Michael W. Frerichs
ILLINOIS STATE TREASURER

Raising The Bar:

Treasurer Frerichs' 2020 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 Treasurer's fourth Annual Sustainable Investment Report, which showcases our sustainable investing priorities and activities during calendar year 2020.

2020 was a turbulent year. Individuals, families, and businesses across Illinois experienced tremendous hardship in the wake of COVID-19, and the murder of George Floyd prompted a long overdue national conversation on issues of racial equity and inclusion. Perhaps more than ever before, we witnessed how companies and their investors are impacted by the onset of unconventional factors, or what many refer to as sustainability factors.

When investors only examine a company's financial condition, 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 long-term sustainability, such as its approach to disaster risk management, business model resiliency, and corporate governance, investors can better assess wider risks and opportunities, and thus 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 and relevant sustainability factors. This added layer of analysis is critical in our effort to protect and grow our $38 billion investment portfolio on behalf of state agencies, local governments, and college and retirement savers.

This year, we engaged over 3,700 companies on materially important sustainability issues, we conducted a comprehensive sustainability analysis of all our investment managers and we launched the Russell 3000 Board Diversity Disclosure Initiative to increase transparency regarding the race, ethnicity and gender of corporate board members.

All this work and more is detailed in this report. Notable highlights from 2020 include:

- **Launched the Russell 3000 Board Diversity Disclosure Initiative** – We launched and are leading an investor initiative asking all companies in the Russell 3000 Index to disclose the makeup of their boards of directors – inclusive of gender, race and ethnicity – given the correlation between board diversity and long-term performance. The initiative includes 22 investor organizations representing over $3 trillion in assets.
- **Engaged 3,700+ Companies on Material Sustainability Issues** – We conducted 26 principal engagements with individual companies in which we invest, and we supported over 3,700 coalition-based engagements on a range of material sustainability topics, including board diversity, human capital management and climate change.
- **Conducted 100+ Sustainability Analyses of Individual Companies** – Using a customized assessment process that draws on a combination of internal analysis and external reporting, our office developed sustainability grades for over 100 companies as part of the approval process of debt issuers.
- **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 $2.5 Billion** – Total assets managed by minority, women, veteran, and disabled-owned (MWVD) firms increased from $18 million in December 2014 to $2.5 billion in December 2020. That's a 138-fold increase.
- **27,306 Proxy Votes Cast at 2,964 Annual Meetings** – Our office voted on 25,580 proposals on corporate proxy ballots in 2020 at 2,964 annual stockholder meetings.

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

Onward,

Illinois State Treasurer

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 as well as 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 $38 billion, which includes $16 billion in State investments, $15 billion in college savings and retirement savings funds, and $7 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 Accounts

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 2020, the Illinois Treasurer processed $178 billion in receipts and $178 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

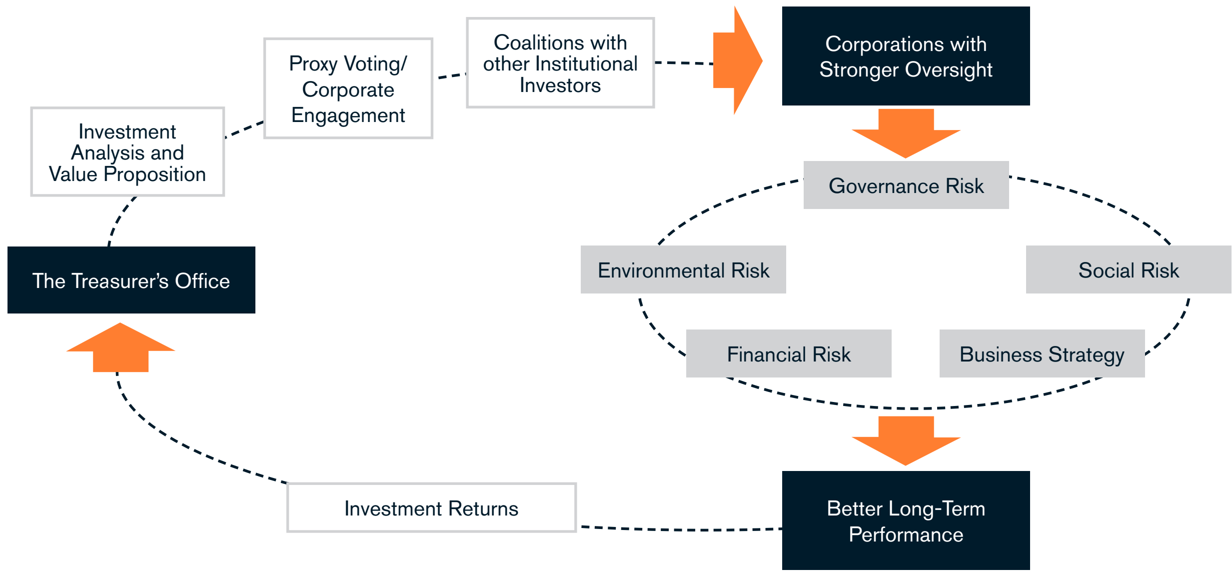
$38 billion

II. Raising The Bar: The Treasurer's Sustainable Investing Strategy

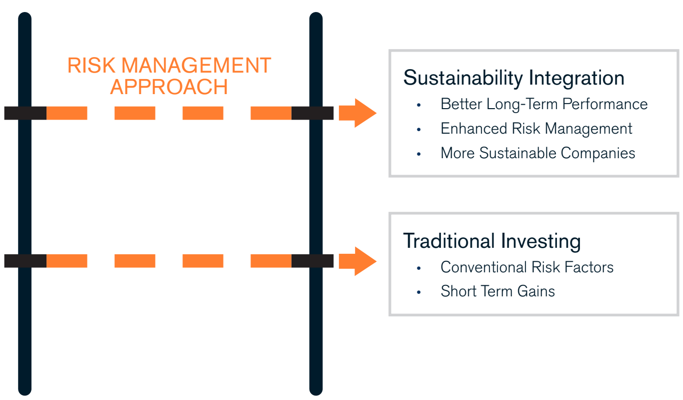
Our view on sustainable investing

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 need to be integrated into the decision-making process. This provides investors with a more complete view of a fund or company's long-term financial condition, and positions investors for enhanced performance. [1, 2, 3, 4, 5]

Sustainability Integration: Why It Matters



Higher Standards And Better Results



[1] Fulton, Mark, 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.

[2] Friede, Gunnar, 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: www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917.

[3] Verheyden, Tim, 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.

[4] Kotsantonis, Sakis, 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.

[5] Eccles, Robert G., 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 www.hbs.edu/faculty/pages/item.aspx?num=47307.

Sustainability Principles. In line with the Sustainability Accounting Standards Board (SASB), 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 five principles guide our work in this space.

Sustainability Factors. Sustainability or 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.

Environment

- GHG Emissions
- Air Quality
- Energy Management
- 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

Business Model & Innovation

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

Human Capital

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

Source: Sustainability Accounting Standards Board (SASB)

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 Objectives and Risk Tolerance	Traditional Analysis	Sustainability Factors	Investment Decisions
Optimize Risk-Adjusted Returns	Profitability	Governance and Leadership	
Asset Allocation and Portfolio Construction	Valuation	Environment	
Diversification	Operations	Social Capital	
	Capital & Leverage	Business Model and Innovation	
	Cash Flow & Liquidity	Human Capital	
	Price and Volume Transformations		
	Market Trends		

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.

Research Agrees. Studies clearly demonstrate that companies with sustainable policies are lower risk investments and frequently provide collateral benefits to investors.[1,2,3,4,5] Sustainable investing considers all stakeholders: employees; investors; community members; corporate leadership; and the environment.

1 Fulton, Mark, 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.

2 Friede, Gunnar, 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.

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5 Eccles, Robert G., 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.

Our Approach to Sustainable Investing

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

1 INTERNAL MANAGEMENT	2 EXTERNAL MANAGEMENT	3 ACTIVE OWNERSHIP
Division of Portfolio & Risk Analytics	**Division of Investment Analysis & Due Diligence**	**Division of Corporate Governance & Sustainable Investment**
• Integration of sustainability factors into the review of debt issuers and counterparties (under State Investments and IPTIP Investments)	• Integration of sustainability factors into fund manager sourcing, selection and evaluations	• Corporate Engagements • Proxy Voting • Advocacy and Policymaking

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:

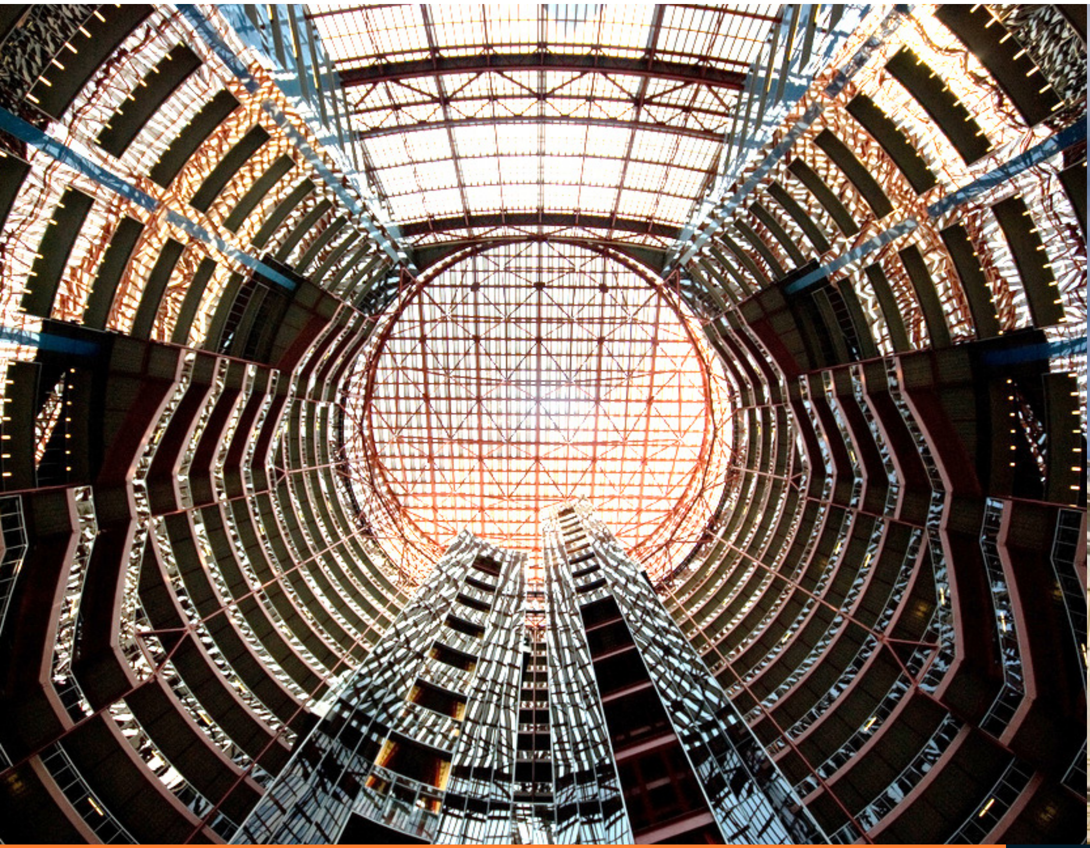
1. **Investment Policies** – Our policies govern investment programs and specify that sustainability factors be integrated.
2. **Fund Manager Sourcing & Selection** – Our office and our contractors evaluate fund managers by their approach to sustainable investing, staffing experience and expertise, investment stewardship policies and programs, institutional track record, and/or sustainability ratings.
3. **Investment Analysis & Due Diligence** – We conduct regular analysis on counterparties and external fund managers 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 counterparties.
5. **Proxy Voting** – We exercise our proxy voting rights for those companies and funds where we maintain the ability to vote on corporate and shareholder proposals on annual ballots.
6. **Corporate Engagement** – We engage companies in our investment portfolio on sustainability risks and opportunities through investor coalitions, advocacy letters, direct dialogue, and shareholder proposals.
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, 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.

The Illinois Treasurer made history in 2018 as the first ever treasury in the U.S. to become a member of the Principles of Responsible Investment (PRI).

In 2020, the office provided PRI disclosure across its investment portfolio and received the following scores.

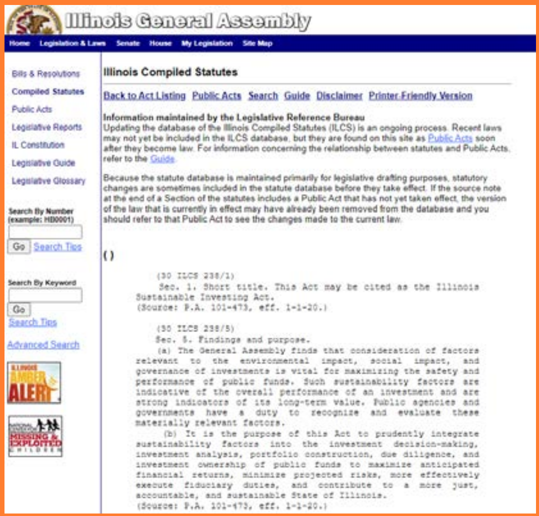
PRI Scores from 2020

Assessment Areas	Grade	Median
Strategy and Governance – Overarching approach to sustainable investment and the incorporation of ESG issues into asset allocation	A+	A
Listed Equity – Incorporation of sustainability factors in externally managed investments	A	A
Fixed Income (Securitized) – Incorporation of sustainability factors in fixed income	A	A
Private Equity – Integration of sustainability factors in private equity investments	A	A
Active Ownership – Corporate engagement and proxy voting activities	A+	B
Fixed Income (SSA) – ESG integration, screening and disclosure in fixed income	B	B



The Illinois Sustainable Investing Act

The Illinois Sustainable Investing Act (PA 101-473) was spearheaded by Treasurer Frerichs and 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.


Illinois General Assembly

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Information maintained by the Legislative Reference Bureau
Updating the database of the Illinois Compiled Statutes (ILCS) is an ongoing process. Recent laws may not yet be included in the ILCS database, but they are found on this site as Public Acts soon after they become law. For information concerning the relationship between statutes and Public Acts, refer to the Guide.

Because the statute database is maintained primarily for legislative drafting purposes, statutory changes are sometimes included in the statute database before they take effect. If the source note at the end of a Section of the statutes includes a Public Act that has not yet taken effect, the version of the law that is currently in effect may have already been removed from the database and you should refer to that Public Act to see the changes made to the current law.

( )

(30 ILCS 238/1)
Sec. 1. Short title. This Act may be cited as the Illinois Sustainable Investing Act.
(Source: P.A. 101-473, eff. 1-1-20.)

(30 ILCS 238/5)
Sec. 5. Findings and purpose.
(a) The General Assembly finds that consideration of factors relevant to the environmental impact, social impact, and governance of investments is vital for maximizing the safety and performance of public funds. Such sustainability factors are indicative of the overall performance of an investment and are strong indicators of its long-term value. Public agencies and governments have a duty to recognize and evaluate these materially relevant factors.
(b) It is the purpose of this Act to prudently integrate sustainability factors into the investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership of public funds to maximize anticipated financial returns, minimize projected risks, more effectively execute fiduciary duties, and contribute to a more just, accountable, and sustainable State of Illinois.
(Source: P.A. 101-473, eff. 1-1-20.)

What does the Sustainable Investing Act do?

The Act provides that all state and local government entities that hold and manage public funds, including the Illinois Treasurer, should integrate material, relevant, and useful sustainability factors into their policies, processes, and decision-making. While the law establishes a standard for sustainability integration, it is flexible enough that individual managers can adapt and 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 ensures lays the groundwork for generations to come. The legislation also has the potential to be replicated in other states, and could eventually drive demand for more widespread disclosures of sustainability data.

Where do I get more information on the Illinois Sustainable Investment Act?

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.


Michael W. Frerichs
Illinois State Treasurer
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Sustainable Investing Act

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The Sustainable Investing Act (PA 101-473) was spearheaded by Illinois Treasurer Frerichs and signed into law by Illinois Governor Pritzker in 2019 with an effective date of January 1, 2020. It provides that all state and local government entities that hold and manage public funds should integrate material, relevant, and useful sustainability factors into their policies, processes, and decision-making.

What is Sustainable Investing? Why is it Important?

Sustainability or ESG (environment, social and governance) factors are used to more comprehensively analyze an investment based on its risk profile and return potential. This complements traditional financial and technical analysis. The use of sustainability factors has been shown to minimize risk and maximize returns and is considered a best practice in the investment industry. Integrating these factors helps public funds better fulfill their fiduciary duty.

The Act defines sustainability factors to include data and indicators related to (1) corporate governance and leadership, (2) environmental, (3) social capital, (4) human capital (including responsible contractor and responsible bidder policies), and (5) business model and innovation. Collectively, these are also commonly referred to as ESG (environmental, social, and governance) factors.

Sustainability factors provide a more complete view of an investment, its past performance, and its future potential. Sustainability factors have a material impact on business performance and long-term shareholder value, and as such, investors have an interest in integrating these factors into investment decision-making processes.

Executive Inspector General

Popular Links
Small Business COVID-19 Relief Program
19th Amendment Commemorative Coin
Cream of the Crop Photo Contest
Heritage Month Celebrations

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, our local government pooled investments. 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 alpha.

This Division of Portfolio & Risk Analytics chiefly reviews security issuers (i.e. issuers of corporate bonds, commercial paper, repurchase agreements, etc.), and 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.

Conducted a sustainability analysis for 107 security issuers in 2020 alone

Evaluating Debt Issuers by Sustainability Factors

In addition to traditional financial and technical analysis of existing investments and 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 the Sustainability Accounting Standards Board (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.

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

1. **We develop a Sustainability Investment 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.

   Here 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 the 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 Integration – Externally Managed Investments

Division of Investment Analysis & Due Diligence

The Division of Investment Analysis & Due Diligence 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, Illinois Growth and Innovation Fund (ILGIF), and Illinois Achieving a Better Life Experience (ABLE) Savings Program.

The Division of Investment Analysis & Due Diligence 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.

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 $16 billion of total assets managed by external investment managers, the Division of Investment Analysis & Due Diligence 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.

Approximately $16 billion of total assets are managed by external investment managers.

Our manager line-up features 27 signatories to Principles for Responsible Investment (PRI) across public and private market managers.

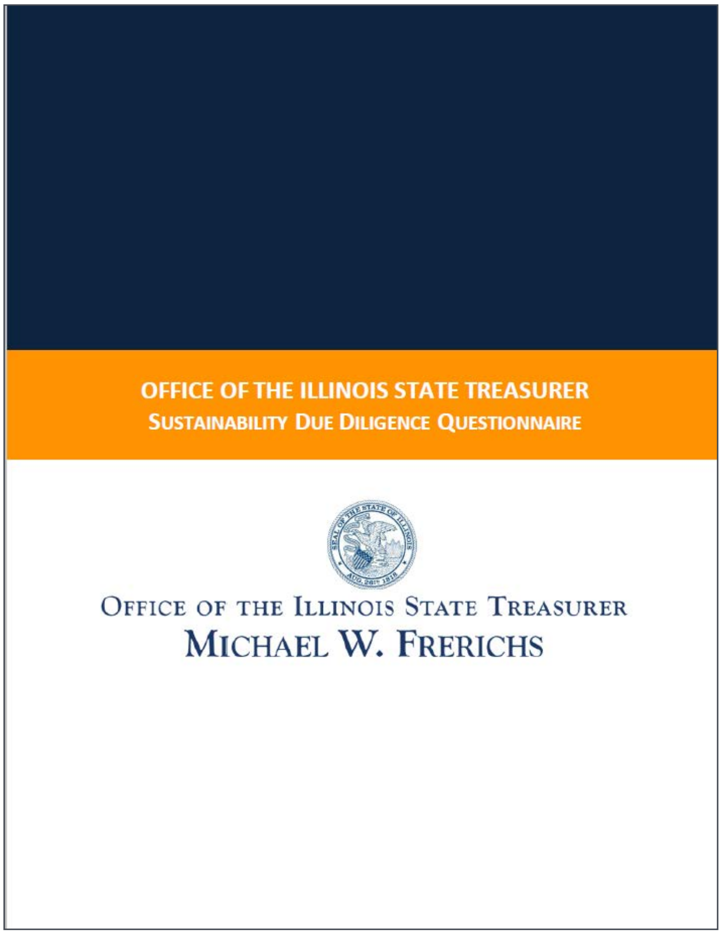
The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to 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.

