions&Investments

GOVERNANCE

December 03, 2019 03:48 PM

Institutional investor group wants Facebook's Zuckerberg to give up chairman post

REUTERS

INTERNET NEWS JUNE 4, 2019 / 9:46 AM / UPDATED 3 YEARS AGO

Facebook investors seek independent chair, citing vote tally

"Too much control given to one person is not a good model for any company, and Meta Platforms has shown us over and over again the risk it carries for its users and investors. An independent board chair is an important step to provide real oversight over management, address governance failings, help restore trust in the company, and better protect shareholders' interests. We hope the company will use this as an opportunity to take a decisive step toward building a more successful, sustainable company for the long-term."
– Treasurer Frerichs

Corporate Engagement Spotlight:
Berkshire Hathaway — Berkshire Hathaway is a large, highly diversified company, with subsidiaries in insurance, utilities and energy, railroads, manufacturing, and retail. It generates approximately $275 billion in revenue annually. Despite the vast coverage of its operations, the company provides minimal reporting on its exposures to sustainability risks and opportunities of material importance to shareholders, including risk exposures related to climate change and human capital. As indicated in a report from proxy research provider ISS, "Upon review of its disclosures, environmental considerations such as pollution prevention and resource efficiency or social topics such as human rights and labor rights appear to be unaddressed." [40]

Given these exposures, and the fact that Berkshire Hathaway did not appear to charge any board committee with express oversight of environmental, social, and human capital factors, the Illinois Treasurer engaged the company in dialogue and filed a shareholder proposal in 2021 seeking the establishment of a new Board Committee on Environmental and Social Issues. The establishment of the committee could lead to enhanced governance and oversight practices, as well as more robust disclosure and transparency to shareholders on the company's management of sustainability risks and opportunities.

Results: The Illinois Treasurer launched a dialogue with company leaders to find a mutually beneficial solution. Berkshire Hathaway agreed to formally assign responsibility for the oversight and reporting of sustainability issues to the company's Audit Committee. Accordingly, the company amended the charter of the Audit Committee. The company also amended the Supplier Code of Conduct of its subsidiary, Berkshire Hathaway Energy, in response to investor concerns about quality of suppliers and contractors utilized by the company. The company amended its policy to provide added consideration for suppliers and contractors that offer comprehensive workforce benefits, protections, and skills training.

[40] "Berkshire Hathaway, Inc." *ISS Proxy Analysis & Benchmark Policy Voting Recommendations*. April 16, 2021.

The Opioid Epidemic: Addressing Oversight Failures at Pharmaceutical Companies

The Centers for Disease Control and Prevention announced that drug overdoses killed more than 107,000 people in the U.S. in 2021, the highest annual toll on record.[41] More than 932,000 people have died since 1999 from a drug overdose, and nearly 75 percent of drug overdose deaths in 2020 involved an opioid.[42] The opioid epidemic is undeniably a public health crisis, and the economic, social, and human impacts are staggering.

Pharmaceutical companies manufacture, distribute, and retail opioid products, and many are facing massive lawsuits for issues related to failed compliance and oversight. In addition to legal risks akin to the tobacco litigation in the late 1990s, pharma companies are confronting regulatory risks related to new limits on marketing and prescription, and reputational risks related to reduced consumer, political, and community support. This poses a risk to investors, like the Illinois Treasurer, that maintain holdings in many of these companies.

The Illinois Treasurer has been an active member of Investors for Opioid and Pharmaceutical Accountability (IOPA) since 2017. IOPA is a 62-member investor coalition with nearly $4.2 trillion in assets under management, led by SHARE and Wespath Benefits and Investments. IOPA actively engages opioid drug makers, distributors, and retail pharmacies to implement enhanced board oversight and reporting practices, hold corporate executives accountable for losses and mismanagement, and better align lobbying and political spending in the fight against the opioid epidemic.

To date, IOPA has achieved the appointment of an independent board chair at AmerisourceBergen, Cardinal Health and McKesson because of corporate engagements. Further, board-level opioid reports have been published by 14 companies, including Cardinal Health, Endo, and McKesson following IOPA dialogues. These reports were also published at Walgreens, Rite Aid, Mallinckrodt, and Johnson & Johnson following majority votes by shareholders.

Corporate Engagement Spotlight: Johnson & Johnson — The Illinois Treasurer is leading IOPA's engagements with Johnson & Johnson, whose business lines are linked to the opioid epidemic.[43] Johnson & Johnson reported $5 billion in settlement costs as part of consolidated opioid litigation, a significant cost to the company and its shareholders.[44] In 2020, the company issued a board report on risks related to its involvement in the opioid epidemic, which was prompted by a majority vote for a shareholder proposal introduced by the Illinois Treasurer.

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[41] Brian Mann, "Drug overdose deaths in the U.S. are surging," NPR, available at https://www.npr.org/2022/05/14/1098969472/drug-overdose-deaths-in-the-u-s-are-surging.

[42] U.S. Centers for Disease Control and Prevention, available at https://www.cdc.gov/opioids/data/index.html.

[43] Peter Whoriskey and Salwan Georges, "How Johnson & Johnson companies used a 'super poppy' to make narcotics for America's most abused opioid pills." *The Washington Post*. March 26, 2020. Available at: www.washingtonpost.com/graphics/2020/business/opioid-crisis-johnson-and-johnson-tasmania-poppy/?itid=hp_hp-more-top-stories_super-poppy-1230pm%3Ahomepage%2Fstory-ans.

[44] Nate Raymond, " J&J to contribute up to $5 billion to potential U.S. opioid settlement," Reuters. October 13, 2020. Available at www.reuters.com/article/usa-opioids-johnson-johnson/jj-to-contribute-up-to-5-billion-to-potential-u-s-opioid-settlement-idUSKBN26Y2PA.

npr

HEALTH

4 U.S. companies will pay $26 billion to settle claims they fueled the opioid crisis

In 2021, the Illinois Treasurer and fellow investors engaged Johnson & Johnson on its executive pay practices, emphasizing that the board should hold senior executives accountable for costs and failures that occurred on their watch. Even though the company agreed to pay $5 billion in settlement costs related to opioid litigation, the board decided to insulate senior executives from opioid-related legal costs. The board also failed to explain its decision to remove the impact of opioid litigation on executive compensation. Compensation plans work more effectively when they take both successes and failures into account. As such, the Illinois Treasurer and fellow investors launched a vote-no campaign against Johnson and Johnson's executive compensation plan.

Results: At the company's annual shareholder meeting in April 2021, 43 percent of investors joined the Illinois Treasurer in voting against the company's say-on-pay proposal, a notably high level of opposition for a proposal most investors usually rubberstamp. At the company's annual meeting in April 2022, 48 percent of shareholders supported a proposal supported by the Illinois Treasurer, led by the Vermont Pension Investment Commission, asking the company to adopt a policy that no financial performance metric be adjusted to exclude legal or compliance costs when evaluating performance for purposes of determining executive compensation.

IV. Investment Stewardship — Proxy Voting Activities

The Illinois Treasurer routinely votes on proxy ballot items for those companies and funds where it maintains the right to vote on management and shareholder proposals on annual ballots. This work is critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants.

The Illinois Treasurer votes its proxies in line with the Proxy Policy Statement available on page 78 of this report. In 2021, the Illinois Treasurer voted 28,176 proposals at 3,048 companies. A full list of the votes cast is available on the Treasurer's Raising The Bar website.

A Glance of 2021 Proxy Voting

28,176

Proposals Voted at 3,048 Annual Meetings in 2021

18,185

Election of Directors Proposals Voted in 2021

689

Shareholder Proposals Voted in 2021

47%

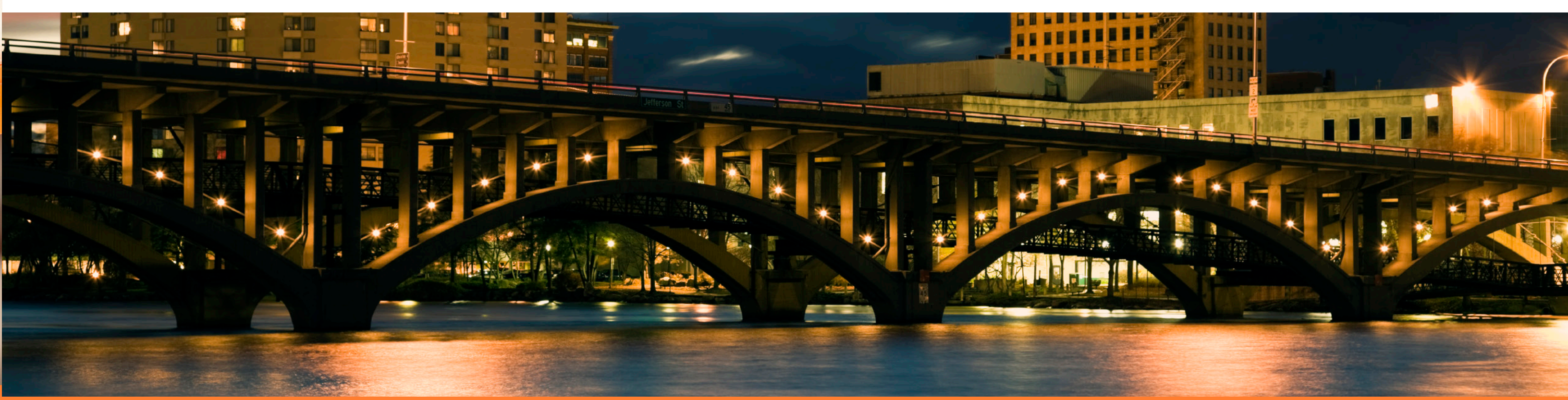
of Votes Cast in Favor of all Proposals

39%

of Votes Cast in Favor of Election of Directors

69%

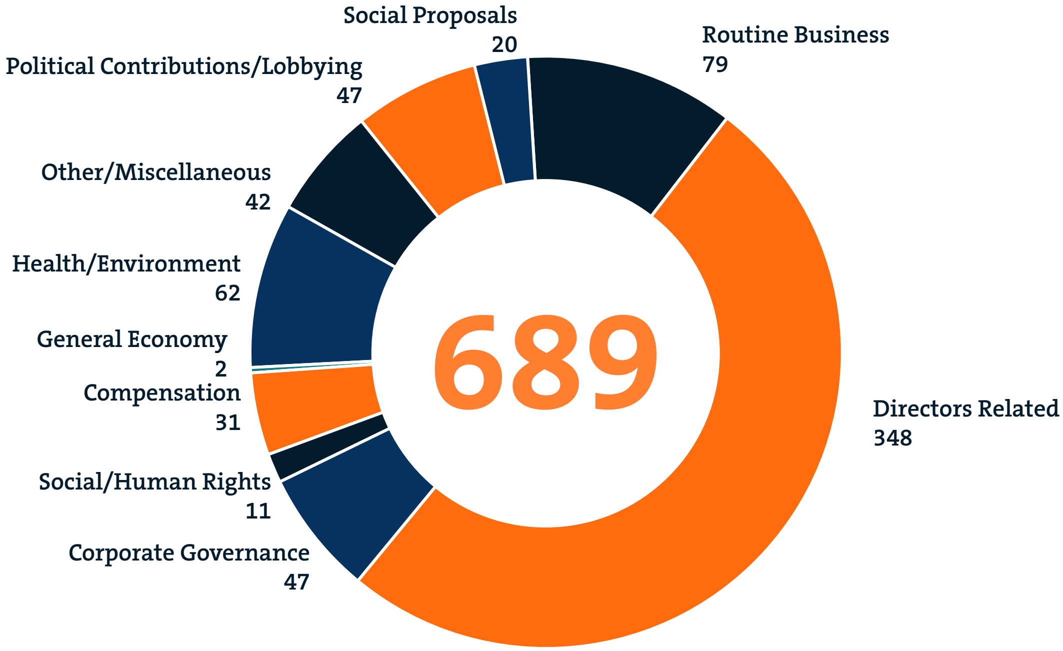
of Votes Cast in Favor of Shareholder Proposals



Climate	Voted against directors at **20** companies flagged as climate laggards
Racial Diversity	Voted against **2,556** directors on nominating committees for failure to disclose the racial composition of the board
Gender Diversity	Voted against **1,419** directors on nominating committees for lack of gender diversity
Board Independence	Votes against directors at **1,009** companies for board independence concerns
Sustainability Shareholder Proposals	Supported **92%** of total environmental and social shareholder proposals

Summary of All Shareholder Proposals Voted in 2021

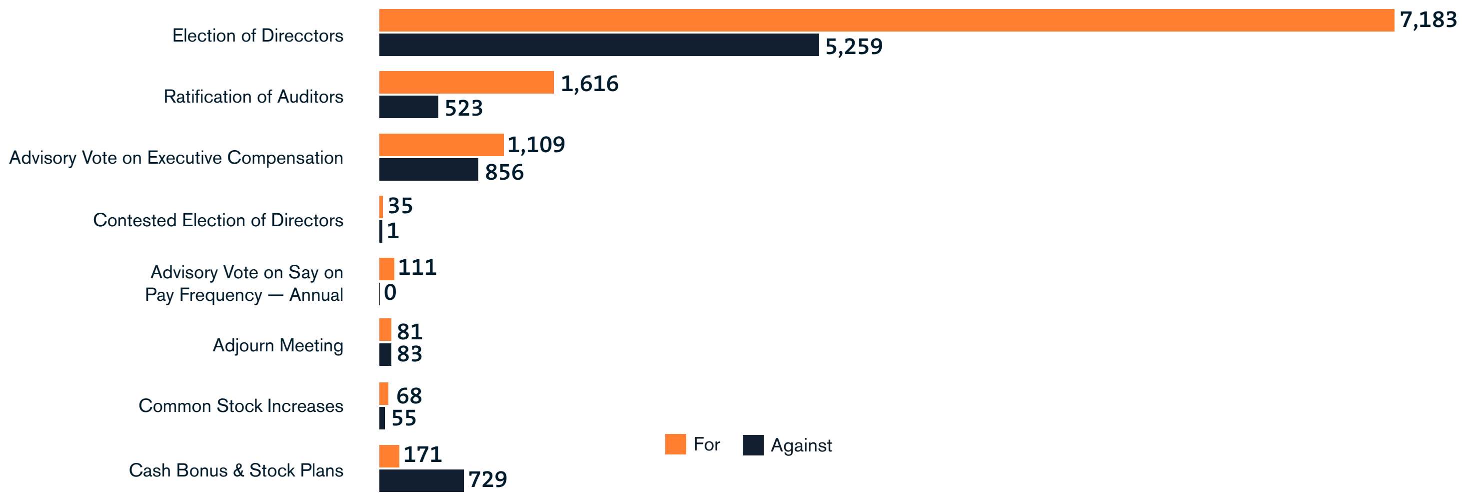
Proposals land on company ballots through one of two avenues: Either management puts forward a proposal to comply with legal requirements or to gauge shareholder sentiment or investors that meet a certain threshold submit a proposal to the company. The eight most commonly voted proposals in both categories — shareholder proposals and management proposals — are described below. A statistical report on the Illinois Treasurer voting is at the end of this section.



Source: Office of the Illinois State Treasurer

The Eight Most Common Management Proposals Voted

2021 Votes of Most Common Management Proposals



Source: Office of the Illinois State Treasurer

Shareholder proposals

The Illinois Treasurer voted a total of 689 shareholder proposals in 2021 at 3,048 corporate meetings. Shareholders that meet certain ownership eligibility requirements may file proposals.

The topics of shareholder proposals tackle a variety of areas: compensation, corporate governance, director elections as well as their term limits and composition, general economic issues, health and environment, human rights and other routine and non-routine items. For U.S. corporate meetings, the Illinois Treasurer voted on 547 shareholder proposals at 2,692 meetings. The most commonly voted proposals for U.S. meetings are detailed below and cover 68 percent of all shareholder proposals voted. Table 6 shows the year-over-year comparison of the most commonly voted shareholder proposals at U.S. company meetings.

Act by written consent

The proponents of the resolution, which first began appearing with regularity in the 2010 season, state that to act by written consent gives shareholders the opportunity to raise important matters outside the normal annual meeting cycle. An action by written consent gives shareholders the right to approve certain corporate matters without having to call a meeting of shareholders or to give notice to all shareholders about the matters being approved. In some instances, an action by written consent could be more efficient and cost-effective than holding a special meeting. In 2021, the Illinois Treasurer voted in support of all 72 proposals to provide the right to act by written consent (100 percent).

Of the 28,176 proposals the Illinois Treasurer voted on in 2021, 689 (2.4 percent) were shareholder proposals.

Board diversity

Investors continue to view board composition as a critical issue, filing on a range of proposals that prompt companies to evaluate their current policies and board structure and new nominee candidates. Board diversity proposals ask companies to report on the board's diversity and qualifications, report on plans to increase board diversity or adopt a policy on board diversity where nominee pools for new director searches include minority candidates in terms of race and gender.

In 2021, the Illinois Treasurer voted in favor of 5 out of 5 proposals on board diversity (100 percent). Note the unsupported proposal sought a report on the ideological perspectives of board directors.

Call special meetings

Shareholders with the right to call a special meeting have an additional tool for weighing in on critical issues. The corporate laws of some states (although not Delaware where most companies are incorporated) provide that holders of 10 percent of the shares outstanding of a company may call a special meeting of shareholders, absent a contrary provision in the company's charter of bylaws. Most companies' charter or bylaws only grant the board of directors the ability to call a special meeting of shareholders — typically to consider a merger or acquisition. Australia, Canada and the United Kingdom have corporate laws that allow shareholders to call special meetings. In the United States, a few such proposals were filed in the past, sporadically. But starting in 2007, proposals were filed by a coalition of individual shareholders which asked companies to amend their bylaws to establish a process by which the holders of 10 percent to 25 percent of outstanding shares may call a special meeting.