Comprehensive Sustainability Evaluation of Current Investment Managers

In 2020, the Division of Investment Analysis & Due Diligence conducted a comprehensive analysis across both traditional and alternative asset classes of each manager's integration of sustainability factors into their investment process. This included over 50 individual investment managers. The Illinois Treasurer issued its Sustainability Due Diligence Questionnaire to all current investment managers across each external portfolio to evaluate sustainability integration at the parent company and security selection level.

The goal is to assess how investment managers integrate sustainability factors within a framework predicated on the prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership; (2) environmental, (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, given that these tangible and intangible factors may have material and relevant financial impacts.

The Illinois Treasurer's Sustainability Due Diligence Questionnaire


OFFICE OF THE ILLINOIS STATE TREASURER
SUSTAINABILITY DUE DILIGENCE QUESTIONNAIRE

OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

Click here to view our Sustainability Due Diligence Questionnaire.

Three Manager Searches Completed in 2020

Three manager searches were completed in 2020 across active equity and a passively managed core bond strategy. The Investment Analysis and Due Diligence team integrated sustainability considerations in the manager selection process to help determine the top candidate for inclusion in the investment portfolio.

100% of public market managers have established Sustainability Policies and Processes.

Engagement with Investment Managers on Sustainability Factors

The Division of Investment Analysis & Due Diligence actively engages with its investment manager lineup throughout the year, conducting frequent 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 follow-up.

III. Investment Stewardship – Corporate Engagement

2020 Corporate Engagement Summary

26

Principal Engagements

Where the IL Treasurer led a corporate engagement

3,724

Coalition Engagements & Letters*

Where the IL Treasurer supported a joint corporate engagement or letter

21

Advocacy Initiatives

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

*The broadest efforts include the Illinois Treasurer's letter to Russell 3000 companies on board diversity disclosure and the Say-On-Pay Working Group's letter to S&P 500 companies

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 corporate engagement and proxy voting, both of which are vital functions that result in improved governance and reporting practices at portfolio companies, which ultimately benefits shareholders from increased expected performance and reduced risk exposures.

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

- 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 sustainability risks and opportunities in the office's investment portfolio, analyzing all corporate engagement prospects to ascertain the potential for material and relevant financial impacts;
- Developing actionable strategies and tactics to address said risks and opportunities;
- Leading engagements with corporate decision-makers;
- Building coalitions and coordinating activities with other asset owners and investment managers;
- Advocating for the Illinois Treasurer's position on corporate practices and shareholder initiatives; and
- Reporting on the progress of said activities.

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); and
- Advocacy and coalition-building activities to protect the office's proxy voting and shareholder rights.

Board Diversity

Why It Matters

Diversity is a Critical Dimension of Effective Board Composition and Performance. 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.[1, 2, 3] Given the correlation between board diversity and long-term outperformance,[4] 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. Our role as investors is to prioritize corporate focus on this issue.

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."[5]

Shortfalls Linger. Despite near universal consensus on the value of board diversity and improving trends, women still only occupy 23 percent of board seats among Russell 3000 companies, and persons of color occupy only 18 percent of board seats.[6]

1 Philips, Catherine, 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.

2 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.

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

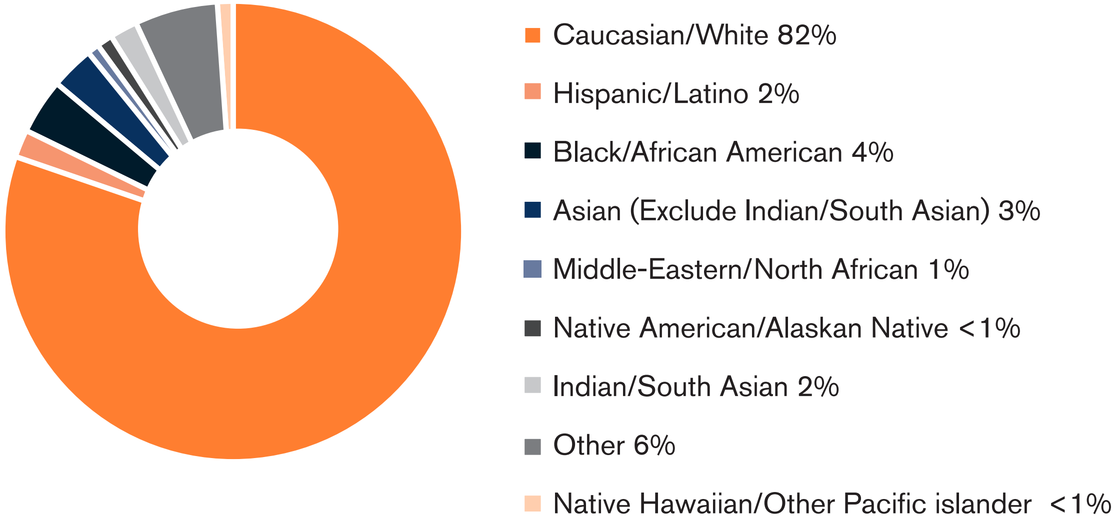
4 "Diversity Wins," *McKinsey & Company*, 2020, available at: www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf.

5 The Business Roundtable, *Principles of Corporate Governance*, available at www.businessroundtable.org/policy-perspectives/corporate-governance/principles-of-corporate-governance.

6 Mishra, Subodh, *"U.S. Board Diversity Trends in 2019*," Harvard Law School Forum on Corporate Governance, June 2019. Available at https://corpgov.law.harvard.edu/2019/06/18/u-s-board-diversity-trends-in-2019/.

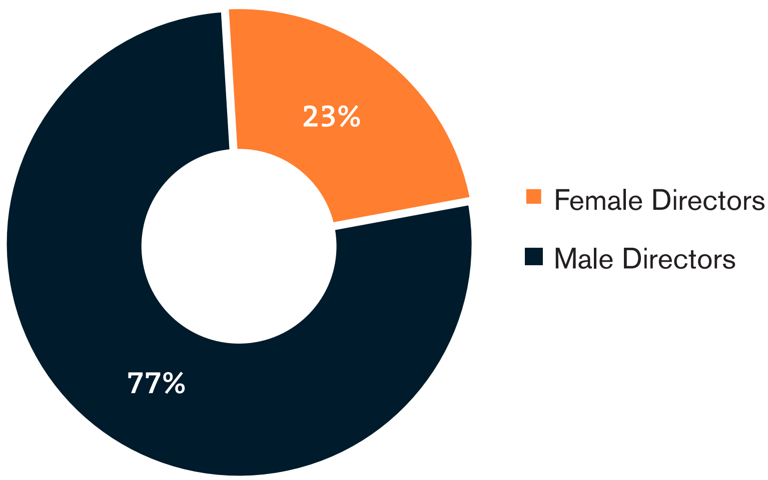
The Office of the Illinois State Treasurer authored a white paper in 2020 titled "The Investment Case for Board Diversity." The paper examines the wealth of academic and practitioner literature on board diversity to provide further insight on the investment case for gender and racial/ethnic diversity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

Racial/Ethnic Composition of Board Directors among Russell 3000 Companies



Source: ISS, November 2020

Gender Diversity amoung Russell 3000 Board Directors



Source: ISS, November 2020

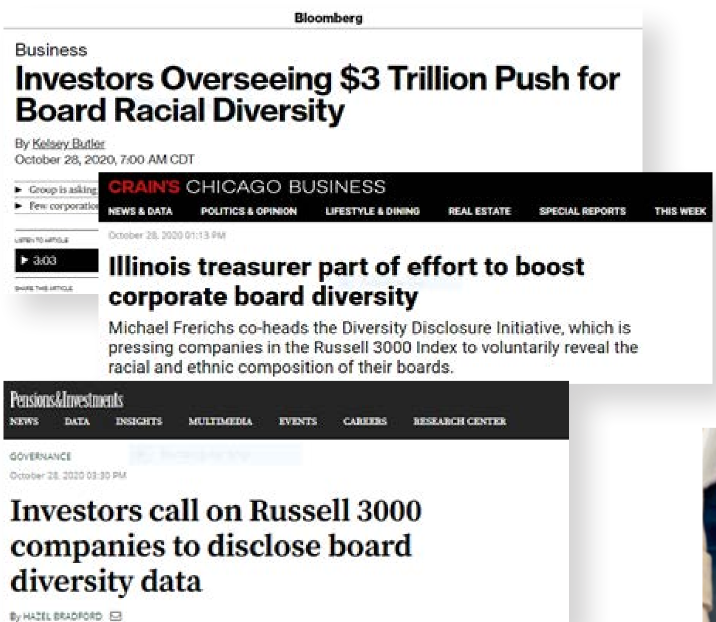
"Insular corporate boards make too many decisions in an echo chamber and miss opportunities for growth and leadership."

– Treasurer Frerichs

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 2020, 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 includes 22 investor organizations representing over $3 trillion in assets under management and advisement. The push for increased and standardized disclosure, at the center of this initiative, has been a focus of the Illinois Treasurer since 2019.


Bloomberg

Business

Investors Overseeing $3 Trillion Push for Board Racial Diversity

By Kelsey Butler
October 28, 2020, 7:00 AM CDT

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October 28, 2020 01:13 PM

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.

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GOVERNANCE

October 28, 2020 03:30 PM

Investors call on Russell 3000 companies to disclose board diversity data

By HAZEL BRADFORD

The Black Lives Matter movement and the widespread outrage sparked by the murder of George Floyd prompted a national conversation on issues of racial equity and inclusion. Many companies issued statements in support of racial justice, and in some cases announced responsive efforts at their operations. This initiative urges companies to harness this national movement and the momentum on gender diversity to consider publicly reporting the racial/ethnic and gender composition of the board of directors in their annual proxy statement for the 2021 filing.