In 2021, the Illinois Treasurer voted in favor of 30 out of 30 proposals to provide the right to call a special meeting or to amend the right to call a special meeting (100 percent). Note the unsupported proposal appeared on a dissident ballot in a proxy contest where the Illinois Treasurer supported the management ballot.

Climate change, greenhouse gas emissions, recycling and sustainability

Environmentally focused investors have long filed proposals to request companies provide disclosure and act on climate change, greenhouse gas emission and sustainability efforts. In recent years, these efforts received growing support among the mainstream proxy voting community. The Illinois Treasurer supports proposals on environmental topics that seek clarity from companies on how they approach environmental concerns, what actions they are undertaking and how they are reporting their efforts. Shareholder proposals that ask for more aggressive action by companies are evaluated on a case-by-case basis.

In 2021, the Illinois Treasurer voted in favor of 39 of 48 proposals on climate change, greenhouse gas emissions, recycling, and sustainability (81 percent). The office saw eight proposals on climate action change; three on environmental impact; 10 on GHG emissions; four on climate action plans, one on recycling, two renewable energy; 19 on climate change reporting and one on reporting on environmental policies.

Contested election of directors

In a contested election of directors, shareholders make a twofold decision between voting on the company proxy card, which includes only the company's director nominees or the shareholder's proxy card, which includes the activist's nominees and/or the company's nominees recommended by the activist. Activists typically seek a number of board seats as a mean to implement their strategic vision for the company. The Illinois Treasurer evaluates the slates on the individual qualification of the candidates, the quality and feasibility of the plan that the dissident has put forth to add long-term corporate value, management's performance record, the background of the proxy contest and the equity ownership positions of the activist.

In 2021, the Illinois Treasurer voted in favor of 21 out of 83 shareholder proposals to elect directors in contested elections (25 percent).

Eliminate/reduce supermajority votes

The bylaws at some companies provide that on certain issues — such as amending bylaws — a simple majority vote of the shareholders will not suffice and a supermajority (e.g., 66.6 percent or 75 percent) is required. Shareholders can address the supermajority issue head-on by filing proposals asking companies voluntarily to eliminate supermajority vote provisions. The Illinois Treasurer's position is that a majority vote by shareholders should be sufficient for all matters.

In 2021, the Illinois Treasurer voted for all 12 proposals to reduce a supermajority-voting requirement (100 percent).

Environmental & social

Environmental and social shareholder proposals are a comprehensive list of various proposals that span from investors requesting companies to adopt policies regarding prison labor to reports on company risks, media content management, sexual harassment and impacts of company-specific events.

In 2021, the Illinois Treasurer voted in favor of 11 out of 12 proposals related to environmental & social issues (92 percent).

Gender pay gap

In 2016, shareholders began filing proposals on pay equity, asking companies about the risks of the pay disparities between genders. A number of these proposals have evolved to include pay disparities by gender, race and ethnicity, to provide data on the global median gender pay gap and the risks companies face with emerging public policies addressing the gender pay gap. In 2021, the Illinois Treasurer voted for all six proposals on gender pay gap (100 percent).

Human rights

Human rights proposals investors request companies to report on how they are assessing human rights risks and currently implementing policies. These proposals vary from addressing disclosure about immigrants and the penal system to seeking accountability on how companies assess human-rights related risks within their supply chain and operations.

In 2021, the Illinois Treasurer voted for all seven of eight proposals related to human rights risk assessment (88 percent).

Independent board chair

The chairman of the board supervises and monitors the executives that manage the company on behalf of shareholders. When a chairman is the chief executive officer or has close ties to the CEO or the other principal executive officers, a potential conflict of interest is inherent. The combined role CEO/chairman role is still prevailing among U.S. publicly traded firms where the separation of those roles is standard in other markets, most notably in the United Kingdom where it is a requirement.

In 2021, the Illinois Treasurer voted for all 37 proposals for an independent board chair (100 percent).

Link executive pay

Linking executive pay to social criteria proposals call on companies to assess supplementing or reforming compensation policies and report on risks of specific performance measures for compensation relating to drug pricing or cybersecurity.

In 2021, the Illinois Treasurer voted in favor of all five proposals to link executive pay to social criteria (100 percent).

Majority vote for election of directors

Countless companies in the U.S. continue to maintain the plurality vote standard in uncontested director elections which allows director nominees to be elected through receiving a minimum of one vote cast “For” even when a nominee fails to receive support from the majority of votes cast. Although some companies have introduced a “director resignation policy” where a director is required to submit their resignation to the board if they fail to receive support by the majority of votes cast, the board has the authority to accept or reject the resignation. The Illinois Treasurer supports resolutions asking companies to adopt a majority-voting model for the election of their board members.

In 2021, the Illinois Treasurer voted for all six proposals asking for majority vote for election of directors (100 percent).

Political contributions and lobbying disclosure

A wide coalition of institutional investors have been filing proposals seeking disclosure on corporate political spending for more than a decade. Shareholders argue boards of directors should oversee the corporate political spending to ensure it supports corporate goals and priorities. Advocates of the disclosure argue companies will better weigh the benefits and risks of political spending when the reporting is public.

In 2021, the Illinois Treasurer voted in favor of all 44 proposals on political contributions and lobbying disclosure (100 percent).

Proxy access

Proxy access proposals ask companies to provide shareholders access to the proxy materials to nominate their own candidates for the election of directors. The SEC approved a proxy access rule in 2010 that was later invalidated by a federal appellate court on the grounds the Commission had acted arbitrarily and capriciously in not weighing the costs and benefits of the rule. It is worth noting the Commission took a few years shy of a decade to craft the rule and that a CFA Institute study found proxy access has the potential to raise overall U.S. market capitalization by up to $140.3 billion if adopted marketwide.

In 2021, the Illinois Treasurer supported all 23 proposals on proxy access (100 percent).

Management proposals

The clear majority of proposals at corporate annual meetings are put on the ballot by management. In 2021, 98 percent of all proposals fell under the management category. In total, the Illinois Treasurer voted on 27,487 management proposals at 3,048 corporate annual meetings this year. The topics of management proposals include corporate governance provisions and capitalization. Several proposals deal with corporate transactions, auditors and executive compensation. For U.S. corporate meetings, the Illinois Treasurer voted on 23,115 management proposals at 2,692 meetings. The most commonly voted management proposals at U.S. meetings are detailed in the chart below and cover 87 percent of management proposals voted. Table 7 shows the most commonly voted management proposals at U.S. companies.

Election of directors

Shareholders vote annually on the election of directors to publicly traded firms. Companies with a declassified board structure put all director nominees up to a vote each year, while firms with a classified structure typically put forward three nominees each election. Except for rare occasions, the elections for board seats go uncontested. Where 10 seats on the board are available, the company will propose 10 nominees. the Illinois Treasurer evaluates nominees for boards of directors on a case-by-case basis considering the key factors listed below. These factors relate to incumbent nominees (new directors are not held accountable for actions of the board prior to their tenure).

Diversity: the Illinois Treasurer reviews the gender composition of the board and withholds on the nominating committees of boards that lack at least two women. A similar review is not possible for the racial composition of directors given the lack of available data.

Financial performance: the Illinois Treasurer evaluates how the company performed compared to a broad market index and/or its peer group over an extended time. the Illinois Treasurer may withhold from directors when a company has underperformed for a sustained period.

Independence: When a board has less than two-thirds independent directors, the Illinois Treasurer votes in favor of outsiders and against/withhold on insiders. An insider is a director who also serves as an executive officer, has familial or business ties to an executive officer, is recently a former executive officer or poses other potential conflicts of interest to independent thought.

Egregious actions adverse to shareholder interests: the Illinois Treasurer may vote against or withhold votes from directors when the board has taken an action that threatens shareholders' interests. Such actions include repricing underwater stock options or ignoring a majority vote on a shareholder proposal.

Attendance: the Illinois Treasurer may withhold from directors that attend fewer than 75 percent of board and committee meetings without providing a valid explanation for the absence. Of the 16,701 proposals that the Illinois Treasurer voted in 2021 to elect directors of U.S. companies, 6,387 proposals (38 percent) were supported.

Contested election of directors

In a contested election of directors, shareholders make a twofold decision between voting on the company proxy card, which includes only the company's director nominees, or on the shareholder's proxy card, which includes the activist's nominees and/or the company's nominees recommended by the activist. Activists typically seek a number of board seats as a mean to implement their strategic vision for the company. The Illinois Treasurer evaluates the slates on the individual qualification of the candidates, the quality and feasibility of the plan that the dissident has put forth to add long-term corporate value, management's performance record, the background of the proxy contest and the equity ownership positions of the activist.

In 2021, the Illinois Treasurer voted on 78 management proposals to elect directors in contested elections and supported 35 proposals (45 percent).

Ratification of auditors

In 2001 the SEC began requiring companies to disclose how much they paid their accountants for both audit and non-audit work in the prior year. The disclosures revealed that many companies were paying their auditors three times more for "other" work than for their audit work. The 2002 Sarbanes- Oxley Act (SOX) limited the auditor conflict issue, although auditors are still permitted to perform tax and other non-audit related services for companies they audit. The vote to ratify auditors is a routine vote in favor unless auditors receive substantial enough sums for non-audit services that it poses a potential conflict of interest for an independent audit.

In 2021, the Illinois Treasurer cast votes to ratify the auditor of U.S. companies on 2,029 proposals and voted in favor of 1,496 proposals (74 percent).

Compensation

Cash bonus and stock plans

Companies implement and amend cash bonus and stock plans to award their key executives, outside directors and rank-and-file employees. The Illinois Treasurer votes on these plans on a case-by-case basis and supports plans that include specific and challenging performance standards without excessive rewards. Stock plans can take many forms. The most common are: stock option plans, which give the holder the right to exercise the option to buy stock at a set price in the future; restricted stock plans, which grant stock to a person at no cost, but the person has no right to the stock until certain conditions are met (sometimes the mere passage of time) and employee stock ownership plans, which allow stock to be purchased by all full-time and some part-time employees through payroll deductions and are subject to federal guidelines.

The Illinois Treasurer weighs the following factors when voting on compensation plans:

- **Performance standards:** Compensation plans should reward specified performance or serve as an incentive for future performance.
- **Dilution:** The dilution to current shareholder equity should not exceed 5 percent.
- **Change-in-control provisions:** Options and restricted stock awards should not automatically accelerate in a change-in-control scenario.
- **Underwater options:** Options that drop below their exercise price should not be repriced.
- **Participation and distribution:** Plans made available to rank-and-file employees help drive company performance. The number of shares per individual should have a reasonable limit.

In 2021, the Illinois Treasurer voted on 775 compensation plans and supported 109 (14 percent).

Advisory vote on executive compensation

Since 2011, the Dodd-Frank legislation granted shareholders with an advisory vote on executive compensation. Shareholders weigh in on whether they support the structure and amounts of the compensation plans companies provide to the top executives. The Illinois Treasurer weighs the following factors when voting on compensation plans:

- **Alignment:** Company performance and compensation amounts should compare favorably relative to its peer group.
- **Stock awards:** Performance-based stock awards drive superior performance as compared to time-vested awards that are paid out regardless of performance.
- **Dilution:** The dilution to current shareholder equity should not exceed 5 percent.
- **Severance payments:** A company should not provide severance payout that qualifies as a golden parachute under the IRC Code. A company also should not gross-up excise taxes owed by the executives in receipt of golden parachute payments.
- **CEO pay ratio:** Ratios will be monitored in comparison to peer groups and on year over year basis.

In 2021, the Illinois Treasurer voted on 1,788 U.S. advisory votes on compensation and supported 1,014 (57 percent).

Advisory vote on say-on-pay frequency

Dodd-Frank also enables shareholders to decide if they want to vote on a company's executive compensation annually, every two years or every three years. The vote on how frequently shareholders will vote on the say-on-pay vote occurs every six years. Since the first round of say-on-pay votes was in 2011, in 2017, most U.S. companies put forward the frequency vote for the second time. The Illinois Treasurer supports an annual say-on-pay vote in all cases because it provides shareholders with the opportunity to inform boards of their views on a more routine basis.

In 2021, the Illinois Treasurer voted in favor of an annual frequency on the say-on-pay vote at 109 out of 109 proposals (100 percent).

Adjourn meeting

Proposals that request to adjourn the meeting ask shareholders to permit suspension of a meeting, indefinitely or resumed at a future date. There are instances where companies request to adjourn a meeting to extend the voting period to solicit more votes for a merger or acquisition. The vote to adjourn meeting is a routine vote in favor unless there are other matters on the ballot that are not supported.

In 2021, the Illinois Treasurer voted on 160 proposals for the adjournment of a meeting and supported 79 (49 percent).

Mergers and acquisitions

For mergers and acquisitions at U.S. public companies, the target firm's stockholders typically have a vote on the merger or acquisition transaction. The Illinois Treasurer assesses the fairness of the cost and the strategies for these transactions when making a vote determination.

In 2021, the Illinois Treasurer voted on 178 proposals for mergers and acquisitions and supported 175 (98 percent).

Advisory vote on golden parachutes

With the advisory vote on executive compensation, companies are also required to give shareholders an advisory vote on golden parachutes which asks stockholders to approve merger-related severance payments that become payable to executives at the time of a change in control. Shareholders will vote on the advisory vote on golden parachutes at the time of merger, acquisition, consolidation, proposed sale or disposition of assets. The Illinois Treasurer assesses the total payment is over 2.99 times salary and bonus, whether excise taxes are grossed-up, if there is a double trigger for cash payments and whether the accelerated vesting of stock awards is excessive.

In 2021, the Illinois Treasurer voted on 89 advisory proposals on golden parachutes and supported 32 (36 percent).

Amend articles/bylaws/charter — non-routine

Articles of association, corporate bylaws and company charters are company documents that provide a framework for a company's existence and outlines the legal parameters the company must follow which vary from company to company. Commonly, a company's board of directors approves the articles, bylaws and charters and require a majority of shareholders to vote in favor. The amendments can request approval for items relating to changing the state of incorporation, number of authorized shares of stock or include matters such as budgets and declaring dividend distributions. The Illinois Treasurer will vote in favor of amendments that improve shareholder rights and reflects corporate governance best practices.

In 2021, the Illinois Treasurer voted on 36 proposals to amend articles/bylaws/charters and supported 29 (81 percent).

Board declassification

Following the passage of Sarbanes-Oxley along with shareholder pressure, companies have moved towards declassifying their boards. Declassification of the board elects all members of the board of the directors annually instead of staggered terms. Staggered terms are when a portion of the board is put up for election each year for different periods. The annual election of the entire board creates stronger accountability that is valuable to stockholders. The Illinois Treasurer will support proposals that declassify the board. In 2021, the Illinois Treasurer voted in favor of all 28 proposals to declassify the board of directors (100 percent).

Common stock increases

Increases in common stock authorizations can negatively affect shareholder value because once shareholders approve the increases, the board of directors can issue the additional shares at its discretion without seeking shareholder approval. This could include issuance of shares for financial recapitalization plans, acquisitions or to thwart acquisitions. Share issuances also dilute current shareholders' equity.

The Illinois Treasurer analyzes whether a request for an increase in common stock seeks an excessive amount. The Illinois Treasurer also studies whether there is a specific purpose for increasing the stock authorization — such as an acquisition or a stock split.

In 2021, the Illinois Treasurer voted on increases in common stock authorization on 120 proposals and supported 66 (55 percent).

Eliminate/reduce supermajority votes

The bylaws at some companies provide that on certain issues — such as amending bylaws — a simple majority vote of the shareholders will not suffice and a supermajority (e.g., 66.6 percent or 75 percent) is required. Shareholders can address the supermajority issue head-on by filing proposals asking companies voluntarily to eliminate supermajority vote provisions. the Illinois Treasurer's position is that a majority vote by shareholders should be sufficient for all matters.

In 2021, the Illinois Treasurer voted on 57 management proposals to reduce a supermajority-voting requirement and supported all 57 proposals (100 percent).

Reverse stock split

Proposals that implement reverse stock splits ask shareholders to approve a stock consolidation at a ratio of 1-for-5, 1-for-10, or 1-for-20. In some cases, companies that request the stock consolidation to conduct a merger transaction or to avoid delisting are supported. Votes for reverse stock splits are routine votes in favor unless the number of authorized shares is not proportionately reduced.

In 2021, the Illinois Treasur er voted on 32 management proposals to reverse stock split and supported 29 (91 percent).