- Read an Example Letter to Russell 3000 Companies
- Read our White Paper on the Investment Case for Board Diversity
- Read our Press Release Announcing the Call for Board Diversity Disclosure among Russell 3000 Companies

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 2021 and beyond. Members agree that voluntary corporate reporting in the proxy statement is the most reliable data source.

This initiative aligns with the work of The Thirty Percent Coalition, a national organization that, in addition to advocating for board diversity, calls 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.

> "Diversity is good for business."
>
> –Treasurer Frerichs

MIDWEST INVESTORS DIVERSITY INITIATIVE

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 practices and make targeted recommendations to institutionalize best practices and improve board diversity.

MIDI works with companies to adopt a diverse search policy known as the "Rooney Rule," which has its origins in the National Football League. The Rooney Rule provides that, for every open board seat, female and racial minority candidates be included in the initial search pool of candidates.

Results: Since 2016, when the group was formed, MIDI has undertaken 75 company engagements, 34 of which adopted a diverse search policy. Further, the companies MIDI engaged have added 83 diverse directors to their corporate boards.

MIDI Engagements Since 2016

Engagement Launched	Number of Companies Engaged
2016	15
2017	15
2018	12
2019	12
2020	21
Total	75

Source: Office of the Illinois State Treasurer

For the 2020-2021 proxy season, MIDI engaged 21 companies, and we're pleased to report that ten have already either appointed diverse board members or agreed to adopt a stronger diverse search policy aligned with the Rooney Rule.

MIDI also developed a Diverse Search Toolkit, which provides companies with a practical set of recommendations and resources for maintaining a diverse board of directors.

MIDI works with company nominating and governance committees to:

- Adopt a policy for the search and inclusion of minority and female board candidates
- Require minority and female candidates to interview 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

83

Total Number of Diverse Directors (Women and Persons of Color) added at MIDI-Engaged Companies

34

Total Number of MIDI-Engaged Companies that Adopted a Diverse Search Policy

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 over 90 members with over $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: As part of the leadership team of the Thirty Percent Coalition, the Illinois Treasurer and fellow investors have **successfully engaged well over 400 companies** that have now appointed a woman to their boards.

During the 2019-2020 proxy season alone, the Coalition achieved the following:

- 85 companies appointing a woman to their board for the first time;
- 16 companies appointing a second woman;
- 28 companies adopting public language committing to diversity in their governance documents; and
- 30 shareholder proposals filed urging action and disclosure on board diversity. Due to investors' engagement leading to mutually agreeable outcomes with companies, 27 of the proposals were withdrawn. When resolutions did go to a vote, there was significant support among shareholders.

Calling on the Federal Government to Require More Consideration for Women, People of Color and LGBTQ+ Individuals on Corporate Boards and Leadership Positions – The Illinois Treasurer continues to encourage lawmakers and regulators to adopt common-sense, cost-effective policies to increase diversity and inclusion among corporate boards, leadership positions, and in the asset management industry. Treasurer Frerichs testified before the SEC's Asset Management Advisory Committee in September 2020, advocating for board and workforce diversity disclosures and the inclusion of diverse investment firms in search processes (i.e. the Garcia Rule). Treasurer Frerichs also 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.

Engaging Mutual Fund Boards on Diversity Shortfalls – Diversity of corporate boards has increased over the years, due to the recognition that diversity enhances board performance and effectiveness, and significant attention from investors. The same cannot be said of mutual fund boards, which have received less attention. The Illinois Treasurer believes that this is another area where diversity and inclusion can drive value creation.

Results: In 2019, the Illinois Treasurer engaged 26 mutual fund boards to request information on the diversity of trustees. This enabled the Illinois Treasurer to identify high and low performers among its fund managers, which provides data for analysis and direct engagement, as well as also gather best practices and recommendations for those seeking to enhance their diversity. In 2020, the Illinois Treasurer standardized this reporting process so mutual fund providers submit this information every year.

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 2020, the Illinois Treasurer voted against 521 directors due to a lack of gender diversity on the board. The Illinois Treasurer also cast votes in favor of 14 shareholder proposals aimed to increase board diversity in 2020.

llinois 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

Why It Matters

Climate Risk is a Systemic Risk to the Global Economy. The world is facing a climate emergency. The science is clear: We have ten years to keep global warming below 1.5 degrees Celsius to avert catastrophic consequences.[7] Governments and businesses around the world are now undergoing a rapidly developing transformation to a world with net-zero greenhouse gas emissions. As Larry Fink at BlackRock emphasizes, "There is no company whose business model won't be profoundly affected by the transition to a net zero economy." As such, companies have a responsibility to their investors – and to their communities, customers and workers – to prepare for and participate in this transition.

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; and
- **Physical Factors** – More frequent and severe weather events disrupting physical operations.[8]

7 Alan Buis, "A Degree of Concern: Why Global Temperatures Matter," NASA's Global Climate Change Website, June 19, 2019, available at https://climate.nasa.gov/news/2865/a-degree-of-concern-why-global-temperatures-matter/.
8 Hildebran, Phillip and Deborah Winshel, "Adapting Portfolios to Climate Change," BlackRock Investment Institute, September 2016. Available at www.blackrock.com/corporate/literature/whitepaper/bii-climate-change-2016-us.pdf.

> "There is no company whose business model won't be profoundly affected by the transition to a net zero economy."
>
> – Larry Fink
>
> **Source – blackrock.com/corporate/investor-relations/larry-fink-ceo-letter**

Addressing Material Financial Impacts. 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 & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Actions and Results

Southern Company – In 2020, the Illinois Treasurer was selected to co-lead the Climate Action 100+ investor group engaging Southern Company, the nation's second largest electric utility. Southern faces mounting financial, regulatory, and operational challenges as it accelerates its transition to a net-zero economy, works to reduce its greenhouse gas emissions, and pursues a more diverse energy resource portfolio.

Results: At the request of investors, Southern Company announced an updated climate strategy with a goal of achieving net-zero carbon emissions by 2050 at its annual stockholder meeting in May 2020. Investors agree this is a decisive step in confronting risk exposures and growth opportunities related to climate change. For electric utilities like Southern, that means addressing risks related to tightening emissions standards, changing subsidies and taxes, and physical risks to infrastructure, and at the same time, developing growth prospects as carbon-free energy generation presents increasing opportunities related to costs, demand, regulation and technological innovation. Our investor group continues to urge the company to accelerate its medium-term carbon reduction target for 2030 and align future capital expenditures with its long-term GHG reduction target.

Results: Southern Company amended its executive compensation plan in 2019 at the request of investors to link the CEO's pay to progress made achieving greenhouse gas emission targets. Connecting executive pay is a critical means to establish accountability and enhance board supervision over core business objectives, such as the company's climate transition goals. Our investor group continues to urge the company to (1) increase the influence of this mechanism, (2) increase the stated carbon reduction goals, and (3) include other named executive officers and managers under this program.

> "Climate change presents serious risks – and opportunities – to companies and investors. To thrive in the face of such a transformative, systemic threat such as climate change, it is critical that companies set goals, build plans and marshal the resources necessary to ensure long-term sustainability."
>
> — Treasurer Frerichs


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Atlanta-Based Southern Company Commits To Net Zero Carbon Emissions

MOLLY SAMUEL • MAY 27, 2020

Results: At the request of investors, Southern Company released a new report in September 2020, "Implementation and Action Toward Net Zero," that details the company's climate transition plans, including continued coal transition, utilization of natural gas, further growth in zero-carbon resources, negative carbon technologies, enhanced energy efficiency initiatives and continued investment in R&D focused on clean energy technologies. Our investor group continues to encourage additional disclosure, including the company's scenario plan to achieve net-zero carbon emissions by 2035, disclosure of Scope 3 emissions, disclosure of future capital expenditure plans, disclosure of performance metrics on energy efficiency initiatives, and further reporting on climate policy engagement activities.

Vanguard – The Illinois Treasurer entrusts Vanguard to manage over $6 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,[9] 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% of key climate resolutions, as identified by Morningstar.[10]

Results: In addition to engaging in constructive dialogue and exhibiting good faith to reexamine its proxy voting policies, Vanguard has increased transparency on its voting decisions and engagement activities on ESG issues, as evidenced in its 2020 Investment Stewardship Report. The Illinois Treasurer and Boston Trust Walden continue to undertake active dialogue with Vanguard, conduct due diligence on voting and engagement activities, and advocate for enhanced proxy voting and investment stewardship practices.

Sempra Energy – The Illinois Treasurer joined fellow investors As You Sow and Calvert Investments to co-file a shareholder proposal in November 2020 at the electric utility Sempra Energy, headquartered in San Diego, CA. Unlike peers, Sempra has no net-zero or long-term climate targets. Instead, it continues to invest in greenhouse gas intensive natural gas assets, acknowledging this will cause its emissions to balloon. While Sempra discloses how its trade associations align with its own views on climate change, current reporting does not disclose whether its lobbying is aligned with Paris goals, especially regarding natural gas use.

Results: In response to the proposal, Sempra created a new webpage on its climate policy activities, providing additional disclosure on efforts to align lobbying and political spending activities with the transition to a net-zero economy. While a step forward, our investor group continues to seek sufficient disclosure to demonstrate the company's own alignment with the Paris Agreement, alignment of its trade associations, as well as garner an enterprise-wide commitment to net-zero GHG emissions by 2050 or earlier.

Charter Communications – The Illinois Treasurer continues to lead an engagement with Charter Communications seeking the issuance of an annual sustainability report with detailed ESG risk exposures and management practices, including greenhouse gas reduction targets. The engagement includes fellow investors at Boston Trust Walden and the Connecticut State Treasurer.

Results: We are pleased to say that the company issued its first-ever Corporate Responsibility Report in January 2020 and has continued to collaborate with our group on enhancing sustainability reporting in the future. The company has committed to publishing a second report in spring 2021.

"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

9 Majority Action. "Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2020." Available at https://www.majorityaction.us/asset-manager-report-2020.