V. Prioritizing Diverse Investment Firms

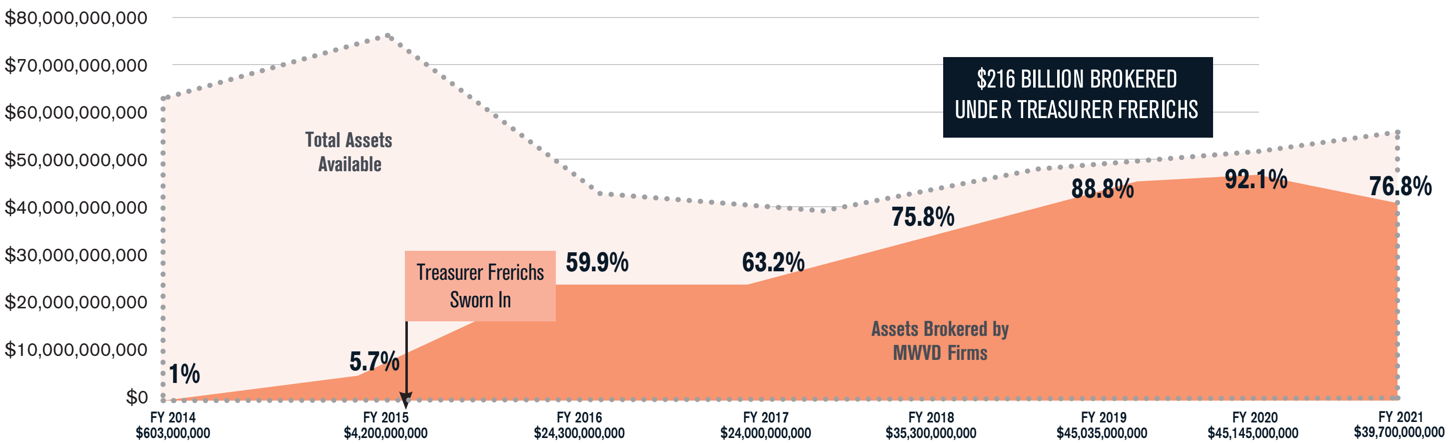
A core tenet of the mission of the Illinois Treasurer is to promote education, access, and opportunity for individuals and governmental bodies across our state to give families the tools to achieve the American Dream. In furtherance of that mission, the Illinois Treasurer is committed to providing equal access for minority persons, women, qualified veterans, and persons with disabilities ("MWVD persons").

Treasurer Frerichs believes that our government should mirror the great diversity in our state. Furthermore, diversity is good for business. Research demonstrates that diverse-owned companies are often well-situated to ascertain capital inefficiencies in the market, and as such, many are primed to outperform their peers. That is why the Illinois Treasurer is focused on providing more opportunities to qualified investment firms and contractors owned by MWVD persons.

Beyond this fundamental belief in the value of diversity, Section 30 of the State Treasurer Act declares that it be policy of the Illinois Treasurer to promote and encourage the use of businesses owned by or under the control of MWVD Persons and sets forth the aspirational goal of directing 25 percent of the total dollar amount of funds under management, purchases of investment securities, and other contracts to businesses owned by or under the control of MWVD Persons.

In the last year, the Illinois Treasurer has made great strides to ensure inclusion and provide more opportunities for MWVD firms. Among Treasurer Frerichs' top priorities are to continue to transform the Office's culture, policies, and operations to help ensure equal opportunity.

Assets Brokered by MWVD Firms (FY2014 – FY2021)



Increasing Business with MWVD Broker/Deales: From 1% to 77% since 2015.

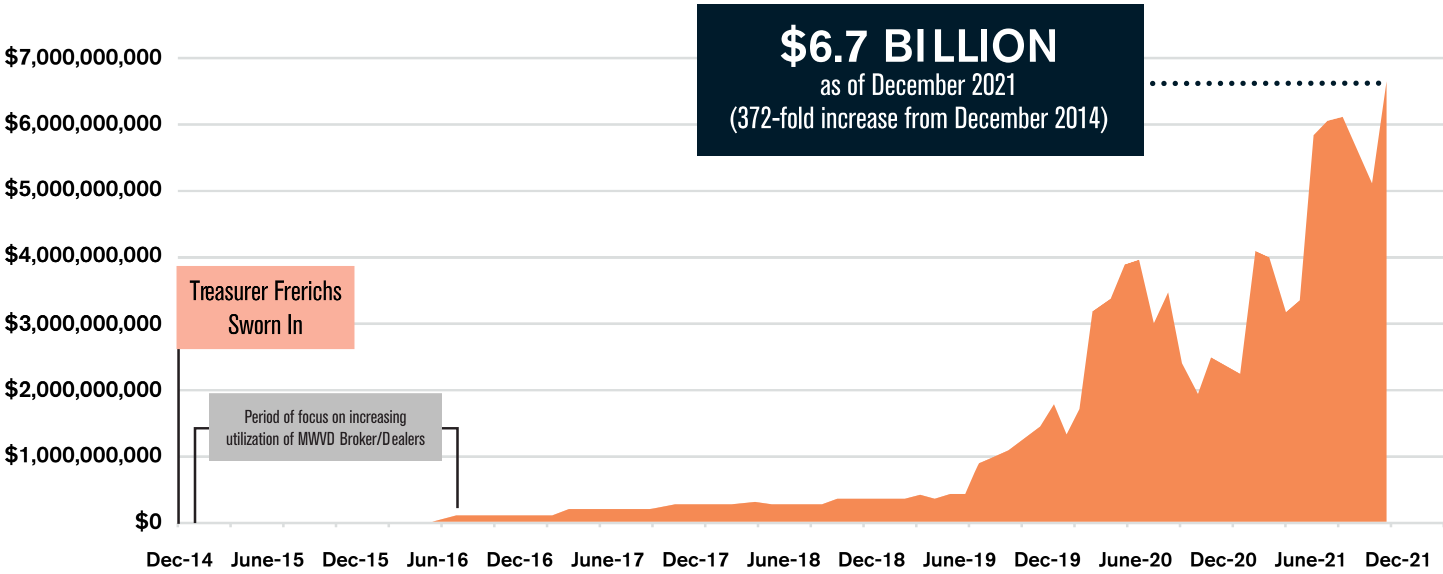
The Treasurer's two internally managed investment programs, the State Investment Portfolio and Illinois Public Treasurers' Investment Pool (also referred to as "The Illinois Funds"), are made up of direct purchases and brokered investments. Tapping diverse-owned broker/dealers is one of the quickest and best ways to ensure MWVD participation — and recent numbers emphasize our sustained progress in this area.

Year-by-Year Comparison of Assets Brokered by MWVD Firms FY 2014 – FY 2021

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Assets Brokered by MWVD Firms	$603 million	$4 billion	$24 billion	$24 billion	$35 billion	$45 billion	$43 billion	$40 billion
Total Assets Available	$60 billion	$74 billion	$41 billion	$38 billion	$47 billion	$51 billion	$47 billion	$52 billion
% Brokered by MWVD Firms	1.0%	5.7%	59.9%	63.2%	75.8%	88.8%	92.1%	76.8%

Assets Managed by MWVD Firms

December 2014 to December 2021



Increasing Business with MWVD Asset Managers: From $18 million to $6.7 billion

The Illinois Treasurer has made tremendous strides expanding the use of MWVD asset managers. In December 2014, the Treasury had $18 million under MWVD asset managers. As of December 2021, the office had over $6.7 billion with MWVD asset managers. That represents a 372-fold increase.

Year-by-Year Comparison of Assets Managed by MWVD Firms 2014 – 2021

	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets Managed by MWVD Firms	$18,052,664	$19,386,000	$124,986,000	$295,822,381	$407,332,595	$1,455,731,949	$2,489,927,380	$6,702,613,592

"Research shows that diversity is good for business. When companies build a diverse leadership team, workforce and inclusive culture, they better position themselves to innovate, attract better talent, reach more customers, and increase productivity."

– Treasurer Frerichs

Ensuring our Business Partners Prioritize Diversity & Inclusion

All firms seeking to business with the Illinois Treasurer must disclose how their firm promotes diversity and equal opportunity. This includes a 360-degree assessment on a firm's diversity and inclusion profile, which examines the following for each firm:

- Level of diversity among owners or Board of Directors.
- Level of diversity among senior executives.
- Level of diversity among the workforce.
- Programs and policies related to supplier diversity.
- Programs and policies related to corporate responsibility.
- Programs and policies related to philanthropic and volunteerism activities.

The Illinois Treasurer also maintains specialized evaluation processes for investment consultants, asset managers, and venture capital and private equity firms to further ensure that these partners effectively prioritize diversity and inclusion. The Illinois Treasurer is among the first institutional investors to include language promoting diverse-owned banking institutions in its legal agreements. As of July of 2021, Illinois Growth and Innovation Fund (ILGIF) recipient firms must sign a legal agreement to use best efforts to identify and utilize diverse-owned banking institutions for capital markets transactions. Treasurer Frerichs recognizes that a truly diverse and inclusive technology ecosystem includes not only diverse founders and fund managers, but also diverse collaborators available for every step in a company's financial lifecycle.

Pursuing Innovative Investments: CAST US, A Partnership with Cleveland Avenue

We are pleased to announce the Cleveland Avenue State Treasurer Urban Success Fund (CAST US), a partnership with Don Thompson, Founder of Cleveland Avenue, a venture capital firm based in Chicago.

Launched in April 2021, CAST US is a $70 million venture capital fund anchored by the Illinois Treasurer and intended to empower underrepresented communities by investing in Black, Latinx, and women entrepreneurs in Chicago's South and West side neighborhoods.

Through our Illinois Growth and Innovation Fund ("ILGIF"), we are making the largest investment to date, committing $16 million to foster a more inclusive venture capital ecosystem and directly impact underserved low-income communities and under-invested business entrepreneurs in Chicago. ILGIF has been at the forefront of increasing equity, diversity, and inclusion within the venture capital ecosystem, with 40 percent of its committed capital invested with venture capital firms led by women and people of color.

Since the summer of 2019, Don Thompson of Cleveland Avenue and the Illinois Treasurer have been working together to strategically design the CAST US fund to connect underrepresented entrepreneurs in under-invested areas in Chicago with capital and business support resources. As Black and Latinx entrepreneurs have 80 percent of their equity capital needs going unmet in the greater Chicagoland area compared to 46 percent of white business owners, creating a $146 million gap, the CAST US fund will serve as a catalyst for access to capital to address the lack of representation in the venture capital industry results in Black, Latinx, and women entrepreneurs struggling to access venture capital support.

In addition to our anchor investment, CAST US will be supported by Benefit Chicago, financial institutions, and private and family foundations. Cleveland Avenue's diverse team of business experts and like-minded financial partners make the CAST US fund uniquely positioned to support talented and capable entrepreneurs who have been in the "waiting room" eagerly seeking their opportunity to grow their businesses.

Interested entrepreneurs and stakeholders can visit www.clevelandave.com/castus for more information.

We are committing **$16 million** to foster a more inclusive venture capitla ecosystem and directly impact underserved low-income communities and under-invested business entrepreneurs in Chicago.

VI. Strategic Partnerships

The Illinois Treasurer is not alone in its commitment to sustainable investing. We partner with investor coalitions, industry experts, and key stakeholder groups to execute our investment objectives, pursue learning opportunities, and advance leading investment practices.

We are active members of several major investor networks, including those featured in the table below, which are made up of leading asset management firms, public pension funds, labor funds, foundations, endowments, family offices, and other state treasurers.

Ceres — A non-profit organization working with influential investors and companies to drive solutions and build a sustainable future for people and the planet.

Climate Action 100+ — An investor initiative to ensure that the world's largest greenhouse gas emitters take action on climate change and ensure the long-term sustainability of their businesses.

Council of Institutional Investors (CII) — A non-profit, non-partisan association representing assets under management of $40 trillion that advocates for best practices in corporate governance.

For The Long Term — A nonprofit that supports public treasurers in managing the unique challenges they face in interfacing with nonprofit organizations to support the long-term well-being of their beneficiaries. The mission is to help public treasurers leverage the power of their offices and their peers to deliver long term, inclusive, sustainable growth..

Human Capital Management Coalition (HCMC) — A cooperative effort among a diverse group of influential institutional investors to elevate the critical importance of human capital management in company performance.

Investors for Opioid and Pharmaceutical Accountability (IOPA) — A diverse coalition of institutional investors engaging with opioid and pharmaceutical manufacturers, distributors, and retailers to mitigate business risks related to the opioid epidemic.

Majority Action — A non-profit, non-partisan organization that empowers shareholders to hold corporations accountable to high standards of corporate governance, social responsibility, and long-term value creation.

Midwest Investors Diversity Initiative (MIDI) — An investor coalition of 15 Midwest investors led by the Illinois Treasurer seeking to increase board diversity at companies based in the Midwest.

Principles for Responsible Investing (PRI) — A network of global investors working to promote responsible investment policies and practices, supported by the United Nations.

SASB — An independent nonprofit organization founded in 2011 to develop and disseminate sustainability accounting standards.

Say-on-Pay Working Group — An effort organized by Segal Marco Advisors and the AFL-CIO Office of Investment to examine and improve executive compensation practices at U.S. publicly traded companies.

Thirty Percent Coalition — A national organization comprising of public and private companies, professional services firms, institutional investors, government officials and major advocacy groups working to increase gender diversity in corporate boardrooms.

VII. CONCLUSION

The Illinois Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return for beneficiaries using authorized instruments. To achieve this objective, the Illinois Treasurer has a responsibility to recognize and evaluate risk factors that may have a material financial impact on the performance of our investments.

As such, the Illinois Treasurer prudently integrates sustainability factors into its investment processes to help fulfill core fiduciary duties, which include maximizing anticipated financial returns, minimizing projected risk, and in a larger sense, contributing to a more just, accountable, and sustainable State of Illinois.

For regular updates and more information on the sustainable investing activities of the Illinois Treasurer, please visit www.IllinoisRaisingTheBar.com.

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Appendix A:
Sustainability Investment Policy Statement

OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

Sustainability Investment Policy Statement

Effective 6/1/2022

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Office of the Illinois State Treasurer
SUSTAINABILITY INVESTMENT POLICY STATEMENT

1.0 PURPOSE

This document sets forth the Sustainability Investment Policy ("Policy") for the Office of the Illinois State Treasurer ("Treasurer").

The purpose of the Policy is to outline the sustainability factors that shall be applied to the Treasurer's internally and externally managed investment holdings in evaluating investment decisions and ongoing business relationships.

This Policy is designed to allow for sufficient flexibility in the execution of sustainable investment responsibilities while setting forth specific sustainability factors and industry-recognized best practices that are relevant to the Treasurer's investment portfolio and the evolving marketplace.

The Treasurer establishes and executes this Policy in accordance with law.

2.0 AUTHORITY

Pursuant to the State Treasurer Act (15 ILCS 505), Deposit of State Moneys Act (15 ILCS 520), and the Public Fund Investment Act (30 ILCS 235), the Treasurer is authorized to serve as the fiscal agent for public agencies and specific program participants for the purpose of holding and investing assets.

Pursuant to the Illinois Sustainable Investing Act (30 ILCS 238), the Treasurer shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risks, and more effectively execute its fiduciary duties.

3.0 PHILOSOPHY

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return for beneficiaries using authorized instruments. To achieve this objective, the Treasurer has a responsibility to evaluate risk and value factors that may have a material and relevant financial impact on the safety and/or performance of our investments.

Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate financially material sustainability factors into its investment decision-making processes. As a complement to traditional financial analysis, the integration of sustainability factors provides an additional layer of decision-useful information by which the Treasurer and its agents can better assess the risk and return prospects of portfolio companies, investment funds, and other investment vehicles. Such sustainability factors are indicative of the overall performance of an investment and are strong indicators of its long-term value.

Sustainability factors shall be implemented within a framework predicated on the following:

- **Materiality –** The Treasurer considers whether and to what extent a sustainability risk or opportunity exists that is reasonably likely to have a material impact on the financial condition or operating performance of a company, investment fund, or other investment vehicle.

- **Industry-Specific Information –** The Treasurer considers whether and to what extent the financially material sustainability risk or opportunity in question is relevant and applicable to individual industries.

- **Integration of Material Sustainability Factors in Internally and Externally Managed Investment Programs –** The Treasurer prudently integrates material and relevant sustainability factors, including, but not limited to, (1) corporate governance and leadership, (2) environmental factors, (3) social capital, (4) human capital, and (5) business model and innovation, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership in internally and externally managed investment programs.

- **Active Ownership –** The Treasurer attentively oversees investment holdings to address sustainability risks and opportunities through the exercise of proxy voting rights and direct engagement with entities, such as investment funds, portfolio companies, government bodies, and other organizations.

- **Regular Evaluation of Sustainability Factors –** The Treasurer performs a recurring annual evaluation, at a minimum, of sustainability factors to ensure the factors are relevant to the evolving marketplace.

- **Additional Relevant and Financially Material Factors –** The Treasurer considers other relevant factors such as legal, regulatory, and reputational risks that contribute to an optimal risk management framework and are necessary to protect and create long-term investment value.

Sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and can be used to evaluate past performance and to plan future decision-making. As a complement to traditional financial analysis, an accounting of sustainability factors provides a more complete view of risks and value prospects that may materially impact an investment fund or portfolio company's long-term value.

4.0 GOVERNANCE

The Chief Investment Officer shall be responsible for the oversight and administration of sustainable investment activities on behalf of the Treasurer, working to ensure compliance with the Illinois Sustainable Investing Act (P.A. 101-473) and this Policy, and to advance the Treasurer's core investment objectives to maximize anticipated financial returns, minimize projected risk, and effectuate the Treasurer's fiduciary duties.

The Chief Investment Officer shall supervise and task pertinent divisions, including but not limited to the Division of Corporate Governance & Sustainable Investment, the Division of Public Market Investments, the Division of Alternative Investments, and the Division of Portfolio Risk & Analytics, to execute sustainable investment duties and prudently integrate sustainability factors into investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership.

The Treasurer may utilize the Investment Policy Committee and its subcommittees, including but not limited to the Corporate Governance & Sustainable Investment Subcommittee, Financial Analysis Subcommittee, and Investment Review Subcommittee, to assist in the review, development, and implementation of sustainable investment objectives and activities.

5.0 CORPORATE GOVERNANCE AND LEADERSHIP FACTORS

The Treasurer supports board accountability, transparency, sensible executive compensation programs, robust shareholder rights, and ethical conduct as key governance factors. The Treasurer advocates for policies and practices in support of these factors. Corporate governance and leadership factors involve the management of issues that are inherent to the business model or industry common practice. As such, they are in potential conflict with the interest of broader stakeholder groups (e.g., government, community, customers, and employees) and create a potential liability or, in a worst-case scenario, a limitation or removal of a license to operate. This includes factors such as regulatory compliance and political influence.

a) **Board Accountability**

The board of directors is elected by the company's shareholders and is accountable to them. The role of the board is to represent shareholders' interests in their oversight of corporate management.

The board of directors should maintain a level of independence from management to exercise proper oversight. The Treasurer considers an independent director to be one who is not an executive or former employee of the company; does not have direct familial ties with executive management; has not had business ties to the company for the past five years; and is not a long-tenured director of more than 10 years.

b) **Board Diversity**

Research demonstrates that a diverse board of directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism. Diversity is inclusive of gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ+ status.

c) **Transparency**

With due respect to proprietary information, companies should strive to be transparent in their business operations. Disclosure concerning matters of shareholder or public interest, such as those items outlined in this Policy, provides useful information and mitigates risks inherent with undisclosed matters.

Transparency and accuracy in the reporting of fees to the Treasurer from service providers is also essential to secure competitive rates.

d) **Sensible Executive Compensation Programs**
Excessive executive compensation programs may signal board entrenchment and exacerbate income inequality. Executive compensation should be reflective of company performance and within a reasonable range of compensation levels at industry leading companies.

The Treasurer believes an annual vote on executive compensation is a better option than a biennial or triennial vote because it affords shareholders the opportunity to provide the company's compensation committees more timely feedback about the appropriateness of executive pay levels, which typically are decided on an annual basis.

e) **Robust Shareholder Rights**
Shareholders should be given tools to convey their perspectives to the board of directors, which serves as their representative body. Tools that provide shareholders with the appropriate mechanisms for communication include the ability to (1) call a special meeting; (2) act by written consent; and (3) have access to the proxy to nominate their own candidate(s) for the board assuming appropriate ownership threshold requirements are met.

In addition, a majority voting standard for the election of directors ensures that directors have the confidence of their shareholders.

Boards of directors should also be declassified to enable shareholders to weigh in on each director on an annual basis.

f) **Ethical Conduct and Business Practices**
Companies conducting business with or in receipt of investments from the Treasurer must comply with all laws and regulations under which they are governed. Further, the Treasurer expects companies to meet (if not exceed) all applicable ethical and professional standards of conduct.

Companies that seek short-term profits by taking disreputable or anti-social actions may risk long-term sustainability and face adverse regulatory, legal and/or reputational repercussions. Prior corporate scandals have clearly demonstrated that profiting from harm caused to others impacts a company's reputation and bottom line. The Treasurer expects companies to operate within the bounds of the law and ethical norms, particularly when it comes to responsible drug pricing, safe working conditions, and the sale and distribution of drugs, weapons, and other products and services that may cause harm.

g) **Systemic Risk Management**
The increased globalization and interconnectedness of the marketplace has become a central concern of state, federal, and international regulators. This is particularly relevant to companies in the financial sector and insurance industry, with many designated or at

risk of being designated as systemically important institutions. This designation can subject firms to stricter regulatory standards, credit limitations, and increased oversight by government officials. To demonstrate how these risks are being managed, companies should enhance their disclosures of key metrics, risk exposures, and additional aspects of systemic risk management.

h) **Management of the Legal and Regulatory Environment**
A company's approach to engaging with regulators and lawmakers may have the potential for long-term adverse or opportunistic impacts on investors. While lobbying and political contributions can benefit the strategic interests of a company, board-level policies and processes should exist to ensure that such activities are aligned with shareholders' long-term interests, especially in cases where conflicts may exist between corporate and public interests. Lobbying and corporate political giving have the potential to cause reputational harm and can be viewed negatively by employees and customers. Companies should have appropriate internal controls in place to monitor, manage, and disclose political contributions and related risks, as well as to ensure that corporate participation in lobbying and political activities effectively aligns with the long-term strategy and shareholders' interest.

i) **Critical Incident Risk Management**
A company's use of risk management systems, scenario-planning, and business continuity planning can help to identify, minimize, and/or prevent the occurrence of high-impact incidents that may affect shareholder value. Companies should develop and disclose critical incident risk management plans, including relevant safety systems, technology controls, and workforce protections, to better inform investors of the implications of such events and the potential long-term impacts to the company and its shareholders.

6.0 ENVIRONMENTAL FACTORS

Environmental and climate-related factors may have adverse financial impacts on the Treasurer's investment portfolio. The Treasurer recognizes that a company's impact on the environment is a key factor for consideration in identifying its value proposition and risk exposures. Negative impacts include, but are not limited to, use of non-renewable natural resources in energy production and/or harmful releases into the environment. Routine assessment of environmental and climate impacts, associated risk exposures, and management practices may be communicated to investors through financial filings and/or sustainability reports. Quantitative reporting on environmental risks, policies, performance, and goals assures investors that companies are aware of potential opportunities and/or risks and are seeking to act upon them appropriately.

a) **Climate Competence**
Climate change has serious risk implications for investors and the businesses in which they invest. Shifts in temperature, weather patterns, and rising sea levels impact supply chain, consumer demand, physical capital, and communities. Extreme weather events are occurring on a more frequent basis and with increasing intensity. Events such as droughts, floods, and storms may lead to scarce resources and disruptions in operations and workforce availability. A company's awareness of environmental risks and opportunities may have a significant impact on its operational capacity, financial position, and long-term

value creation. With new environmental technologies, regulations, and business strategies rapidly developing (e.g., carbon pollution regulations and energy efficiency opportunities), it is important that companies adapt and capitalize on these evolving changes. This may include, among other strategies, maintaining a board member or senior executive with expertise or ample experience with environmental science and technology.

b) **Greenhouse Gas Emissions**
Greenhouse gas emissions contribute to climate change and create additional regulatory compliance costs and risks due to climate change mitigation policies. This includes greenhouse gas emissions from stationary (e.g., factories and power plants) and mobile sources (e.g., trucks, delivery vehicles, and planes), whether a result of combustion of fuel or non-combusted direct releases during activities such as natural resource extraction, power generation, land use, or biogenic processes. Companies that cost-effectively reduce greenhouse gas emissions from their operations by implementing industry-leading technologies and processes can create operational efficiency. They can mitigate the impact on value from increased fuel costs and regulations that limit or put a price on carbon emissions, which could increase as regulatory and public concerns about climate change are increasing in the U.S. and globally. The Kyoto Protocol covers the following seven greenhouse gases: carbon dioxide (CO2), methane (CH4), nitrous oxide (N20), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6), and nitrogen trifluoride (NF3).

c) **Air Quality**
Companies should consider the management of air quality impacts resulting from stationary (e.g., factories and power plants) and mobile sources (e.g., trucks, delivery vehicles, and planes) as well as industrial emissions. Relevant airborne pollutants include, but are not limited to, oxides of nitrogen (NOx), oxides of sulfur (SOx), volatile organic compounds (VOCs), heavy metals, particulate matter, and chlorofluorocarbons. This factor does not include GHG emissions, which are considered in a separate category.

d) **Energy Management**
This factor addresses environmental impacts associated with energy consumption. It includes the management of energy in manufacturing and/or for provision of products and services derived from utility providers (grid energy) not owned or controlled by the entity. It specifically comprises management of energy efficiency and intensity, energy mix, as well as grid resilience.

e) **Water & Wastewater Management**
Factors related to water use, water consumption, wastewater generation, and other impacts of operations on water resources may have a material effect on companies, including higher costs, liabilities, and lost revenues due to curtailment or suspension of operations. Similarly, companies that efficiently manage their water resources and wastewater streams lower their regulatory and litigation risks, remediation liabilities, and operating costs. Note that these factors may be influenced by regional differences in the availability and quality of and competition for water resources.

f) **Waste and Hazardous Materials Management**
Environmental issues associated with hazardous and non-hazardous waste generated by companies can have a material financial impact on performance. A company's management of solid wastes in manufacturing, agriculture, and other industrial processes, as well as activities related to waste treatment (including handling, storage, disposal, and regulatory compliance), warrant consideration when assessing risk exposure and risk management.

g) **Ecological Impacts**
This factor addresses management of ecosystems and biodiversity through activities including, but not limited to, land use for exploration, natural resource extraction, and cultivation, as well as project development and construction. The impacts include, but are not limited to, biodiversity loss, habitat destruction, and deforestation at all stages – planning, land acquisition, permitting, development, operations, and site remediation.

7.0 SOCIAL CAPITAL FACTORS

Social capital factors address the management of relationships with key outside parties, such as customers, local communities, the public, and the government. They may impact investment returns, particularly if companies become involved in controversies that pose risks to their reputation. Human rights, access and affordability, customer welfare, data security and customer privacy, fair disclosure and labeling, fair marketing and advertising, and community reinvestment are key social capital factors that warrant attention.

a) **Human Rights**
Companies have a legal duty to adhere to internationally recognized labor and human rights standards. Beyond the legal requirements, companies risk losing their social license to operate if they contribute to human rights abuses directly or throughout their supply chain. The United Nations' "Guiding Principles on Business and Human Rights" sets out the corporate responsibility to respect human rights. Companies should regularly assess and seek to minimize any negative impact caused by their operations.

b) **Product Quality & Safety**
Companies have a material interest in ensuring the safety, proper labeling, and quality of their products. Companies that limit the incidence of safety, deceptive marketing, or other product claims will be better positioned to reduce regulatory, legal, and reputation-related expenses and protect shareholder value as well as limiting the exposure that customers have to physical or mental harm or unlawful conduct. This can expose companies to material legal, regulatory, reputational, or other financial risks that jeopardize shareholder value. Conversely, companies that employ socially responsible business practices may enjoy reputational benefits that enhance financial performance and create long-term shareholder value.

c) **Customer Privacy**
Companies have a material interest in managing risks related to the use of personally identifiable information and other customer or user data for secondary purposes including, but not limited to, marketing through affiliates and non-affiliates. This factor includes legal,

regulatory, and reputational issues that may arise from a company's approach to collecting data, obtaining consent (e.g., opt-in policies), managing user and customer expectations regarding how their data is used, and managing evolving regulation.

d) Data Security

Consumers trust companies with their personal and financial data. Preventing data breaches and effectively managing data security and consumer privacy help companies protect their brand value, reduce contingent liabilities, and maintain market share. Furthermore, companies that address data security threats and vulnerabilities through policies and practices related to IT infrastructure, staff training, record keeping, cooperation with law enforcement, and other mechanisms are better positioned for customer acquisition and retention and may reduce their exposure to extraordinary expenses from breaches of data security.

e) Community Relations and Community Reinvestment

Community relations are a fundamental, strategic aspect of business for public and private corporations. They are a barometer of image and market presence across the world. A good community relations policy helps a company attract and retain top employees. It also helps a company gain favor with customers and, increasingly, improves its position in the market. Positive, proactive community relations can translate into improved financial performance. As such, companies have an interest in managing socio-economic community impacts, the cultivation of local workforces, and impacts on local businesses.

The Treasurer encourages an open and effective banking system that grows local communities and boosts Illinois' economy. Pursuant to the Deposit of State Moneys Act (15 ILCS 520/16.3), the Treasurer shall consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit State funds in that financial institution. As such, the Treasurer shall consider applicable firms' level of community reinvestment when making investment decisions.

Furthermore, all banking and financial firms seeking to transact in investment activity with the Treasurer shall possess a minimum Community Reinvestment Act (CRA) rating of Satisfactory, 15 ILCS 520/16.3 (a-5).

f) Access and Affordability

A company's ability to ensure broad access to its products and services, specifically in the context of underserved markets and/or population groups, can contribute to long-term value creation or expose the company to adverse reputational, regulatory, or legal impacts. This includes the management of issues related to universal needs, such as the accessibility and affordability of health care, financial services, utilities, education, and telecommunications.

8.0 HUMAN CAPITAL FACTORS

Companies that consider their workforce to be an important asset should manage their human capital with as much care and analytical insight as they manage their tangible and financial capital. Effective human capital management includes issues that affect the productivity of employees, such as employee engagement, diversity, incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. Employers should respect the right of their workers to organize under collective bargaining agreements and should provide a working environment that upholds health and safety standards.

a) **Labor Practices and Relations**
Companies benefit from taking a long-term perspective on managing human capital. This relates to practices involving fair compensation, workers' rights, worker health and safety, and workforce productivity enhancements through skills and capacity building, research and development, and capital investments. Companies that subvert the law or widely adopted international standards for labor practices are exposed to operational, legal, regulatory, and reputational risks that may create roadblocks for both its existing operations as well as efforts to expand to other markets. Conversely, companies with fair labor policies and practices may be at a competitive advantage in attracting and employing an effective workforce, which can lead to a healthy company culture, stronger customer loyalty, increased revenue, and reduced costs.

b) **Employee Health and Safety**
This factor includes a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). It is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of internal practices as well as those of contractors and vendors. This category further considers how companies ensure physical and mental health of workers through technology, training, corporate culture, regulatory compliance, monitoring and testing, and personal protective equipment.

c) **Employee Engagement, Equity, Diversity and Inclusion**
The U.S. population is undergoing a massive demographic shift, with an increase in minority populations. Companies can benefit from ensuring that their company culture and hiring, promotion, and retention practices embrace building a diverse workforce. Companies that respond to this demographic trend and recognize the needs of these populations may be better able to capture demand from these segments, which can provide companies a competitive advantage. Further, as key contributors to value creation, skilled workers are highly sought after, and many companies face recruitment and retention challenges. Shortages in skilled domestic employees have created intense competition to acquire and maintain highly skilled employees, as evidenced by high employee turnover rates. Companies that improve employee compensation, benefits, training, and engagement are likely to improve retention and productivity, which can lead to profitability and long-term value creation.

9.0 BUSINESS MODEL & INNOVATION FACTORS

The impact of sustainability issues on innovation and business models including corporate strategy and other innovations in the production process are integral to a company's financial and operating performance. The ability of a company to plan and forecast viable opportunities and risks to its business model is critically important to its ability to create long-term shareholder value.

a) **Lifecycle Impacts of Products and Services**
Companies face increasing challenges associated with environmental and social externalities related to product manufacturing, transport, use, and disposal. Rapid obsolescence of products exacerbates the externalities. Addressing product lifecycle concerns such as hazardous material inputs, energy efficiency, and waste – particularly through product design and end-of-life management – may contribute to increased shareholder value through improved competitive positioning and greater market share. Addressing lifecycle risks could also help reduce potential regulatory risks as well as issues related to demand and supply chain.

b) **Business Model Resilience**
A company or industry's capacity to manage risks and opportunities related to social, environmental, and political transitions can positively or adversely impact long-term investors. Long-term business model planning ensures that companies are responsive to evolving environmental, social, and political conditions that may fundamentally alter business models and shareholder value. This includes, for example, responsiveness and disclosure related to the transition to a low-carbon economy and the growth of new markets among underserved populations.

c) **Supply Chain Management**
Supply chain management is crucial for companies to prevent operational disruptions, avoid legal or regulatory action, protect brand value, and improve revenues. Sourcing from suppliers that have high quality business standards, employ environmentally sustainable methods, honor labor rights, and avoid socially damaging practices better positions companies to protect themselves from supply disruptions and maintain shareholder value. In addition, appropriate supplier screening, monitoring, and engagement is necessary to ensure continued future supply and to minimize potential lifecycle impacts on company operations.

d) **Materials Sourcing and Efficiency**
The impacts of climate change and other external environmental and social factors on the operational activity of suppliers can affect the availability and pricing of key resources. The resiliency, or lack thereof, of materials supply chains to weather such impacts may have material financial impacts. It is important to assess a company's ability to manage these risks through product design, manufacturing, and end-of-life management, such as using recycled and renewable materials, reducing the use of key materials, maximizing resource efficiency in manufacturing, and making research and development investments in substitute materials. Companies can manage these issues by screening, selecting, monitoring, and engaging with suppliers to ensure their resilience to external risks.

e) **Physical Impacts of Climate Change**
This factor includes a company's ability to manage risks and opportunities associated with direct exposure of its owned or controlled assets and operations to actual or potential

physical impacts of climate change. It relates to a company's ability to adapt to increased frequency and severity of extreme weather, shifting climate, sea level risk, and other physical disruptions related to climate change. Management of such issues may involve enhancing resiliency of physical assets and/or surrounding infrastructure, as well as incorporating climate considerations into key business activities (e.g., mortgage and insurance underwriting, planning and development of real estate projects).

10.0 DIVESTMENT

The Treasurer opposes any policy or strategy that would direct the Treasurer to sell an individual security or group of securities in order to achieve a goal that is not primarily investment-related. The Treasurer may consider divesting only in cases where the financial or reputational risks from a company's policies or activities are so great that maintaining the investment security is no longer prudent.

The Treasurer firmly believes that active and direct engagement is the best way to resolve issues and risk factors. The Treasurer's policy of engagement over divestment is based on several key considerations: (1) divestment would eliminate our standing and rights as a shareholder and foreclose further engagement; (2) divestment would likely have a negligible impact on portfolio companies or the market; (3) divestment could result in increased costs and short-term losses; and (4) divestment could compromise the Treasurer's investment strategies and negatively affect performance. For these reasons, we believe that divestment does not offer the Treasurer an optimal strategy for changing the policies and practices of portfolio companies, nor is it the best means to produce long-term value.

11.0 POTENTIAL ACTIONS

It is necessary to remain informed about issues that are likely to be of interest to other investors, including the Treasurer, during the review process. When assessing financially material sustainability factors, the Treasurer and its agents may consider: (1) direct financial impacts and risk; (2) legal, regulatory, and policy drivers; (3) industry norms, best practices, and competitive drivers; (4) stakeholder concerns that could lead to financial impact; and (5) opportunities for innovation.