10 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.

Holding Companies Accountable for Tackling Climate Risks – The Illinois Treasurer adopted a new proxy voting policy that enables the office to vote against board directors that fail to address climate risks. As a fiduciary and shareholder, we have a responsibility to use our voting rights to ensure boards are effectively managing material risk exposures. As such, we are now integrating climate factors into our 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.

Strategic Partners On Climate Topics

Investing in Green Bonds – The Illinois Treasurer has invested $70 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 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 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.

Member of Climate Action 100+ – The Illinois Treasurer is an active member of Climate Action 100+, a global, investor-led initiative engaging the world's largest corporate greenhouse gas emitters to take necessary action on climate change. With over 540 investors responsible for over $52 trillion in assets under management, CA 100+ is a leading organization helping investors address the corrosive impact of climate risk within their investment portfolios.

Human Capital Management

Why It Matters

A Core Asset. Companies that treat their workforce as an important asset better position themselves and their investors for long-term rewards. As such, it is critically important that companies manage and report on their human capital with the same analytical lens as their physical and financial capital. This includes: (1) the cost of the workforce, including wages and benefits, (2) the number of people employed broken down by full-time, part-time and contracted workers; (3) workforce diversity data, and (4) issues that affect the productivity of employees, such as employee turnover, engagement, incentives and compensation, as well as the attraction and retention of employees in highly competitive markets for specific talent, skills, or education.

"It is critically important that companies manage and report on their human capital with the same analytical lens as their physical and financial capital."

—Treasurer Frerichs

The Business Case for Investors. Effective human capital management strategies drive positive long-term performance through enhanced worker productivity and better risk management. There is a large body of empirical work that 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.[11, 12, 13, 14, 15]

11 Bassi, Laurie 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.

12 Higgins, Jeff 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.

13 Ohler, Ken, "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.

14 Beeferman, Larry 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.

15 "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

Protecting Workers in The Wake of COVID-19

COVID-19 has presented immense challenges to businesses and their workers. The pandemic further demonstrated that the success of companies is inextricably connected to the welfare of their employees, customers, suppliers and the communities in which they operate. While we all face significant challenges in this environment, there are actions businesses can take to prevent adverse outcomes, and that includes protecting workers.

Not only has the SEC called on companies to report on their COVID-19 response, including efforts to protect the health and well-being of workers, but over 300 institutional investors with over $9.5 trillion in assets under management have joined in urging companies to enhance worker protections, provide paid sick leave, prioritize health and safety, and exercise financial prudence.

The Illinois Treasurer wholeheartedly supports this call to action, which is critical to both protecting investments as well as the health and welfare of hard-working Americans. Beyond co-signing the investor statement led by the Interfaith Center on Corporate Responsibility, the Illinois Treasurer launched target engagements with portfolio companies struggling with human capital management issues in the wake of COVID-19, including Amazon, Johnson Controls, and Republic Services. The Illinois Treasurer also co-signed a letter to the SEC urging comprehensive disclosure requirements to allow investors and the public to analyze companies during the COVID-19 pandemic.

Actions and Results

Targeted Engagements:

Republic Services – Given reports of inadequate management of labor relations and occupational health and safety shortfalls, including shortages of personal protective equipment (PPE) and cleaning materials, the Illinois Treasurer launched an engagement in May 2020 with Republic Services, the second largest waste collection company in the United States.

Results: After meeting with management and multiple board members to focus attention on workplace health and safety issues and encourage direct collaboration with labor representatives, we are pleased to report that the company renewed talks with labor representatives on issues related employee protections and benefits, including access to the COVID-19 vaccine.

Johnson Controls – Facing heightened operational, compliance and reputational risks related to incidents of COVID-19 at company facilities, the Illinois Treasurer launched an engagement in September 2020 with Johnson Controls to increase board-level oversight and reporting, re-examine employee benefits and protections, and encourage greater coordination with labor representatives.

Results: While the engagement is ongoing, the Illinois Treasurer has obtained increased disclosure from board representatives and senior managers regarding the company's health and safety protocol, employee benefits, and communication with employees and labor representatives. Future conversations will continue to focus on the provision of paid sick leave and fostering positive long-term relations with labor representatives.

Amazon – Given reports of human capital management and operational issues at Amazon facilities related to COVID-19, including reports of retaliation against workers, insufficient health and safety protections, and increased absenteeism, the Illinois Treasurer joined an engagement with fellow state treasurers, investors and labor representatives to urge increased board-level oversight and reporting. The disconnect between the company's public statements and media reports of widespread COVID-19 health and safety concerns among Amazon workers raised significant alarm, demanding increased board supervision and transparency.

Results: Requests from investors and other stakeholders prompted further board attention on workforce and COVID-related issues, helping increase disclosure and establish board accountability for the protection of workers, customers, communities, and shareholders. Looking ahead, the Illinois Treasurer will continue to urge Amazon's board to provide informed, metrics-driven oversight of the key aspects of workforce management, including labor rights, employee engagement, training, compensation, retention, and health and safety.


Amazon Must Disclose the COVID-19 Impact on Its Workers

There was silence on the topic at the company's AGM yesterday, but there is still time, say three US state treasurers

By Michael Frerichs, Deb Goldberg & Sarah Godlewski

June 4, 2020

Walmart – The Illinois Treasurer led an engagement of the Human Capital Management Coalition with Walmart to address workforce and business risks related to COVID-19. The Illinois Treasurer specifically asked that the company address key topics related to enterprise risk management, financial impacts, workforce adjustments, and employee benefits and protections related to COVID-19.

Results: Walmart issued enhanced disclosures and reporting at the request of investors related to its COVID-19 response, and the Illinois Treasurer found that the company's responses to the key topic areas were "high" and "moderate," thereby providing investors with valuable information to better assess risk exposures.

Host Hotels & Resorts – The Illinois Treasurer launched an engagement with Host Hotels & Resorts in October 2018 on human capital management practices and reporting. Host Hotels & Resorts is a real estate investment trust, and its core business is hospitality services. As an employee-driven service provider, investors expect the company to provide data and reporting on key human capital metrics, including workforce costs, turnover, demographics, and issues that affect productivity, such as employee engagement and health and safety.

Results: We are pleased to report that in 2019, the company included human capital management in corporate reporting, amended the Nominating and Governance Committee charter to include sustainability topics, and joined the 5-Star Promise, a voluntary commitment by hospitality companies to enhance sexual harassment prevention policies, training, and resources. Dialogue with the company continues, focusing on more robust human capital management reporting and metrics, which is particularly significant in the wake of COVID-19 and its impact on the hospitality industry.

Member of the Human Capital Management Coalition – The Illinois Treasurer is an active member of the Human Capital Management Coalition (HCMC), a group of 32 investors with more than $6 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 they provide investors with material, relevant and decision-useful information to better assess the performance of the companies they own.

Urging the SEC to Set Standards for Human Capital Management Disclosure – The Illinois Treasurer joined fellow investors in calling on the SEC to issue a new human capital disclosure requirement for U.S. publicly traded companies. In the fall of 2020, the SEC amended its disclosure rules to require companies to report on their human capital, including a description of their workforce resources, the number of personnel, and the measures or objectives they maintain to manage this part of their business. While this is a critical first step reaffirming the vital role of workers in driving corporate value creation, we continue to seek more specific, quantitative standards by which company practices can be more easily discerned and compared, including (1) the number of workers involved in the corporate enterprise, (2) the total cost of that workforce to the company, (3) turnover, and (4) data about diversity and inclusion by seniority level.[16]

"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 child care 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.

Investor Statement on Disability Inclusion – The Illinois Treasurer joined investors representing more than $2.8 trillion in combined assets calling on portfolio companies to create inclusive workplaces that can benefit from employing the millions of talented people with disabilities who remain underrepresented in the workforce.

16 Anthony Hesketh and Samantha Ross, "A Company's Workforce Is Its Most Strategic Asset. Investors Deserve Clarity About It." *Barron's*. October 19, 2020. Available at www.barrons.com/articles/a-companys-workforce-is-its-most-strategic-asset-investors-deserve-clarity-about-it-51603114430.

The Opioid Epidemic

Why It Matters

A National Crisis. From 1999 to 2018, nearly 450,000 people died from an overdose involving opioid products, including prescription and illicit opioids.[17] During the COVID-19 pandemic, the crisis has worsened. Over 81,000 drug overdose deaths occurred in the United States in the 12 months ending in May 2020, the highest on record for a 12-month period.[18] Opioid abuse is undeniably a public health crisis, and the economic, social, and human effects of the crisis are staggering. In addition to the devastating impact on families and communities, the Council of Economic Advisers has estimated that in 2018, the cost of opioid abuse was $696 billion, or 3.4% of GDP.[19]

The Risk to Investors. Publicly traded pharmaceutical companies manufacture, distribute and retail opioid products, and many are facing massive lawsuits for issues related to failed compliance, oversight, and internal controls. 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 these companies.

17 "Opioid Overdose," Centers for Disease Control and Prevention. March 19, 2020. Available at www.cdc.gov/drugoverdose/epidemic/index.html

18 "Overdose Deaths Accelerating during COVID-19." Centers for Disease Control and Prevention. December 17, 2020. Available at www.cdc.gov/media/releases/2020/p1218-overdose-deaths-covid-19.html.

19 "The Wider Effects of America's Opioid Epidemic- The Drugs Don't Work," *The Economist*, January 16, 2020. Available at www.economist.com/business/2020/01/16/the-wider-effects-of-americas-opioid-epidemic

Actions Taken

Investors for Opioid & Pharmaceutical Accountability (IOPA) – The Illinois Treasurer actively partners with other investors to encourage at-risk companies to increase oversight of opioid issues, increase transparency, and implement accountability measures. This includes participation in Investors for Opioid and Pharmaceutical Accountability (IOPA), a 56-member investor coalition with nearly $4 trillion in assets under management, led by the UAW Retiree Medical Benefits Trust and Mercy Investment Services.