Analyzing the three primary drivers of financial impact – revenues and costs, assets and liabilities, and cost of capital or risk profile – will help identify issues that can or do affect operational and financial performance. Revenue in market size or pricing power of a company will be tracked to identify trends. Costs that can impact a company's profitability include recurring costs such as cost of goods sold, research and development, or any other capital expenditures. Sustainability factors, such as climate change, that can impair tangible and intangible assets, such as property, plant and equipment and brand value, are part of the review. Sustainability issues have the potential to create contingencies and provisions, or impact pensions and other liabilities and must be part of the overall assessment.

The Treasurer may undertake various activities to advance the aforementioned sustainability factors, including, but not limited to:

1. **Internal and External Investment Management** – Prudently integrating sustainability criteria into portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership for internally-managed and externally-managed investment programs;

2. **Proxy Voting** – Casting proxy votes in accordance with fiduciary duty and within policy guidelines;

3. **Engagements** – Engaging corporate decision-makers directly on sustainability risks and opportunities to protect shareholder value;

4. **Shareholder Proposals** – Submitting shareholder proposals to companies for inclusion in the annual stockholders' general meeting;

5. **Policy Advocacy** – Weighing in on the public policymaking process as it pertains to the investment landscape generally and sustainability issues specifically; and

6. **Coalitions** – Working in coalition with other institutional investors and with thought-leadership organizations.

12.0 REPORTING

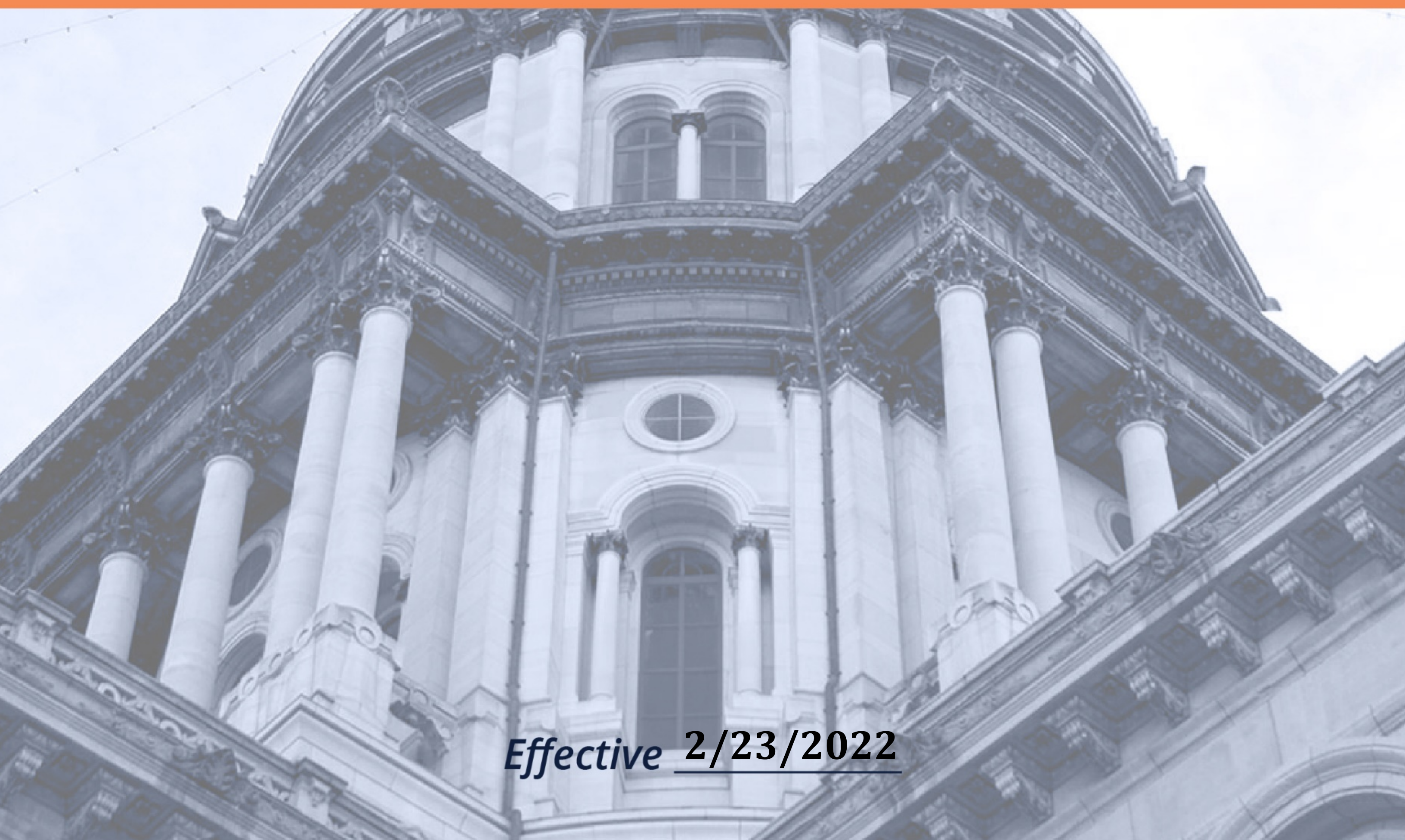
One report per month may be presented to the Corporate Governance & Sustainable Investment Subcommittee for its review. The report is intended to contain sufficient information to enable the Corporate Governance & Sustainable Investment Subcommittee to review the sustainable investment activities of the Treasurer and the outcomes of those activities in advancing the Treasurer's sustainable investment responsibilities.

The Treasurer shall issue a report on its sustainable investment activities at least annually. The report shall be published on the Treasurer's official website.

Appendix B:
Proxy Voting Policy Statement

OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

2022 Proxy Voting Policy Statement



Effective 2/23/2022

PROXY VOTING GUIDELINES

The Office of the Illinois State Treasurer ("Illinois Treasurer") serves as trustee and administers the investment of state, local, and individual monies. For equity holdings, the Illinois Treasurer maintains the right to vote by proxy on ballots and proposals presented at corporate annual meetings.

These Proxy Voting Guidelines ("Guidelines") have been approved and adopted by the Illinois Treasurer for proxy voting on issues pertaining to corporate governance and financial performance. These Guidelines provide the framework for the proxy votes wherein the Illinois Treasurer is eligible to cast a ballot.

The Guidelines are based on what the Illinois Treasurer, through thorough evaluation and in consultation with Segal Marco Advisors ("SMA"), its corporate governance consultant, view as best practices in corporate governance and investment stewardship.

Ultimately, the Illinois Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted return and promotes preservation of capital for beneficiaries using authorized instruments. To achieve this objective, the Illinois Treasurer has a responsibility to vote by proxy on ballots and proposals that may have a prospective material and relevant financial impact on safety or performance of its investments.

CORPORATE GOVERNANCE PHILOSOPHY

An essential component of responsible investment stewardship and risk management is supporting good governance practices. Good governance mitigates investment risks and may provide collateral benefits to the beneficiaries of the assets under the Illinois Treasurer's stewardship. Numerous studies and surveys of leading institutional investors demonstrate the value of good corporate governance (see appendix for research sources).

Each proxy will be reviewed on a case-by-case basis with final decisions based on the merits of each case. In reviewing the proxy issues, we will use the following Issue Guidelines for each of the categories of issues listed below. If any conflicts of interest should arise, SMA will resolve them pursuant to the steps prescribed in the Administrative Procedures section below.

ISSUE GUIDELINES

ELECTION OF DIRECTORS

The members of the boards of directors are elected by shareholders to represent the shareholders' interests. This representation is most likely to occur if two-thirds of the members are independent outsiders as opposed to insider directors (such as long-tenured directors of more than 10 years, senior management employees, former employees, relatives of management or contractors with the company). If two-thirds of the board is not represented by independent outsiders, a vote will usually be cast to withhold authority on the inside directors.

Other factors that will be considered when reviewing candidates will be the diversity of board nominees in terms of race, gender, experience and expertise (members of the nominating and governance committee of board of directors with fewer than two women will be held accountable); the number of corporate boards on which they already serve (CEOs should serve on no more than one other corporate boards, while non-CEO directors with fulltime jobs should serve on no more than three other boards and no individual should serve on more than five other boards); whether they have pledged a substantial amount of company stock; their performance on committees and other boards; the company's short-term and long-term financial performance under the incumbent candidates; the company's responsiveness to shareholder concerns (particularly the responsiveness to shareholder proposals that were approved by a majority of shareholders in the past 12 months) and other important corporate constituents; the overall conduct of the company (e.g., excessive executive compensation, adopting anti-takeover provisions without shareholder approval); and not attending at least 75% of Board and Committee meetings unless there is a valid excuse. Votes may be cast against nominating committee members where companies fail to provide the criteria necessary to determine the composition of the board and whether it is sufficiently diverse.

Recently, more emphasis has been placed on the independence of key Board committees—audit, compensation and nominating committees. It is in the best interests of shareholders for only independent directors to serve on these committees. Votes will be withheld from any insider nominee who serves on these committees. Votes will also be cast against board chairs concurrently serving as CEOs or are otherwise non-independent. An independent chairman helps avoid any conflicts of interest in the board's role of overseeing management.

Directors will not be supported where the board has failed in its oversight responsibilities (such as where there is significant corporate misbehavior, repeated financial restatements or inadequate responses to systemic risks including climate change that may have a material impact on performance). We may vote against directors at companies that have failed to set science-based emissions targets aligned to the goal of limiting warming to 1.5°C or failed to disclose material climate risk exposures and how the company governs, manages, and mitigates those risks.

In contested elections of directors, the competing slates will be evaluated upon the personal qualifications of the candidates, the quality of the strategic plan they advance to enhance long-term corporate value, management's historical track record, the background to the proxy contest, and the equity ownership positions of individual directors.

RATIFICATION OF AUDITORS

The ratification of auditors used to be universally considered a routine proposal, but a disturbing series of audit scandals at publicly-traded companies and SEC-mandated disclosures that revealed auditors were being paid much more for "other" work at companies in addition to their "audit" work have demonstrated that the ratification of auditors needs to be scrutinized as much as the election of directors.

Although the Sarbanes-Oxley Act of 2002 attempted to address the issue of auditor conflicts of interest, it still allows auditors to do substantial "other" work (primarily in the area of taxes) for companies that they audit. Therefore, SMA will weigh the amount of the non-audit work and if it is so substantial as to give rise to a conflict of interest, it will vote against the ratification of auditors. Concern will be raised if the non-audit work is more than 20% of the total fees paid to the auditors. Other factors to weigh will be if the auditors provide tax avoidance strategies, the reasons for any change in prior auditors by the company, and if the same firm has audited the company for more than seven years.

ROUTINE PROPOSALS

Routine proposals are most commonly defined as those which do not change the structure, by laws, or operation of the company to the detriment of the shareholders. Traditionally, these issues include:

- Indemnification provisions for directors;
- Liability limitations of directors;
- Stock splits/reverse stock splits; and
- Name changes.

Given the routine nature of these proposals, proxies will usually be voted with management. However, each will be examined carefully. For example, limitations on directors' liability will be analyzed to ensure that the provisions conform with the law and do not affect their liability for such actions as the receipts of improper personal benefits or the breach of their duty of loyalty. The analysis of a proposal to limit directors' liability would also take into consideration whether any litigation is pending against current board members.

NON-ROUTINE PROPOSALS

Issues in this category are more likely to affect the structure and operation of the company and, therefore will have a greater impact on the value of a shareholder's investment. We will review each issue in this category on case-by case basis.

As previously stated, voting decisions will be made based on the financial interest of the plan beneficiaries. Non-routine matters include:

Climate Action Plan
Companies seeking shareholder approval for their Climate Action Plan should provide detailed disclosure that shows consistency with the Paris Agreement's goal of limiting global warming to well below 2 degrees, preferably 1.5 degrees, Celsius compared to pre-industrial levels and with achieving net zero by 2050. Careful consideration of the proposed plan will review several key factors, including: (i) whether the plan includes clear and measurable goals of short, medium and long-term emissions reduction targets; (ii) the effectiveness of the company's corporate governance framework to manage climate-related risks; (iii) the alignment of executive compensation and climate change metrics; (iv) how a company addresses its transition plan for employees, including training and support for new employment and disclosure of any job losses; and (v) the company's commitment to regularly report progress on its climate transition plan. A vote will be cast in favor where the Climate Action Plan provides the detailed specificity on key factors and against where the Plan lacks detail or ambition.

SPAC Merger Transactions
A Special Purpose Acquisition Corporation (SPAC) is a shell company created for the sole purpose of merging with a private company to take it public within a two-year timeframe as an alternative to the traditional IPO process. SPAC sponsors may hold founder shares and receive a premium regardless of the return to public investors. SPAC shareholders are entitled to vote on the transition to bring a specific private company public. A vote will be cast in favor where the stock of the merged entity will trade at a premium to the redemption value for public shareholders and against where it trades at a discount.

Mergers/Acquisitions and Restructuring (See also Reincorporating/ Inversions)
Our analysis will focus on the strategic justifications for the transaction and the fairness of any costs incurred.

Advisory Votes on Compensation Policies and Practices
To evaluate compensation policies and practices, the threshold query is "does a company's compensation reflects its performance"? This will be determined by how a company has performed for shareholders compared to its peer group as well as by how a company has compensated its executives compared to its peer group. Whether restricted stock awards are time vesting or performance vesting will also be taken into consideration. Additional queries will be made to determine the level of dilution in stock compensation plans, and to ascertain if golden parachutes have been awarded to executives and, if they have, whether they pay tax gross-ups. The ratio of pay to the CEO as compared to the average worker will also be taken into consideration as well as whether companies adjust GAAP metrics and the robustness of

the explanatory disclosure. The threshold query will carry the most weight, but the additional queries can be persuasive in the event the answer to the threshold query is not clear cut. There will also be an option as to whether the company should have these advisory votes on compensation on an annual basis or every two or three years. An annual basis is in the best interests of shareholders.

Advisory Votes on Severance Packages In Connection with Mergers/Acquisitions
The factors to weigh are whether the total payment is in excess of 2.99 times salary and bonus, whether excise taxes are grossed-up, if there is a double trigger for cash payments and whether the accelerated vesting of stock awards is excessive.

Fair-Price Provisions
These attempts to guard against two-tiered tender offers in which some shareholders receive less value for their stock than other shareholders from a bidder who seeks to take a controlling interest in the company. There can be an impact on the long-term value of holdings in the event shareholders do not tender. Such provisions must be analyzed on a case-by-case basis.

Reincorporating/Inversions
A company usually changes the state or country of its incorporation to take advantage of tax and corporate laws in the new state or country. These advantages should be clear and convincing and be supported by specific, legitimate business justifications that will enhance the company's long-term value to shareholders and will be weighed along with any loss in shareholder rights and protections (e.g., dilution of management accountability and liability, anti-takeover devices), reputational risk, damage to governmental relationships, adverse impact on the company's employees and erosion of the local/state/Federal tax base.

Changes in Capitalization
Our inquiry will study whether the change is necessary and beneficial in long run to shareholders. Creation of blank check preferred stock, which gives the board broad powers to establish voting, dividend and other rights without shareholder review, will be opposed.

Increase in Preferred and Common Stock
Such increases can cause significant dilution to current shareholder equity and can be used to deter acquisitions that would be beneficial to shareholders. We will determine if any such increases have a specific, justified purpose and if the amounts of the increase are excessive.

Stock/Executive Compensation Plans
The purpose of such plans should be to reward employees or directors for superior performance in carrying out their responsibilities and to encourage the same performance in the future. Consequently, the plan should specify that awards are based on the executive's/director's and the company's performance. In the case of directors, their attendance at meetings should also be a requirement. In evaluating such plans, we will also consider whether the amount of the shares cause significant dilution (5% or more) to current shareholder equity, how broad-based and concentrated the grant rates are, if there are holding periods, if the shares are sold at less than fair market value, if the plan contains

change-in-control provisions that deter acquisitions, if the plan has a reload feature, and if the plan allow the repricing of “underwater” options.

Employee Stock Purchase Plans
These are broad-based plans, federally regulated plans which allow almost all fulltime and some part-time workers to purchase limited amounts of company stock at a slight discount. Usually the amount of dilution is extremely small. They will normally be supported because they do give workers an equity interest in the company and better align their interests with shareholders.

Creation of Tracking Stock
Tracking stock is designed to reflect the performance of a particular business segment. The problem with tracking stocks is they can create substantial conflicts of interest between shareholders, board members and management. Such proposals must be carefully scrutinized and they should be supported only if a company makes a compelling justification for them.

Approving Other Business
Some companies seek shareholder approval of management being given broad authority to take action at a meeting without shareholder consent. Such proposals are not in the best interests of shareholders and will be opposed.

CORPORATE GOVERNANCE PROPOSALS

We will generally vote against any management proposal that is designed to limit shareholder democracy and has the effect of restricting the ability of shareholders to realize the value of their investment. Proposals in this category would include:

Golden Parachutes
These are special severance agreements that take effect after an executive is terminated following a merger or takeover. In evaluating such proposals, we will consider the salaries, bonuses, stock option plans and other forms of compensation already available to these executives to determine if the additional compensation in the golden parachutes is excessive. Shareholder proposals requesting that they be approved by shareholders will be supported.

Greenmail Payments
Greenmail is when a company agrees to buy back a corporate raider’s shares at a premium in exchange for an agreement by the raider to cease takeover activity. Such payments can have a negative impact on shareholder value. Given that impact, we will want there to be a shareholder vote to approve such payments and we will insist that there be solid economic justification before ever granting such approval.

Super Majority Voting
Some companies want a super majority (e.g., 66%) vote for certain issues. We believe a simple majority is generally in the best interest of shareholders and we will normally vote

that way unless there is strong evidence to the contrary.

Dual Class Voting
Some companies create two classes of stock with different voting rights and dividend preferences. We will examine the purpose that is being used to justify the two classes as well as to whom the preferred class of stock is being offered. Proposals that are designed to entrench company management or a small group of shareholders at the expense of the majority of shareholders will not be supported. Proposals that seek to enhance the voting rights of long-term shareholders will be given careful consideration.

Fair Price Proposals
These require a bidder in a takeover situation to pay a defined "fair price" for stock. Our analysis will focus on how fairly "fair price" is defined and what other anti-takeover measures are already in place at the company that might discourage potential bids that would be beneficial in the long term to shareholders.

Classified Boards
These are boards where the members are elected for staggered terms. The most common method is to elect one-third of the board each year for three-year terms. We believe the accountability afforded by the annual election of the entire board is very beneficial to stockholders and it would take an extraordinary set of circumstance to develop for us to support classified boards.

Shareholders' Right To Call Special Meetings and Act By Written Consent
These are important rights for shareholders and any attempts to limit or eliminate them should be resisted. Proposals to restore them should be supported.

SHAREHOLDER PROPOSALS

Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. We will review each issue on a case-by-case basis to determine the position that best represents the financial interest of the Treasurer's Office. Shareholders matters include:

Public Benefit Corporation
A Public Benefit Corporation (PBC) is a legal status for a for-profit corporation that has a dual purpose of providing a public benefit, such as a fulfilling a social or environmental mission. A vote may be cast in favor of a proposal seeking the conversion to a PBC where the entity ensures no shareholder rights are weakened and where the entity does not subordinate financial return for the public benefit. Additional criteria to evaluate the firm's readiness to sustain success as a PBC include: (i) company performance over the past five years; (ii) approach and history with the stated public benefit it seeks to achieve; (iii) designated board committee to oversee the transition; (iv) absence of a dual class stock structure with different voting rights and (v) shareholder rights in the form of ability to call a special meeting, act by written consent and proxy access.

Board Diversity
Research demonstrates that a board comprised of diverse directors is better equipped to ensure multiple perspectives are considered and better positioned enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism. Diversity is inclusive of gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ status. We will support proposals that encourage diverse representation on the board and those that aim to expand the search for diverse candidates, including proposals asking companies to make greater efforts to diversify their boards and proposals to report to shareholders on those efforts and on the process of selecting nominees.

Poison Pill Plans
These plans are designed to discourage takeovers of a company, which can deny shareholders the opportunity to benefit from a change in ownership of the company. Shareholders have responded with proposals to vote on the plans or to redeem them. In reviewing such plans, we check whether the poison pill plans were initially approved by shareholders and what anti-takeover devices are already in place at the company.

Independence of Boards and Auditors
The wave of corporate/audit scandals at the start of the 21st Century provided compelling evidence that it is in the best interests of shareholders to support proposal seeking increased independence of boards (e.g., requiring supermajority of independents on boards, completely independent nominating, compensation and audit committees, stricter definitions of "independence", disclosures of conflicts of interest) and auditors (e.g., eliminate or limit "other" services auditors perform, rotation of audit firms). A related issue is the independence of analysts at investment banking firms. Proposals seeking to separate the investment banking business from the sell-side analyst research and IPO allocation process should be supported.

Cumulative Voting
This allows each shareholder to vote equal to the number of shares held multiplied by the number of directors to be elected to the board. Shareholders can then target all their votes for one of a few candidates or allocate them equally among all candidates. It is one of the few ways shareholders can attempt to elect board members. In studying cumulative voting proposals, we will review the company's election procedures and what access shareholders have to the nominating and voting process.

Confidential Voting
Most voting of proxies in corporate America is not confidential. This opens the process to charges that management pressures shareholders or their investment managers to vote in accordance with management's recommendations. We believe the concept of confidential voting is so fundamental to the democratic process and is so much in the best interest of shareholders that we would oppose it only in the most extraordinary circumstances.

Shareholder Access to the Proxy For Director Nominations
Proposals to provide shareholders access to the company proxy statement to advance non-management board candidates will generally be supported if they are reasonably designed to enhance the ability of substantial shareholders to nominate directors and are not being used to promote hostile takeovers.

Separate Chairperson and Chief Executive Officer
The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the Board is also the Chief Executive Officer of the company, the quality of oversight is obviously hindered. Therefore, proposals seeking to require that an independent director serve as Chair of the Board will be supported. An alternative to this proposal would be the establishment of a lead independent director, who would preside at meetings of the board's independent directors and coordinate the activities of the independent directors.

Term Limit For Directors
Proposals seeking to limit the term for directors will normally not be supported because they can deny shareholders the service of well-qualified directors who have effectively represented shareholder interests.

Greater Transparency and Oversight
Shareholders benefit from full disclosure of board practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation. Proposals seeking greater disclosure on these matters will generally be supported.

Executive/Director Compensation
Proposals seeking to tie executive and director compensation to specific performance standards, to impose reasonable limits on it or to require greater disclosure of it are in the best interests of shareholders. The expense of options should be included in financial statements (as required in Canada). Financial performance is the traditional measurement for executive compensation—the more specific the better. Where executive pay is based on metrics that are improved through share repurchases the impact of repurchases should be neutralized to avoid artificially inflating executive pay. Other performance measures can be a useful supplement to the traditional financial performance measurement and are worthy of consideration. Examples are regulatory compliance, international labor standards, high performance workplace standards and measures of employee satisfaction.

High Performance Workplaces
We will support proposals encouraging the high-performance workplace practices identified in the Department of Labor's report that contribute to a company's productivity and long-term financial performance.

Codes of Conduct
Proposals seeking reports on and/or implementation of such commonly accepted principles of conducts as the Ceres Principles (environment), MacBride Principles (Northern Ireland), Code of Conduct for South Africa, United Nations' International Labor Organization's Fundamental Conventions, fair lending practices and the U.S. Equal Employment Opportunity Commission are in the best interests of shareholders because they provide useful information and promote compliance with the principles.

Pension Choice
There has been a recent trend by companies to convert traditional defined benefit pension plans into cash-balance plans. This has proved controversial because cash-balance plans often hurt older workers and may be motivated by a company's desire to inflate its book profits by boosting surpluses in its pension trust funds. Proposals giving employees a choice between maintaining their defined benefits or converting to a cash-balance will generally be supported.

Say on Pay
Shareholders in the United Kingdom, Australia, Norway, the Netherlands and Sweden have had an advisory vote on companies' compensation reports for several years. Say on Pay proposals will be supported because they give shareholders meaningful input on a company's approach to executive compensation without entangling them with the micromanagement of specific plans.

Majority Vote Standard for Director Elections
For years, most boards of directors were elected by a plurality vote standard—nominees who get the most votes win. In a non-contested election (which most are) the only vote options are "for" and "withhold authority." That means a nominee could have only one share cast "for" him/her and still be elected, regardless of how many shareholders withheld their votes for that nominee. Therefore, proposals requesting that nominees in non-contested elections receive a majority of the votes cast will be supported.

MUTUAL FUND PROXIES

MANAGEMENT PROPOSALS FOR MUTUAL FUNDS

Election of Trustees
Generally, vote in favor of the board of trustees unless the board lacks independence, has been unresponsive to investor concerns or has lost investor confidence in their stewardship of the fund.

Ratification of Auditors
A vote generally will be cast in favor of the auditors unless the amount paid for non-audit work is substantial enough to raise concerns about a potential conflict of interest to audit work.

Amend Declaration of Trust
A vote generally will be cast in favor of amendments that are procedural in nature and against amendments that include changes adverse to investor interests.

Approve Reorganization of Funds
A vote generally will be cast in favor of a reorganization of funds to decrease operating expenses. A vote generally will be cast against if a reorganization significantly changes the mandate of a fund to the detriment of the investor's interest.

Converting Closed-end Fund to Open-end Fund
Vote case-by-case on conversion proposals, considering the following factors:

- Measures taken by the board to address the discount;
- Past performance as a closed-end fund;
- Market in which the fund invests; and
- Past shareholder activism, board activity, and votes on related proposals.

Amend Investment Policy
A vote generally will be cast in favor of amendments that are procedural in nature and against amendments that include changes adverse to investor interests upon consideration and evaluation of the specific changes.

Approve Hiring of a New Manager
In the absence of any specific concerns, a vote generally will be cast in favor of proposals seeking to hire a new manager.

Approve a New Sub Advisory Agreement
Vote case-by-case on such proposals taking into consideration the need for efficiencies in manager selection, the firm's capabilities and the rationale for a new agreement.

Vote Upon Such Other Matters as May Properly Come Before the Meeting
A vote generally will be cast against this proposal because it provides approval for undisclosed items.

Approve Change to Fundamental Investment Objective or Policy
A vote generally will be cast against changes to fundamental investment objectives or fundamental investment policy if the changes are not adequately explained or significantly alter the terms of the investment.

Approve a Fund's Service Agreement
A vote generally will be cast in favor of service agreements that are procedural in nature and against service agreements that include changes adverse to investor interests.

Fee Structure
Funds may seek changes to the fee structure through revenue sharing agreements or alternative arrangements, which will only be supported if the changes are unlikely to result in overall increased fees to the investor.

Authorizing the Board to Hire and Terminate Subadvisors Without Shareholder Approval
A vote will be cast against proposals authorizing the board to hire or terminate subadvisors without shareholder approval.

SHAREHOLDER PROPOSALS FOR MUTUAL FUNDS

A vote will be cast in favor of reporting and transparency about issues that may impact a fund's performance or risk profile. Requests for further action by the fund, such as divestment, will be assessed on a case-by-case basis.

APPENDIX

Select studies, surveys and papers demonstrating the value of corporate governance.

David Katz and Carmen X. W. Lu, "ESG in the Mainstream: Sell-Side Analysts Addressing ESG Concerns," Harvard Law School Forum on Corporate Governance, May 29, 2020. https://corpgov.law.harvard.edu/2020/05/29/esg-in-the-mainstream-sell-side-analysts-addressing-esg-concerns/	Looking ahead, companies will face growing scrutiny from investors and other stakeholders on their ESG performance, including their performance relative to industry peers, and should stay abreast of how their ESG data is being collected and evaluated by third parties.
Miriam Breitenstein, Duc Khuong Nguyen and Thomas Walther, "Environmental Hazards and Risk Management in the Financial Sector: A Systematic Literature Review," University of St. Gallen, School of Finance Research Paper No. 2019/10, May 2020. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3428953&dgcid=ejournal_htmlemail_risk:management:ejournal_abstractlink	We find that financial institutions can reduce their risk exposure by highly committing with environmental responsibility and performance. Moreover, the increase in willingness to assess climate-related financial risk incentivizes corporate managers to adopt more proactive environmental policies and practices.
Ashish Lodh, "ESG and the Cost of Capital," MSCI, Feb. 2020. https://www.msci.com/www/blog-posts/esg-and-the-cost-of-capital/01726513589?utm_source=onemsci&utm_medium=email&utm_campaign=msci-weekly-2020-02-27	Companies with high ESG scores, on average, experienced lower costs of capital compared to companies with poor ESG scores in both developed and emerging markets during a four-year study period. The cost of equity and debt followed the same relationship. In developed markets, companies with lower ESG scores, upon improving their MSCI ESG Rating, experienced reduced costs of capital.
Caroline Flammer, Nichael W. Toffel, and Kala Viswanathan, "Shareholder Activism and Firms' Voluntary Disclosure of Climate Change Risks," October 2019. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3468896&dgcid=ejournal_htmlemail_harvard:business:school:technology:operations:management:unit:working:paper:series_abstractlink	Found that companies that voluntarily disclose climate change risks following environmental shareholder activism achieve a higher valuation post disclosure, suggesting that investors value transparency with respect to climate change risks.
Karl V. Lins, Henri Servaes and Ane Tamayo, "Social Capital, Trust, and Corporate Performance: How CSR Helped Companies During the Financial Crisis (and Why it Can Keep Helping Them)," Journal of Applied Corporate Finance 31(2), May 2019.	CSR investments can help companies when they perhaps need it most—that is, during sharp downturns when overall trust in companies and markets declines. Companies with high-CSR rankings experienced stock returns that were five to seven percentage points higher than their low-CSR counterparts during the 2008–2009 financial crisis. High-CSR companies during the crisis also reported better operating

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3604416	performance, higher growth, higher employee productivity, and greater access to debt markets—while continuing to generate higher shareholder returns as late as the end of 2013.
Jonathan M. Karpoff, John R. Lott and Eric W. Wehrly, "The Reputational Penalties for Environmental Violations: Empirical Evidence," Journal of Law and Economics, Vol. 68, October 2005. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=747824	Firms violating environmental laws suffer statistically significant losses in the market value of firm equity. The losses, however, are of similar magnitudes to the legal penalties imposed; and in the cross section, the market value loss is related to the size of the legal penalty.
Carbon Beta and Equity Performance: An Empirical Analysis," Innovest Strategic Value Advisors, October 2007. https://www.kellogg.northwestern.edu/faculty/mazzeo/htm/sp_files/021209/(4)%20innovest/innovest%20publications/carbon_20final.pdf	Companies' responses to both the risks and opportunities driven by climate change are becoming increasingly critical to their competitiveness and financial performance. Investors require in depth, company-specific research which addresses each of the critical dimensions of climate risk, not simply companies' gross carbon footprint, such as: • Companies' overall carbon footprint or potential risk exposure, adjusted to reflect differing regulatory circumstances in different countries and regions. • Their ability to manage and reduce that risk exposure • Their ability to recognize and seize climate-driven opportunities on the upside • Their rate of improvement or regression
Guido Giese, Linda-Eling Lee, Dimitris Melas, Zoltán Nagy, and Laura Nishikawa, "Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance," MSCI, July 2019. https://www.msci.com/documents/10199/03d6faef-2394-44e9-a119-4ca130909226	That companies' ESG information was transmitted to their valuation and performance, both through their systematic risk profile (lower costs of capital and higher valuations) and their idiosyncratic risk profile (higher profitability and lower exposures to tail risk). The research suggests that changes in a company's ESG characteristics may be a useful financial indicator. ESG ratings may also be suitable for integration into policy benchmarks and financial analyses.
John Bae, Wonik Choi and Jongha Lim, "Corporate Social Responsibility: An Umbrella or a Puddle on a Rainy Day? Evidence Surrounding Corporate Financial Misconduct," European Financial Management, Sept 2019. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3443824&dgcid=ejournal_htmlemail_corporate:governance:social:responsibility:social:impact:ejournal_abstractlink	Firms with good CSR performance suffer smaller market penalties upon the revelation of financial wrongdoing, supporting the buffer effect, as opposed to the backfire effect, of a good social image.
Ferri, Fabrizio, and David Oesch. "Management Influence on Investors: Evidence from Shareholder Votes on the Frequency of Say on Pay." SSRN, 25 Mar. 2013, revised Feb. 2016, website.	"[c]ompared to firms adopting an annual frequency, firms following management's recommendation to adopt a triennial frequency are significantly less likely to change their compensation practices in response to an adverse say on pay

	vote, consistent with the notion that a less frequent vote results in lower management accountability.”
Hunt, Vivian, et al. “Why Diversity Matters.” McKinsey & Company, McKinsey & Company, 14 Feb. 2020, www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters#.	Companies in the top quartile for gender or racial and ethnic diversity tend to report financial returns above their national industry medians.
Misercola, Mark. “Higher Returns with Women in Decision-Making Positions.” Credit Suisse, 10 Mar. 2016, https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/higher-returns-with-women-in-decision-making-positions-201610.html.	Companies with more female executives in decision-making positions continue to generate stronger market returns and superior profits, and contrary to conventional wisdom, women in leadership roles do not actively exclude other women from promotions to top management.
Appel, Ian R, et al. 2015, Passive Investors, Not Passive Owners, https://rodneywhitecenter.wharton.upenn.edu/wp-content/uploads/2014/04/12-15.keim_.pdf	*Passive Investors, Not Passive Owners,* that found passively managed mutual funds exert influence on firms’ governance. The research also found the significant governance changes associated with the funds such as more independent directors, removal of takeover defenses and more equal voting rights improve firms’ long-term performance.
Gompers, P., et al. “Corporate Governance and Equity Prices.” The Quarterly Journal of Economics, vol. 118, no. 1, 2003, pp. 107–156., doi:10.1162/00335530360535162.	Firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth and lower capital expenditures.