Results: Established in July 2017, IOPA actively engages opioid drug makers, distributors, and retail pharmacies. To date, IOPA has filed over 60 resolutions at impacted companies and settled over 30 proposals relating to board independence, executive compensation, and reporting on opioid business risks, among other issues. These filings and settlements help protect investors by focusing board oversight on these risk exposures, increasing board independence, enhancing reporting and disclosure to investors, strengthening misconduct clawbacks, establishing accountability in executive pay practices, and better aligning lobbying and political spending in the fight against the opioid epidemic.

around **130**
people
die every day from an opioid overdose (including Rx and illicit opioids.)

Opioid Overdoses, Centers for Disease Control and Prevention

Results:

IOPA INVESTORS FOR OPIOID AND PHARMACEUTICAL ACCOUNTABILITY

IOPA has filed over 60 resolutions at impacted companies and settled over 30 proposals relating to board independence, executive compensation, and reporting on opioid business risks, among other issues.

Leading an Engagement with Johnson & Johnson – The Illinois Treasurer is leading IOPA's engagements with Johnson & Johnson, whose business lines are linked to the opioid epidemic.[20] In August 2019, the company was found guilty of false and misleading marketing of both their drugs and opioids and was ordered to pay $465 million to the State of Oklahoma.[21] Johnson & Johnson is also expected to pay $5 billion in settlement costs as part of consolidated opioid litigation, a significant cost to the company and its shareholders.[22]

Results: The Illinois Treasurer introduced a shareholder proposal in November 2019 requesting that the company's Board of Directors issue a report describing the measures the company has implemented since 2012 to monitor and manage risks related to the opioid crisis. The proposal received a majority vote in support from the company's shareholders at the annual stockholder meeting in April 2020. We are pleased to note that Johnson & Johnson issued the requested report in October 2020. While this is an important first step, the Illinois Treasurer and fellow investors continue to engage the company on executive pay practices, separation of the CEO and board chair, metrics-based disclosure, and ongoing opioid risk exposures.

Leading the Analysis of Opioid Risk Reports from Pharmaceutical Companies – A major objective of IOPA is to obtain board-level reports from pharmaceutical companies that document oversight practices, policies and actions taken to mitigate opioid risk exposures. Using a customized methodology, the Illinois Treasurer leads the analysis of reports provided, reviewing each to determine strengths and weaknesses, and participates in dialogues with companies to encourage more robust, iterative disclosure.

Results: To date, nine pharmaceutical companies engaged by IOPA have issued board-level reports as requested, and the Illinois Treasurer led the analysis of each. The Illinois Treasurer was also the lead investor on obtaining enhanced disclosure from CVS, successfully negotiating with the company to issue a report in April 2019.

20 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.

21 Colin Dwyer and Jackie Fortier, "Oklahoma Judge Shaves $107 Million Off Opioid Decision Against Johnson & Johnson." National Public Radio. November 15, 2019. Available at: www.npr.org/2019/11/15/779439374/oklahoma-judge-shaves-107-million-off-opioid-decision-against-johnson-johnson.

22 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.

Board Accountability

Why It Matters

Serving the Interests of Shareholders. 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. As such, the Illinois Treasurer supports board accountability, transparency, sensible executive compensation programs, robust shareholder rights, and ethical conduct as key governance factors.

> **"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*

An Independent Board Chair is Best Practice. The board of directors must maintain a level of independence from management to exercise proper oversight. The Illinois Treasurer considers an independent director to be one who: (1) is not an executive of the company, (2) does not have direct familial ties with executive management, (3) does not have significant business ties to the company, and (4) is not a significant shareholder.

Evidence shows that having the same individual in the position of board chair and CEO is deeply problematic. An article from the Harvard Law School Forum on Corporate Governance emphasizes that when "all authority is vested in one individual; there are no checks and balances…presenting an obvious conflict of interest."[23] For example, in PwC's 2019 annual director survey, 57% of directors who sit on a board with a unified chair/CEO reported it is difficult to voice dissent.[24]

23 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/.

24 PwC's 2019 *Annual Corporate Directors Survey*, available at www.shareholderforum.com/access/Library/20191001_PwC.pdf.

Actions Taken

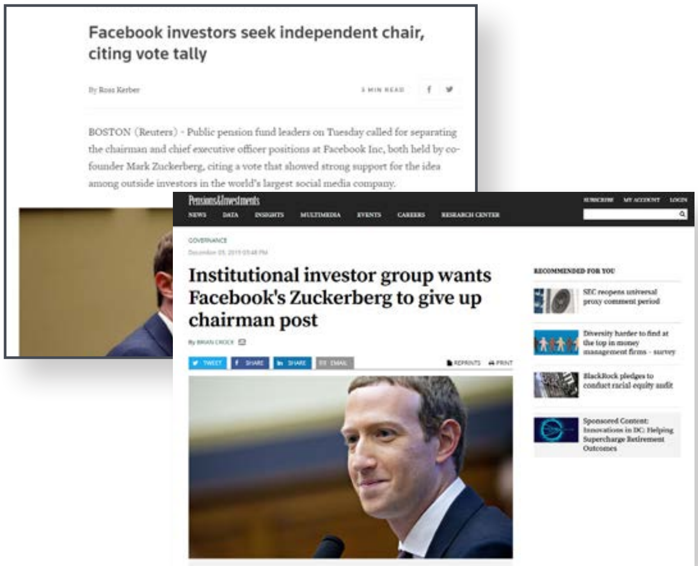
Leading an Engagement with Facebook – Facebook, a social media platform with more than 2.8 billion users, is embroiled in controversy. The company has overlooked or mishandled significant controversies, including anti-trust accusations, data breaches, and election interference. The company's responses 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.

"Too much control given to one person is not a good model for any company and Facebook has shown us over and over again the risk it carries for its users and investors. An independent board chair is an important step forward 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

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 proposal was co-filed by the Pennsylvania State Treasurer, Rhode Island State Treasurer, Vermont State Treasurer, Green Century Funds, and the Sisters of the Holy Names. The separation of the CEO and board chair would benefit investors by providing Zuckerberg the time and attention 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.

Results: The independent board chair proposal introduced in 2019 received support among 64% of Facebook's independent shareholders, including large firms like Vanguard and Goldman Sachs. This vote sends a clear message that investors see the need for real oversight and governance reforms. Mr. Zuckerberg and other Facebook insiders control a majority of the voting shares at the company. While dialogue with the company is ongoing regarding the 2020 proposal, the renewed independent board chair proposal is set for a vote before Facebook's shareholders at its annual meeting in 2021.



Facebook investors seek independent chair, citing vote tally

By Ross Kerber

BOSTON (Reuters) - Public pension fund leaders on Tuesday called for separating the chairman and chief executive officer positions at Facebook Inc, both held by co-founder Mark Zuckerberg, citing a vote that showed strong support for the idea among outside investors in the world's largest social media company.

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

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- **Using Proxy Voting Power to Advance Board Independence** – In 2020, the Illinois Treasurer voted in favor of all shareholder proposals seeking the establishment of an independent board chair, which totaled 47 over the year.

IV. Fighting To Protect Shareholder Rights

Why It Matters

The Importance of Proxy Voting, Shareholder Proposals, and ESG Disclosure. To effectively execute our fiduciary duties, the Illinois Treasurer routinely votes on proxy ballot items and is an active proponent of shareholder resolutions designed to serve the mutual interests of shareowners and corporate managers. The Illinois Treasurer also seeks robust disclosure from portfolio companies and asset managers on sustainability (or ESG) factors, given that these factors can have a material impact on performance and provide useful information to investors. These activities are critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants.

Proxy voting, shareholder resolutions, and robust disclosure 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. Not only do these activities help protect investors, they help maintain fairness, order and efficiency in critically important corporate governance matters, and they facilitate capital formation by enhancing corporate managerial accountability and company performance.[25, 26]

An Attack on Shareholder Rights – Proposed versions of four rules from the U.S. Department of Labor (DOL) and the Securities and Exchange Commission (SEC) sought to undermine the rights of investors to express their voice and challenge the corporations in which they own shares. The final versions of these rules, while still troubling, resulted in more modest changes to the shareholder toolbox.

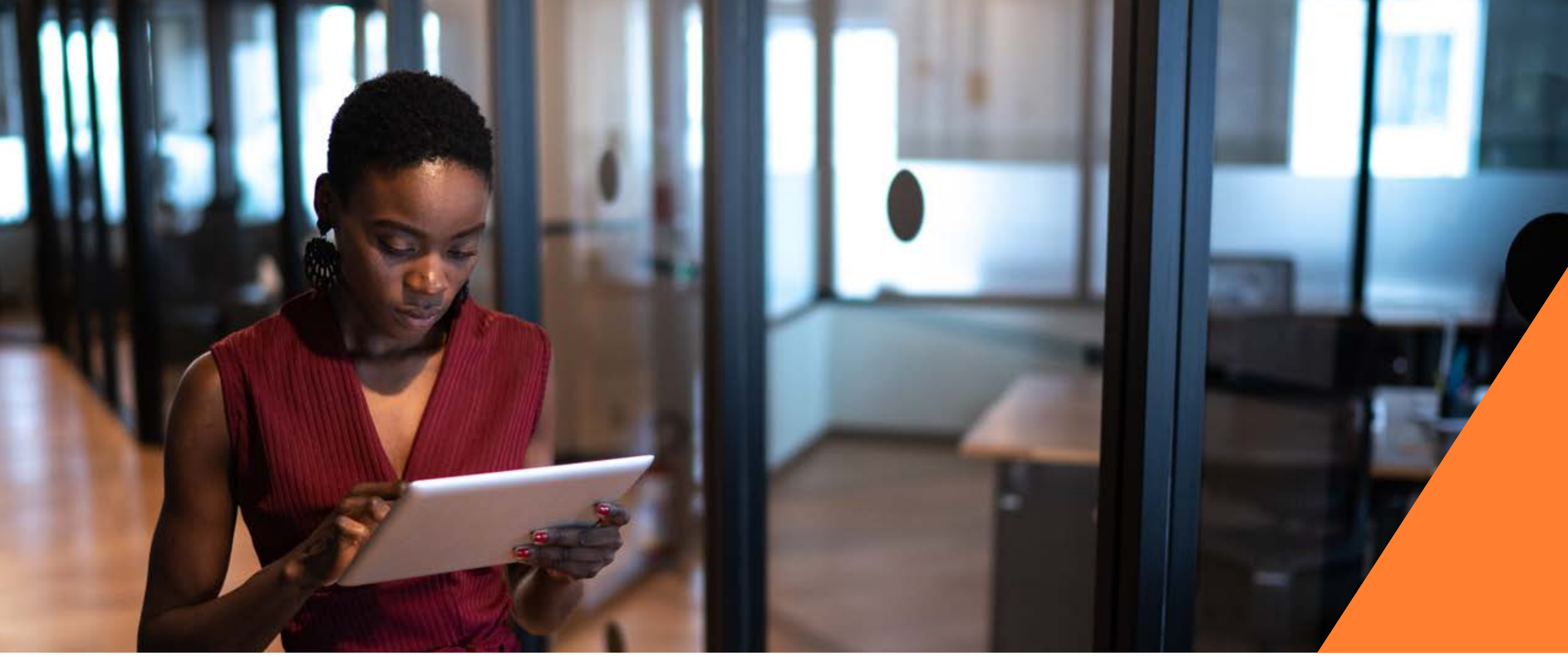
The SEC issued a final rule on proxy advisors in September 2020 and a final rule on shareholder advocacy in November 2020. The DOL released final rules on ESG investing in November and proxy voting in December 2020. The four rules collectively weaken shareholder rights and disclosure. The Illinois Treasurer was one of the many active voices on the rulemakings. We submitted comments on each of the four proposals.