Appendix C:
2021 Proxy Voting Statistics

2021 Proxy Voting Statistics

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Preferred/Bondholder												
If you are a Senior Officer as defined in Section 37(D) of the Securities Law, 1968, vote FOR. Otherwise, vote against.	10	10	0	10	0	0	0	0	0	0	10	0
If you are an Institutional Investor as defined in Regulation 1 of the Supervision Financial Services Regulations 2009 or a Manager of a Joint Investment Trust Fund as defined in the Joint Investment Trust Law, 1994, vote FOR. Otherwise, vote against.	10	10	10	0	0	0	0	0	0	0	10	0
If you are an Interest Holder as defined in Section 1 of the Securities Law, 1968, vote FOR. Otherwise, vote against.	11	11	0	11	0	0	0	0	0	0	11	0
Indicate That You Do Not Have Personal Interest in Proposed Agenda Item	8	8	8	0	0	0	0	0	0	0	8	0
Limited Partnership/Limited Liability Corporation	4	7	0	0	7	0	0	0	0	0	0	7
Private Company	10	73	10	15	18	30	0	0	0	0	10	63
The Undersigned Hereby Certifies that the Shares Represented by this Proxy are Owned and Controlled by a @ Citizen	2	3	1	1	1	0	0	0	0	0	3	0
Totals for Preferred/ Bondholder	**32**	**122**	**29**	**37**	**26**	**30**	**0**	**0**	**0**	**0**	**52**	**70**
Routine/Business												
Accept Consolidated Financial Statements and Statutory Reports	22	22	22	0	0	0	0	0	0	0	22	0
Accept Financial Statements and Statutory Reports	155	174	169	4	1	0	0	0	0	0	169	5
Acknowledge Proper Convening of Meeting	5	5	5	0	0	0	0	0	0	0	5	0
Adopt New Articles of Association/Charter	19	19	15	4	0	0	0	0	0	0	15	4
Adopt the Jurisdiction of Incorporation as the Exclusive Forum for Certain Disputes	8	9	0	8	0	0	1	0	0	0	0	8
Allow Board to Change the Investment Objective Without Shareholder Approval	1	1	0	1	0	0	0	0	0	0	0	1
Allow Electronic Distribution of Company Communications	1	1	1	0	0	0	0	0	0	0	1	0
Amend Articles/Bylaws/Charter -- Non-Routine	60	92	78	13	1	0	0	0	0	0	78	14
Amend Articles/Bylaws/Charter -- Routine	4	4	4	0	0	0	0	0	0	0	4	0
Amend Corporate Purpose	5	5	5	0	0	0	0	0	0	0	5	0
Appoint Appraiser/Special Auditor/Liquidator	6	12	12	0	0	0	0	0	0	0	12	0
Approve Allocation of Income and Dividends	70	72	72	0	0	0	0	0	0	0	72	0

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve Auditors and Authorize Board to Fix Their Remuneration Auditors	217	218	142	36	4	36	0	0	0	0	142	76
Approve Change in Investment Objective	1	1	1	0	0	0	0	0	0	0	1	0
Approve Change of Fundamental Investment Policy	20	90	87	3	0	0	0	0	0	0	87	3
Approve Charitable Donations	3	3	3	0	0	0	0	0	0	0	3	0
Approve Delisting of Shares from Stock Exchange	1	1	1	0	0	0	0	0	0	0	1	0
Approve Dividends	45	45	44	0	1	0	0	0	0	0	44	1
Approve Financial Statements, Allocation of Income, and Discharge Directors	11	11	11	0	0	0	0	0	0	0	11	0
Approve Investment Advisory Agreement	25	35	33	0	0	0	2	0	0	0	33	0
Approve Minutes of Previous Meeting	16	16	16	0	0	0	0	0	0	0	16	0
Approve Political Donations	24	24	24	0	0	0	0	0	0	0	24	0
Approve Remuneration of Members of Audit Commission	2	2	0	0	2	0	0	0	0	0	0	2
Approve Special Auditors' Report Regarding Related-Party Transactions	7	7	5	2	0	0	0	0	0	0	5	2
Approve Special/Interim Dividends	5	5	5	0	0	0	0	0	0	0	5	0
Approve Standard Accounting Transfers	1	1	1	0	0	0	0	0	0	0	1	0
Approve Stock Dividend Program	6	8	8	0	0	0	0	0	0	0	8	0
Approve Treatment of Net Loss	6	7	7	0	0	0	0	0	0	0	7	0
Approve/Amend Regulations on General Meetings	5	10	8	2	0	0	0	0	0	0	8	2
Authorize Board to Fix Remuneration of External Auditor(s)	56	57	34	22	1	0	0	0	0	0	34	23
Authorize Board to Ratify and Execute Approved Resolutions	32	36	35	0	1	0	0	0	0	0	35	1
Authorize Filing of Required Documents/Other Formalities	11	11	11	0	0	0	0	0	0	0	11	0
Change Company Name	28	28	27	0	1	0	0	0	0	0	27	1
Change Location of Registered Office/Headquarters	1	1	1	0	0	0	0	0	0	0	1	0
Consider Measures to Address the Decline in the Company's Net Asset Value Relative to Its Capital	1	2	2	0	0	0	0	0	0	0	2	0
Designate Inspector or Shareholder Representative(s) of Minutes of Meeting and/or Vote Tabulation	13	13	13	0	0	0	0	0	0	0	13	0
Designate X as Independent Proxy	9	9	9	0	0	0	0	0	0	0	9	0
Discuss/Approve Company's Corporate Governance Structure/Statement	1	1	1	0	0	0	0	0	0	0	1	0
Elect Chairman of Meeting	13	13	12	0	1	0	0	0	0	0	12	1
Elect Member of Audit Committee	16	52	38	11	3	0	0	0	0	0	38	14
Elect Member of Nominating Committee	5	10	9	0	1	0	0	0	0	0	9	1

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Elect Member of Remuneration Committee	10	37	29	8	0	0	0	0	0	0	29	8
Elect Member of X Committee	2	6	0	6	0	0	0	0	0	0	0	6
In the Event of a Second Call, the Voting Instructions Contained in this Proxy Card may also be Considered for the Second Call?	2	3	3	0	0	0	0	0	0	0	3	0
Miscellaneous Proposal: Company-Specific	7	10	9	0	1	0	0	0	0	0	9	1
Open Meeting	1	1	1	0	0	0	0	0	0	0	1	0
Other Business	44	46	0	46	0	0	0	0	0	0	4	42
Prepare and Approve List of Shareholders	5	5	5	0	0	0	0	0	0	0	5	0
Ratify Alternate Auditor	1	2	2	0	0	0	0	0	0	0	2	0
Ratify Auditors	2154	2184	1616	523	26	6	13	0	0	0	1616	555
Receive/Approve Report/ Announcement	6	16	16	0	0	0	0	0	0	0	16	0
Receive/Approve Special Report	2	2	2	0	0	0	0	0	0	0	2	0
Totals for Routine/Business	**2527**	**3445**	**2654**	**689**	**44**	**42**	**16**	**0**	**0**	**0**	**2658**	**771**
Directors Related												
Adopt Cumulative Voting for the Election of the Members of the Board of Directors at this Meeting	3	3	2	0	1	0	0	0	0	0	3	0
Adopt Majority Voting for Uncontested Election of Directors	4	4	4	0	0	0	0	0	0	0	4	0
Adopt/Amend Nomination Procedures for the Board	2	2	2	0	0	0	0	0	0	0	2	0
Allow Board to Appoint Additional Directors Between Annual Meetings	1	1	0	1	0	0	0	0	0	0	0	1
Allow Directors to Engage in Commercial Transactions with the Company and/or Be Involved with Other Companies	4	4	4	0	0	0	0	0	0	0	4	0
Amend Articles Board-Related	18	21	17	3	0	0	1	0	0	0	17	3
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	5	5	5	0	0	0	0	0	0	0	5	0
Appoint Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	14	23	14	8	1	0	0	0	0	0	14	9
Appoint Internal Statutory Auditors (Bundled) [and Approve Auditors' Remuneration]	2	2	1	0	1	0	0	0	0	0	1	1
Approve Decrease in Size of Board	2	2	2	0	0	0	0	0	0	0	2	0
Approve Director/Officer Liability and Indemnification	14	21	20	1	0	0	0	0	0	0	20	1
Approve Discharge -- Other	3	5	5	0	0	0	0	0	0	0	5	0
Approve Discharge of Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Discharge of Board and President	32	56	55	1	0	0	0	0	0	0	55	1
Approve Discharge of Directors and Auditors	3	3	0	3	0	0	0	0	0	0	0	3
Approve Discharge of Management Board	25	45	26	19	0	0	0	0	0	0	27	18

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve Discharge of Management and Supervisory Board	1	1	1	0	0	0	0	0	0	0	1	0
Approve Discharge of Supervisory Board	18	77	55	22	0	0	0	0	0	0	55	22
Approve Executive Appointment	5	6	5	1	0	0	0	0	0	0	5	1
Approve Increase in Size of Board	9	9	2	7	0	0	0	0	0	0	2	7
Approve Remuneration of Directors and/or Committee Members	78	96	44	22	30	0	0	0	0	0	44	52
Approve the Spill Resolution	1	1	0	1	0	0	0	0	0	0	1	0
Approve/Amend Regulations on Board of Directors	1	1	1	0	0	0	0	0	0	0	1	0
Authorize Board to Fill Vacancies	2	3	0	2	0	0	1	0	0	0	0	2
Authorize Board to Fix Remuneration of Internal Statutory Auditor(s)	1	1	0	0	1	0	0	0	0	0	0	1
Classify the Board of Directors	2	2	0	2	0	0	0	0	0	0	0	2
Company Specific--Board-Related	3	5	5	0	0	0	0	0	0	0	5	0
Declassify the Board of Directors	30	31	30	0	0	0	1	0	0	0	30	0
Deliberations on Possible Legal Action Against Directors/(Internal) Auditors	1	1	0	0	1	0	0	0	0	0	1	0
Dismiss/Remove Director(s)/Auditor(s) (Contentious)	1	1	0	1	0	0	0	0	0	0	0	1
Dismiss/Remove Director(s)/Auditor(s) (Non-contentious)	2	2	1	0	1	0	0	0	0	0	1	1
Elect Alternate/Deputy Directors	2	3	1	1	1	0	0	0	0	0	1	2
Elect Board Chairman/Vice-Chairman	14	17	2	15	0	0	0	0	0	0	2	15
Elect Director	2654	18185	7183	5259	16	5727	0	0	0	0	7183	11002
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	15	140	42	44	17	37	0	0	0	0	76	64
Elect Director (Management)	13	78	35	1	0	11	31	0	0	0	35	12
Elect Director and Approve Director's Remuneration	1	3	0	3	0	0	0	0	0	0	0	3
Elect Directors (Bundled)	22	23	4	14	3	2	0	0	0	0	5	18
Elect Directors (Bundled) and Approve Their Remuneration	1	1	0	0	1	0	0	0	0	0	0	1
Elect Supervisory Board Member	16	50	38	12	0	0	0	0	0	0	38	12
Eliminate Cumulative Voting	3	4	0	3	0	0	1	0	0	0	0	3
Establish Range for Board Size	2	2	0	2	0	0	0	0	0	0	0	2
Fix Board Terms for Directors	2	2	0	1	1	0	0	0	0	0	0	2
Fix Number of Directors and/or Auditors	73	75	25	50	0	0	0	0	0	0	25	50
In Case Cumulative Voting Is Adopted, Do You Wish to Equally Distribute Your Votes to All Nominees in the Slate? OR In Case Cumulative Voting Is Adopted, Do You Wish to Equally Distribute Your Votes for Each Supported Nominee?	2	3	0	0	3	0	0	0	0	0	1	2

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
In Case One of the Nominees Leaves the Fiscal Council Slate Due to a Separate Minority Election, as Allowed Under Articles 161 and 240 of the Brazilian Corporate Law, May Your Votes Still Be Counted for the Proposed Slate?	2	2	0	2	0	0	0	0	0	0	2	0
In Case There is Any Change to the Board Slate Composition, May Your Votes Still be Counted for the Proposed Slate?	5	5	0	5	0	0	0	0	0	0	4	1
Indicate Personal Interest in Proposed Agenda Item	18	20	0	20	0	0	0	0	0	0	20	0
Indicate X as Independent Board Member	8	19	8	11	0	0	0	0	0	0	8	11
Install and/or Fix Size of Fiscal Council	1	1	1	0	0	0	0	0	0	0	1	0
Provide Proxy Access Right	3	4	3	0	0	0	1	0	0	0	3	0
Totals for Directors Related	**2737**	**19072**	**7643**	**5538**	**78**	**5777**	**36**	**0**	**0**	**0**	**7709**	**11327**
Capitalization												
Amend Articles/Charter Equity-Related	6	6	4	2	0	0	0	0	0	0	4	2
Amend Articles/Charter to Reflect Changes in Capital	7	7	5	1	1	0	0	0	0	0	5	2
Approve Capital Raising	2	2	1	1	0	0	0	0	0	0	1	1
Approve Change-of-Control Clause	1	1	1	0	0	0	0	0	0	0	1	0
Approve Increase in Borrowing Powers	2	2	2	0	0	0	0	0	0	0	2	0
Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights	63	66	35	30	1	0	0	0	0	0	35	31
Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	111	142	102	39	1	0	0	0	0	0	102	40
Approve Issuance of Securities Convertible into Debt	1	1	1	0	0	0	0	0	0	0	1	0
Approve Issuance of Shares Below Net Asset Value (NAV)	3	3	3	0	0	0	0	0	0	0	3	0
Approve Issuance of Shares for a Private Placement	28	32	27	4	1	0	0	0	0	0	27	5
Approve Issuance of Warrants/ Convertible Debentures	1	1	0	1	0	0	0	0	0	0	0	1
Approve Reduction in Share Capital	32	33	32	1	0	0	0	0	0	0	32	1
Approve Reduction/Cancellation of Share Premium Account	3	3	3	0	0	0	0	0	0	0	3	0
Approve Reverse Stock Split	36	36	33	2	1	0	0	0	0	0	33	3
Approve Shares Issued for a Private Placement to a Director or Executive	3	5	5	0	0	0	0	0	0	0	5	0
Approve Stock Split	1	1	1	0	0	0	0	0	0	0	1	0
Approve Use of Proceeds from Fund Raising Activities	2	2	2	0	0	0	0	0	0	0	2	0
Approve/Amend Conversion of Securities	12	16	16	0	0	0	0	0	0	0	16	0
Approve/Amend Securities Transfer Restrictions	2	2	2	0	0	0	0	0	0	0	2	0
Authorize Board to Increase Capital in the Event of Demand Exceeding Amounts Submitted to Shareholder Vote Above	4	5	3	2	0	0	0	0	0	0	3	2

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Authorize Board to Set Issue Price for 10 Percent of Issued Capital Pursuant to Issue Authority without Preemptive Rights	3	3	2	1	0	0	0	0	0	0	2	1
Authorize Capital Increase for Future Share Exchange Offers	3	3	3	0	0	0	0	0	0	0	3	0
Authorize Capital Increase of up to 10 Percent of Issued Capital for Future Acquisitions	5	6	5	1	0	0	0	0	0	0	5	1
Authorize Capitalization of Reserves for Bonus Issue or Increase in Par Value	5	6	6	0	0	0	0	0	0	0	6	0
Authorize Directed Share Repurchase Program	4	5	1	0	2	2	0	0	0	0	1	4
Authorize Issuance of Bonds/ Debentures	7	8	7	1	0	0	0	0	0	0	7	1
Authorize Issuance of Equity Upon Conversion of a Subsidiary's Equity-Linked Securities	3	6	5	1	0	0	0	0	0	0	5	1
Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	13	14	11	3	0	0	0	0	0	0	11	3
Authorize Issuance of Warrants/ Bonds with Warrants Attached/ Convertible Bonds without Preemptive Rights	3	3	3	0	0	0	0	0	0	0	3	0
Authorize New Class of Preferred Stock	9	9	0	9	0	0	0	0	0	0	0	9
Authorize Reissuance of Repurchased Shares	26	26	1	18	7	0	0	0	0	0	1	25
Authorize Share Repurchase Program	115	120	4	32	81	3	0	0	0	0	4	116
Authorize Share Repurchase Program and Cancellation of Repurchased Shares	4	4	4	0	0	0	0	0	0	0	4	0
Authorize Share Repurchase Program and Reissuance of Repurchased Shares	4	4	0	0	4	0	0	0	0	0	0	4
Authorize Use of Financial Derivatives	2	2	0	0	2	0	0	0	0	0	0	2
Authorize a New Class of Common Stock	1	1	1	0	0	0	0	0	0	0	1	0
Company Specific - Equity Related	22	24	19	2	3	0	0	0	0	0	19	5
Eliminate Preemptive Rights	7	9	8	1	0	0	0	0	0	0	8	1
Eliminate/Adjust Par Value of Common Stock	1	1	1	0	0	0	0	0	0	0	1	0
Increase Authorized Common Stock	122	123	68	55	0	0	0	0	0	0	68	55
Increase Authorized Preferred Stock	4	4	0	4	0	0	0	0	0	0	0	4
Ratify Past Issuance of Shares	10	15	0	15	0	0	0	0	0	0	0	15
Reduce Authorized Common and/or Preferred Stock	7	7	7	0	0	0	0	0	0	0	7	0
Set Global Limit for Capital Increase to Result From All Issuance Requests	1	1	1	0	0	0	0	0	0	0	1	0
Totals for Capitalization	**387**	**770**	**435**	**226**	**104**	**5**	**0**	**0**	**0**	**0**	**435**	**335**
Reorg. and Mergers												
Acquire Certain Assets of Another Company	1	1	1	0	0	0	0	0	0	0	1	0