The Illinois Treasurer does not anticipate substantive changes to our operations around proxy voting, shareholder advocacy and sustainable investing.

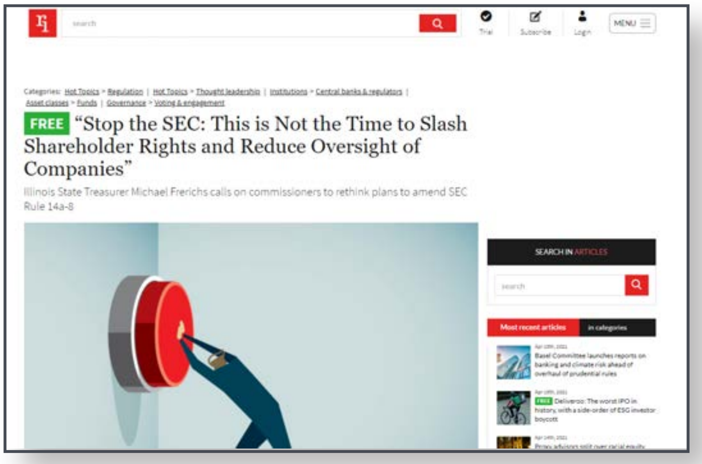
Actions Taken

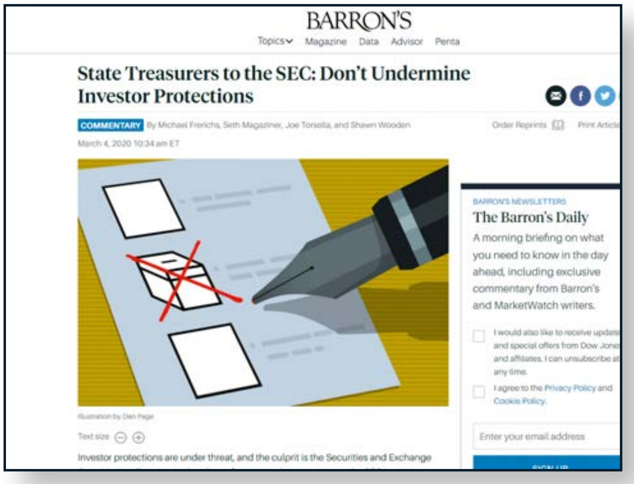
- **Comment Letter on SEC Rule Changes –** The Illinois Treasurer reached out directly to the SEC in January 2020, issuing a comment letter outlining concerns with the two proposals. The two proposals in question, which will impair investors' ability to cast informed proxy votes and submit shareholder proposals, will undoubtedly weaken investor protections that have proven indispensable in strengthening corporate governance, improving business performance, and protecting shareholder value.
- **Editorial on Restrictions to Shareholder Proposal Process** – The Illinois Treasurer issued an editorial in April 2020 urging the SEC to reject new restrictions to the shareholder proposal process, which has worked well for more than half a century, providing an orderly and cost-effective means for investors to communicate with companies on risks and opportunities of material interest. The new restrictions increase share ownership requirements for investors seeking to file resolutions, as well as increase the percentage of supporting votes a shareholder resolution needs to be resubmitted. These changes may seem minor at first glance, but they would eliminate a multitude of shareholder proposals from proxy ballots. Now is the wrong time to disrupt a well-functioning system, and simultaneously restrict transparency in the capital markets and limit investors' ability to manage investments.

25 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.
26 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.



- **Editorial on Proxy Advisor Regulation** – The Illinois Treasurer partnered with the state treasurers of Pennsylvania, Connecticut, and Rhode Island, to issue a joint op-ed in March 2020 outlining the issues with the new regulations on proxy advisors. Institutional investors rely on proxy advisors, like Institutional Shareholder Services and Glass Lewis, to provide timely, independent recommendations on proxy ballot items that require votes every year at tens of thousands of companies around the world. The SEC's recent moves represent an unnecessary, unprecedented, and destructive intrusion on the relationship between investors and their advisors.
- **Comment Letter on DOL Rule Changes to Proxy Voting** – The Illinois Treasurer issued a comment letter to the U.S. Department of Labor in October 2020 underscoring concerns with the new restrictions and their corrosive effect on shareholder rights and market efficiencies. The change represents an unnecessary and unprecedented intrusion on the ability of fiduciaries to act in the best interests of their plan participants and beneficiaries.
- **Comment Letter on DOL Rule Changes to ESG Disclosure –** The Illinois Treasurer issued a comment letter to the U.S. Department of Labor in July 2020 articulating concerns with the department's dismissive stance on issues of material importance to investors. Analyzing the impact of environmental, social and governance factors – like board composition, climate preparedness, and human capital management – provides a more complete view of an investment, its past performance, and future potential.





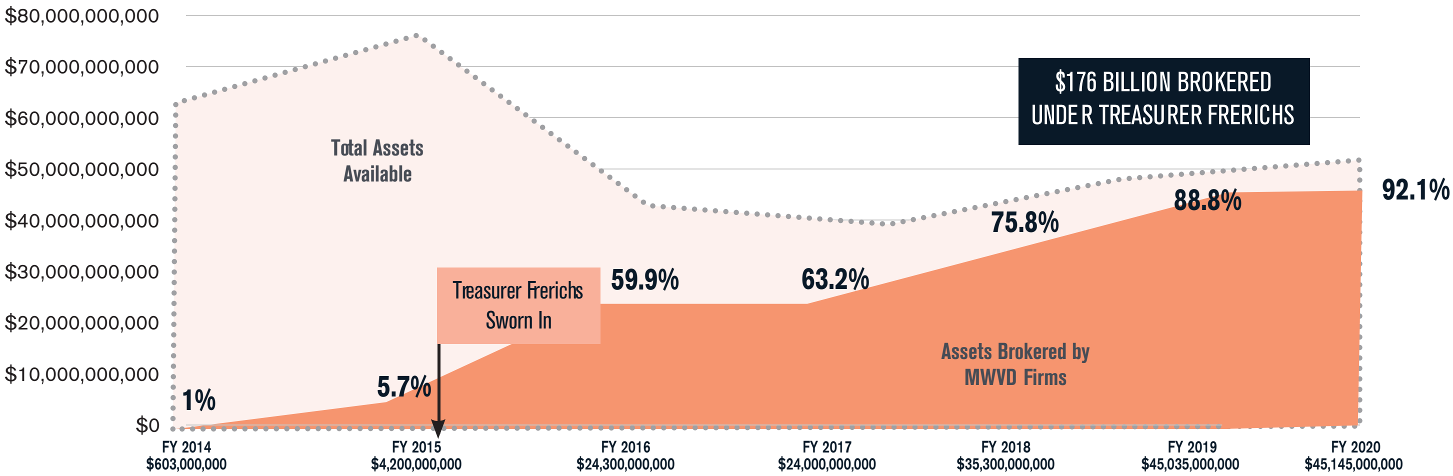
V. Prioritizing Diverse Investment Firms

Treasurer Frerichs believes our government should mirror the diversity in our state. We know diversity is good for business. In the last year, the Illinois Treasurer has made great strides to ensure inclusion and provide more opportunities for Minority, Women, Veteran, and Disabled (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, FY 2014 – FY 2020

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.