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Amend Articles to: (Japan)	6	6	6	0	0	0	0	0	0	0	6	0
Amend Articles/Bylaws/Charter -- Organization-Related	6	6	1	3	2	0	0	0	0	0	1	5
Approve Acquisition OR Issue Shares in Connection with Acquisition	69	140	138	2	0	0	0	0	0	0	138	2
Approve Affiliation Agreements with Subsidiaries	3	4	4	0	0	0	0	0	0	0	4	0
Approve Formation of Holding Company	3	3	3	0	0	0	0	0	0	0	3	0
Approve Merger Agreement	107	112	104	4	0	0	4	0	0	0	106	2
Approve Merger by Absorption	4	7	7	0	0	0	0	0	0	0	7	0
Approve Merger of Funds	9	9	9	0	0	0	0	0	0	0	9	0
Approve Multi-Manager Structure	7	7	1	6	0	0	0	0	0	0	1	6
Approve Plan of Liquidation	1	1	1	0	0	0	0	0	0	0	1	0
Approve Reorganization/ Restructuring Plan	1	1	0	0	1	0	0	0	0	0	0	1
Approve Sale of Company Assets	14	14	13	0	1	0	0	0	0	0	13	1
Approve Scheme of Arrangement	6	6	6	0	0	0	0	0	0	0	6	0
Approve Spin-Off Agreement	9	12	12	0	0	0	0	0	0	0	12	0
Approve Transaction with a Related Party	17	42	39	2	1	0	0	0	0	0	39	3
Approve/Amend Loan Guarantee to Subsidiary	12	13	11	2	0	0	0	0	0	0	11	2
Approve/Amend Subadvisory Agreement	14	15	15	0	0	0	0	0	0	0	15	0
Change Jurisdiction of Incorporation	13	14	3	9	1	0	1	0	0	0	3	10
Change of Corporate Form	1	1	0	1	0	0	0	0	0	0	0	1
Company Specific Organization Related	7	9	9	0	0	0	0	0	0	0	9	0
Miscellaneous Mutual Fund - Company-Specific	5	5	3	0	0	0	2	0	0	0	3	0
Waive Requirement for Mandatory Offer to All Shareholders	2	3	2	1	0	0	0	0	0	0	2	1
Totals for Reorg. and Mergers	**290**	**431**	**388**	**30**	**6**	**0**	**7**	**0**	**0**	**0**	**390**	**34**
Non-Salary Comp.												
Advisory Vote on Golden Parachutes	90	94	33	57	0	0	4	0	0	0	31	59
Advisory Vote on Say on Pay Frequency	111	111	0	0	0	0	0	111	0	0	80	31
Advisory Vote to Ratify Named Executive Officers' Compensation	1940	1979	1109	856	3	0	11	0	0	0	1113	855
Amend Articles/Charter Compensation-Related	2	3	1	0	2	0	0	0	0	0	1	2
Amend Executive Share Option Plan	48	49	1	48	0	0	0	0	0	0	1	48
Amend Non-Employee Director Omnibus Stock Plan	16	16	0	16	0	0	0	0	0	0	0	16
Amend Non-Employee Director Restricted Stock Plan	7	7	0	7	0	0	0	0	0	0	0	7
Amend Non-Employee Director Stock Option Plan	2	2	0	2	0	0	0	0	0	0	0	2

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Amend Non-Qualified Employee Stock Purchase Plan	6	6	6	0	0	0	0	0	0	0	6	0
Amend Omnibus Stock Plan	364	367	0	363	1	0	3	0	0	0	0	364
Amend Qualified Employee Stock Purchase Plan	56	56	56	0	0	0	0	0	0	0	56	0
Amend Restricted Stock Plan	24	25	2	23	0	0	0	0	0	0	2	23
Approve Alternative Equity Plan Financing	1	1	0	1	0	0	0	0	0	0	0	1
Approve Annual Bonus Payment for Directors and Statutory Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Equity Plan Financing	4	6	2	4	0	0	0	0	0	0	2	4
Approve Executive Share Option Plan	10	10	1	9	0	0	0	0	0	0	2	8
Approve Increase in Aggregate Compensation Ceiling for Directors	3	4	0	0	4	0	0	0	0	0	0	4
Approve Increase in Aggregate Compensation Ceiling for Statutory Auditors	1	1	0	0	1	0	0	0	0	0	0	1
Approve Non-Employee Director Omnibus Stock Plan	2	2	0	2	0	0	0	0	0	0	0	2
Approve Non-Employee Director Restricted Stock Plan	2	2	0	2	0	0	0	0	0	0	0	2
Approve Non-Qualified Employee Stock Purchase Plan	5	6	6	0	0	0	0	0	0	0	6	0
Approve Omnibus Stock Plan	203	205	5	200	0	0	0	0	0	0	5	200
Approve Outside Director Stock Awards/Options in Lieu of Cash	3	5	4	1	0	0	0	0	0	0	4	1
Approve Qualified Employee Stock Purchase Plan	44	48	45	2	0	0	1	0	0	0	44	3
Approve Remuneration Policy	58	73	46	25	2	0	0	0	0	0	46	27
Approve Remuneration of Executive Directors and/or Non-Executive Directors	22	25	3	3	19	0	0	0	0	0	5	20
Approve Repricing of Options	1	1	0	1	0	0	0	0	0	0	0	1
Approve Restricted Stock Plan	27	28	7	21	0	0	0	0	0	0	7	21
Approve Retirement Bonuses f or Directors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Share Plan Grant	26	33	12	21	0	0	0	0	0	0	18	15
Approve Stock Option Plan Grants	18	33	2	31	0	0	0	0	0	0	12	21
Approve Stock/Cash Award to Executive	2	3	0	3	0	0	0	0	0	0	0	3
Approve or Amend Option Plan for Overseas Employees	1	1	1	0	0	0	0	0	0	0	1	0
Approve or Amend Severance Agreements/Change-in-Control Agreements	1	1	1	0	0	0	0	0	0	0	1	0
Approve/Amend All Employee Share Schemes	3	4	4	0	0	0	0	0	0	0	4	0
Approve/Amend Bundled Remuneration Plans	3	3	0	3	0	0	0	0	0	0	0	3
Approve/Amend Deferred Share Bonus Plan	10	11	10	1	0	0	0	0	0	0	10	1
Approve/Amend Employment Agreements	10	11	6	5	0	0	0	0	0	0	6	5
Approve/Amend Executive Incentive Bonus Plan	6	6	1	5	0	0	0	0	0	0	1	5

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve/Amend Issuance of Warrants Reserved for Founders	1	2	0	2	0	0	0	0	0	0	0	2
Approve/Amend Non-Employee Director Deferred Share Unit Plan	4	5	3	2	0	0	0	0	0	0	3	2
Company-Specific Compensation-Related	11	16	7	7	2	0	0	0	0	0	8	8
Fix Maximum Variable Compensation Ratio	3	3	3	0	0	0	0	0	0	0	3	0
Grant Equity Award to Third Party	4	5	0	5	0	0	0	0	0	0	1	4
Totals for Non-Salary Comp.	**2244**	**3271**	**1377**	**1730**	**34**	**0**	**19**	**111**	**0**	**0**	**1479**	**1773**
Antitakeover Related												
Adjourn Meeting	164	168	81	83	0	0	4	0	0	0	83	81
Adopt or Increase Supermajority Vote Requirement for Amendments	3	5	0	5	0	0	0	0	0	0	0	5
Adopt, Renew or Amend NOL Rights Plan (NOL Pill)	15	15	15	0	0	0	0	0	0	0	15	0
Adopt, Renew or Amend Shareholder Rights Plan (Poison Pill)	14	15	0	14	0	0	1	0	0	0	0	14
Allow Board to Use All Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	1	5	0	5	0	0	0	0	0	0	0	5
Amend Articles/Charter Governance-Related	6	6	4	2	0	0	0	0	0	0	4	2
Amend Right to Call Special Meeting	5	5	5	0	0	0	0	0	0	0	5	0
Authorize the Company to Call EGM with Two Weeks Notice	27	27	27	0	0	0	0	0	0	0	27	0
Eliminate/Restrict Right to Act by Written Consent	1	1	0	1	0	0	0	0	0	0	0	1
Eliminate/Restrict Right to Call a Special Meeting	2	3	0	2	0	0	1	0	0	0	0	2
Permit Board to Amend Bylaws Without Shareholder Consent	1	1	0	1	0	0	0	0	0	0	0	1
Provide Right to Act by Written Consent	9	9	9	0	0	0	0	0	0	0	9	0
Provide Right to Call Special Meeting	13	13	13	0	0	0	0	0	0	0	13	0
Reduce Supermajority Vote Requirement	44	59	57	0	0	0	2	0	0	0	57	0
Renew Partial Takeover Provision	1	1	0	1	0	0	0	0	0	0	0	1
Require Advance Notice for Shareholder Proposals/ Nominations	3	3	3	0	0	0	0	0	0	0	3	0
Totals for Antitakeover Related	**294**	**336**	**214**	**114**	**0**	**0**	**8**	**0**	**0**	**0**	**216**	**112**
Miscellaneous												
Accept/Approve Corporate Social Responsibility Report	4	4	4	0	0	0	0	0	0	0	4	0
Approve Cost Auditors and Authorize Board to Fix Their Remuneration	4	4	4	0	0	0	0	0	0	0	4	0
Management Climate-Related Proposal	11	11	11	0	0	0	0	0	0	0	11	0
Totals for Miscellaneous	**18**	**19**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**0**

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Other/Misc												
Allow Shareholder Meetings to be Held in Virtual-Only Format	6	9	0	9	0	0	0	0	0	0	0	9
Amend Certificate of Incorporation to Add Federal Forum Selection Provision	11	12	9	1	1	0	1	0	0	0	9	2
Totals for Other/Misc	**17**	**21**	**9**	**10**	**1**	**0**	**1**	**0**	**0**	**0**	**9**	**11**
SH-Routine/Business												
Allow Shareholder Meetings to be Held in Virtual-Only Format	2	2	2	0	0	0	0	0	0	0	0	2
Amend Articles/Bylaws/Charter -- Non-Routine	4	5	2	1	0	0	2	0	0	0	0	3
Amend Articles/Bylaws/Charter -- Routine	3	4	2	0	0	0	2	0	0	0	0	2
Amend Ordinary Business Items	2	5	1	4	0	0	0	0	0	0	4	1
Company-Specific -- Miscellaneous	5	25	1	2	22	0	0	0	0	0	3	22
Require Independent Board Chairman	37	38	37	0	0	0	1	0	0	0	1	36
Totals for SH-Routine/ Business	**51**	**79**	**45**	**7**	**22**	**0**	**5**	**0**	**0**	**0**	**8**	**66**
SH-Dirs' Related												
Adopt Proxy Access Right	2	2	2	0	0	0	0	0	0	0	0	2
Amend Articles Board-Related	2	2	1	1	0	0	0	0	0	0	1	1
Amend Articles/Bylaws/Charter - Call Special Meetings	30	31	30	0	0	0	1	0	0	0	2	28
Amend Articles/Bylaws/Charter - Removal of Directors	1	1	1	0	0	0	0	0	0	0	0	1
Amend Proxy Access Right	23	23	23	0	0	0	0	0	0	0	0	23
Amend Vote Requirements to Amend Articles/Bylaws/Charter	6	6	6	0	0	0	0	0	0	0	2	4
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	5	11	3	3	5	0	0	0	0	0	5	6
Appoint Chairman of Internal Statutory Auditor(s) [and Approve His/Her Remuneration]	1	3	2	1	0	0	0	0	0	0	3	0
Board Diversity	5	5	5	0	0	0	0	0	0	0	1	4
Change Size of Board of Directors	3	3	0	0	2	0	1	0	0	0	2	0
Company-Specific Board-Related	16	18	16	1	0	0	1	0	0	0	5	12
Declassify the Board of Directors	5	5	5	0	0	0	0	0	0	0	2	3
Deliberations on Possible Legal Action Against Directors/ (Internal) Auditors	1	1	0	1	0	0	0	0	0	0	1	0
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	5	26	13	4	0	0	9	0	0	0	13	4
Elect Director (Dissident)	15	95	24	3	2	10	56	0	0	0	24	15
Elect Minority Representative under Majority Board Election	1	4	4	0	0	0	0	0	0	0	4	0
Elect Supervisory Board Members (Bundled)	3	3	1	1	1	0	0	0	0	0	3	0
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	5	13	2	10	1	0	0	0	0	0	4	9

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Establish Environmental/Social Issue Board Committee	1	1	1	0	0	0	0	0	0	0	0	1
Establish Mandatory Retirement Age for Directors	1	1	0	1	0	0	0	0	0	0	1	0
Provide Right to Act by Written Consent	72	72	72	0	0	0	0	0	0	0	0	72
Removal of Existing Board Directors	1	12	3	1	2	0	6	0	0	0	3	3
Require Environmental/Social Issue Qualifications for Director Nominees	3	3	3	0	0	0	0	0	0	0	0	3
Require More Director Nominations Than Open Seats	1	1	0	1	0	0	0	0	0	0	1	0
Require a Majority Vote for the Election of Directors	6	6	6	0	0	0	0	0	0	0	0	6
Totals for SH-Dirs' Related	**190**	**348**	**223**	**28**	**13**	**10**	**74**	**0**	**0**	**0**	**77**	**197**
SH-Corp Governance												
Approve Recapitalization Plan for all Stock to Have One-vote per Share	12	12	12	0	0	0	0	0	0	0	1	11
Company-Specific--Governance-Related	19	19	2	17	0	0	0	0	0	0	16	3
Miscellaneous -- Equity Related	2	2	1	0	1	0	0	0	0	0	1	1
Reduce Supermajority Vote Requirement	12	12	12	0	0	0	0	0	0	0	1	11
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	2	2	2	0	0	0	0	0	0	0	0	2
Totals for SH-Corp Governance	**44**	**47**	**29**	**17**	**1**	**0**	**0**	**0**	**0**	**0**	**19**	**28**
SH-Soc./Human Rights												
Human Rights Risk Assessment	8	8	7	1	0	0	0	0	0	0	2	6
Improve Human Rights Standards or Policies	3	3	3	0	0	0	0	0	0	0	0	3
Totals for SH-Soc./Human Rights	**11**	**11**	**10**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**9**
SH-Compensation												
Adopt Policy on Bonus Banking	2	2	2	0	0	0	0	0	0	0	0	2
Clawback of Incentive Payments	3	3	3	0	0	0	0	0	0	0	0	3
Company-Specific--Compensation-Related	11	13	6	7	0	0	0	0	0	0	7	6
Increase Disclosure of Executive Compensation	1	1	1	0	0	0	0	0	0	0	0	1
Limit/Prohibit Accelerated Vesting of Awards	2	2	2	0	0	0	0	0	0	0	0	2
Link Executive Pay to Social Criteria	5	5	5	0	0	0	0	0	0	0	0	5
Non-Employee Director Compensation	2	2	0	1	1	0	0	0	0	0	2	0
Report on Pay Disparity	3	3	3	0	0	0	0	0	0	0	0	3
Totals for SH-Compensation	**27**	**31**	**22**	**8**	**1**	**0**	**0**	**0**	**0**	**0**	**9**	**22**
SH-Gen Econ Issues												
Mandatory Arbitration on Employment Related Claims	2	2	2	0	0	0	0	0	0	0	0	2
Totals for SH-Gen Econ Issues	**2**	**2**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
SH-Health/Environ.												
Climate Change Action	3	8	2	6	0	0	0	0	0	0	6	2
Community -Environment Impact	3	3	3	0	0	0	0	0	0	0	1	2
GHG Emissions	10	10	10	0	0	0	0	0	0	0	2	8
Phase Out Nuclear Facilities	1	1	0	1	0	0	0	0	0	0	1	0
Prepare Report on Health Care Reform	1	1	1	0	0	0	0	0	0	0	0	1
Prepare Tobacco-Related Report	2	2	2	0	0	0	0	0	0	0	0	2
Product Toxicity and Safety	3	4	3	1	0	0	0	0	0	0	1	3
Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan	4	4	4	0	0	0	0	0	0	0	0	4
Recycling	1	1	1	0	0	0	0	0	0	0	0	1
Renewable Energy	1	2	0	2	0	0	0	0	0	0	2	0
Report on Climate Change	16	21	18	1	0	0	2	0	0	0	5	14
Report on Environmental Policies	1	1	1	0	0	0	0	0	0	0	0	1
Review Drug Pricing or Distribution	3	3	3	0	0	0	0	0	0	0	0	3
Weapons - Related	1	1	1	0	0	0	0	0	0	0	0	1
Totals for SH-Health/Environ.	**44**	**62**	**49**	**11**	**0**	**0**	**2**	**0**	**0**	**0**	**18**	**42**
SH-Other/misc.												
Animal Welfare	1	1	1	0	0	0	0	0	0	0	0	1
Charitable Contributions	1	1	0	1	0	0	0	0	0	0	1	0
Company-Specific -- Shareholder Miscellaneous	2	2	2	0	0	0	0	0	0	0	1	1
Gender Pay Gap	6	6	6	0	0	0	0	0	0	0	0	6
Labor Issues - Discrimination and Miscellaneous	16	17	17	0	0	0	0	0	0	0	1	16
Political Activities and Action	1	1	0	1	0	0	0	0	0	0	1	0
Political Contributions Disclosure	20	21	20	0	0	0	1	0	0	0	1	19
Political Lobbying Disclosure	25	26	25	0	0	0	1	0	0	0	1	24
Report on EEO	10	12	12	0	0	0	0	0	0	0	1	11
Workplace Sexual Harassment	2	2	1	1	0	0	0	0	0	0	1	1
Totals for SH-Other/misc.	**63**	**89**	**84**	**3**	**0**	**0**	**2**	**0**	**0**	**0**	**8**	**79**
SH-Social Proposal												
Adopt a Policy on Ideological Board Diversity	1	1	0	1	0	0	0	0	0	0	1	0
Miscellaneous -- Environmental & Social Counterproposal	6	7	1	5	0	0	1	0	0	0	5	1
Miscellaneous Proposal -- Environmental & Social	8	12	11	1	0	0	0	0	0	0	1	11
Totals for SH-Social Proposal	**15**	**20**	**12**	**7**	**0**	**0**	**1**	**0**	**0**	**0**	**7**	**12**
Totals for the report	**3,048**	**28,176**	**13,244**	**8,456**	**330**	**5,864**	**171**	**111**	**0**	**0**	**13,115**	**14,890**