Assets Brokered by MWVD Firms



Year-over-Year Comparison of Assets Brokered by MWVD Firms

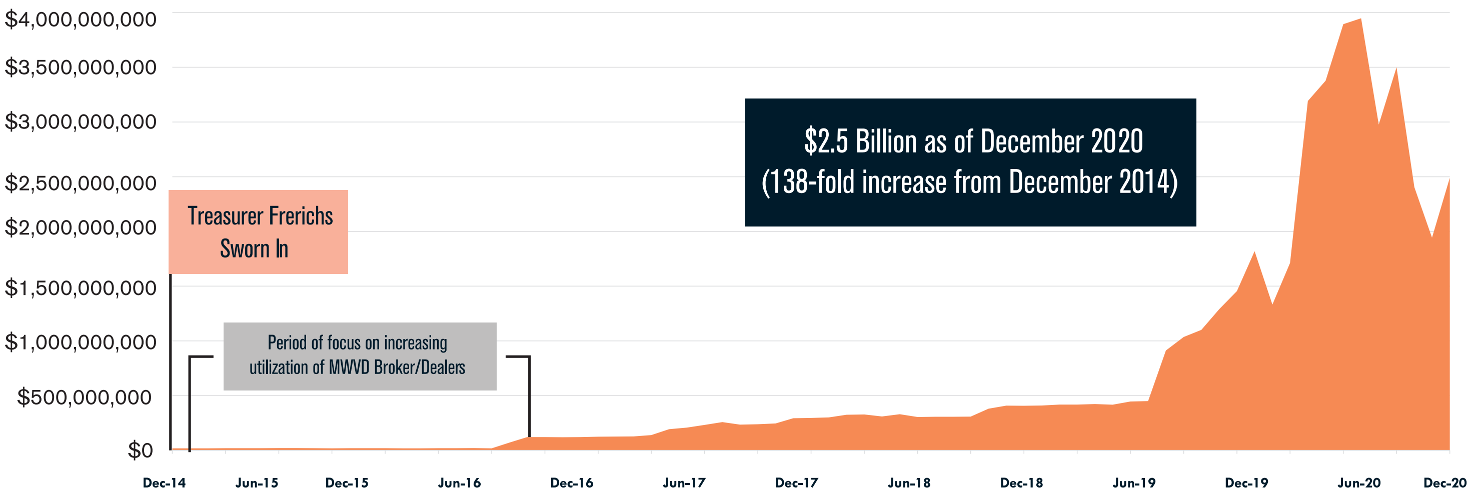
Year-by-Year Comparison of Assets Brokered by MWVD Firms FY 2014 – FY 2020							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Assets Brokered by MWVD Firms	$603 million	$4 billion	$24 billion	$24.0 billion	$35 billion	$45 billion	$43 billion
Total Assets Available	$60 billion	$74 billion	$41 billion	$38 billion	$47 billion	$51 billion	$47 billion
% Brokered by MWVD Firms	1.0%	5.7%	59.9%	63.2%	75.8%	88.8%	92.1%

Source: Office of the Illinois State Treasurer

Increasing Business with MWVD Asset Managers: From $18 million to $2.5 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 2020, the Illinois Treasurer had over $2.5 billion with MWVD asset managers. That represents a 138-fold increase.

Assets Managed by MWVD Firms, December 2014 – December 2020



Source: Office of the Illinois State Treasurer

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 entire workforce;
- Programs and policies related to supplier diversity;
- Programs and policies related to corporate responsibility; and
- 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.

Inclusive Management Team

The Illinois Treasurer ensures his own team reflects the diversity of our state. Since 2015, the Illinois Treasurer has increased the number of diverse executives and administrators from two (2) to thirteen (13) and also added four (4) diverse legal counsels.

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.

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% 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. Black and Latinx entrepreneurs have 80% of their equity capital needs going unmet in the greater Chicagoland area compared to 46% 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, which results in Black, Latinx, and women entrepreneurs struggling to access venture capital support.

We are 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.

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 beginning April 1, 2021, for more information.

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.

Investor Networks

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 Accountability (IOA) – A cooperative effort among a diverse group of influential institutional investors to elevate the critical importance of human capital management in company performance.

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.

Sustainability Accounting Standards Board (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. Proxy Voting

The Illinois Treasurer votes its proxies in line with the Proxy Policy Statement available on page 43 of this report. In 2020, the Illinois Treasurer voted 27,306 proposals at 2,964 companies. A full list of the votes cast is available on the Treasurer's Raising The Bar website.

A Glance at 2020 Proxy Voting

27,306
Proposals Voted at 2,964 Annual Meetings in 2020

17,966
Election of Directors Proposals Voted in 2020

640
Shareholder Proposals Voted in 2020

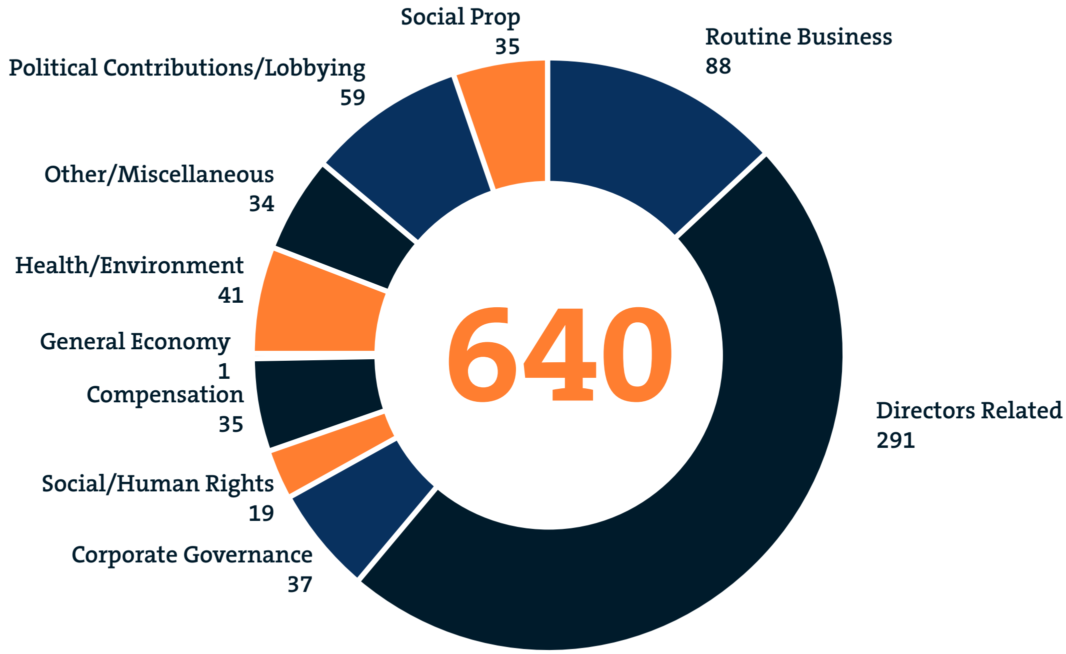
54%
of Votes Cast in Favor of all Proposals Voted in 2020

51%
of Votes Cast in Favor of Election of Directors in 2020

81%
of Votes Cast in Favor of Shareholder Proposals Voted in 2020

Summary of All Shareholder Proposals Voted in 2020

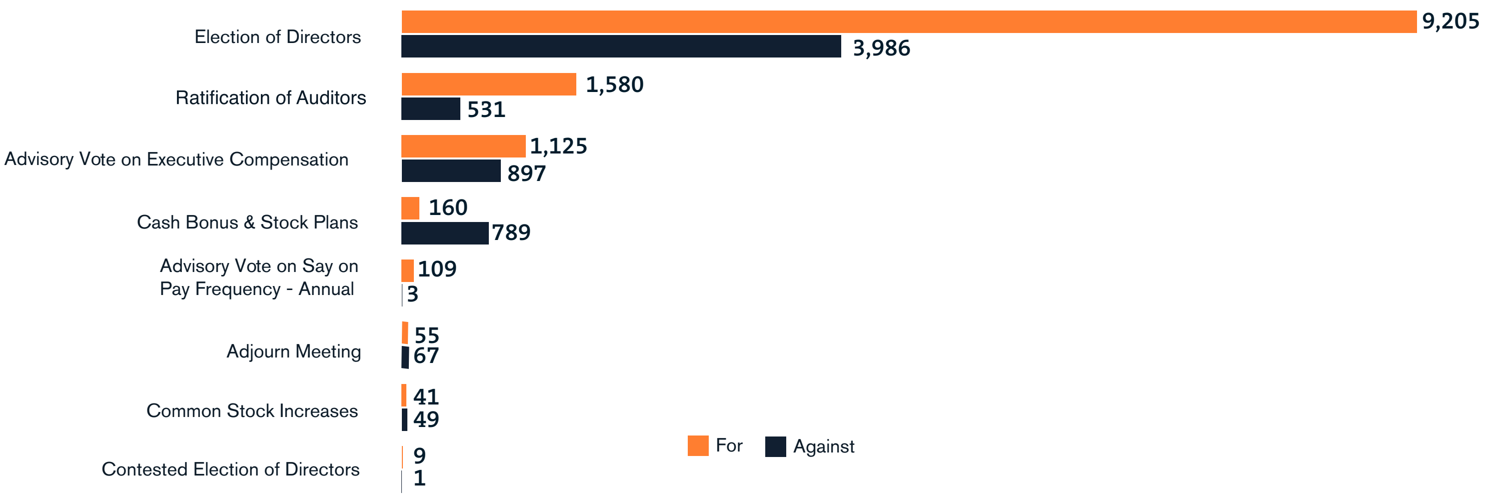
Proposals land on company ballots through one of two avenues: Either management puts forward a proposal to comply with legal requirements or to gauge shareholder sentiment or investors that meet a certain threshold submit a proposal to the company. The eight most commonly voted proposals in both categories — 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

2020 Votes of Most Common Management Proposals



Source: Office of the Illinois State Treasurer

A Glance at Election of Directors — The Illinois Treasurer votes against nominees for corporate directorships for the following reasons:

- Failure of oversight including inadequate response to systemic risks including climate change.
- Weak relative financial performance over a sustained period.
- The board has less than two-thirds independent directors or insiders sit on key board committees.
- The board took an egregious action that is averse to shareholder interests.
- A director failed to attend fewer than 75 percent of board and committee meetings without providing a valid explanation for the absence.
- Against the nominating committee members at companies with insufficient gender diversity.
- Against the nominating committee members at companies that fail to disclose the racial composition of the board of directors.

Contested Election of Directors

In contested elections 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 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.

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.

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 are specific. It also challenges 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 Treasurer's Office considers the following items when determining how to vote on compensation plans:

- Dilution;
- Performance standards and incentives;
- Acceleration of options and restricted stock in change-in-control scenarios; and
- Breadth of employee plan participation.

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.

Advisory Vote on Executive Compensation

Since 2011, the Dodd-Frank legislation provided shareholders with an advisory vote on executive compensation. The following factors are weighed.

- **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 pay-out that qualifies as a golden parachute under the Internal Revenue Code (IRC). A company also should not gross-up excise taxes owed by the executive in receipt of golden parachute payments.
- **CEO Pay Ratio:** Ratios will be monitored in comparison to peer groups and on an annual basis.
- **Adjusted GAAP Metrics:** Companies that use adjust GAAP metrics for executive pay purposes should provide robust explanatory disclosure.

Advisory Vote on Say-on-Pay Frequency

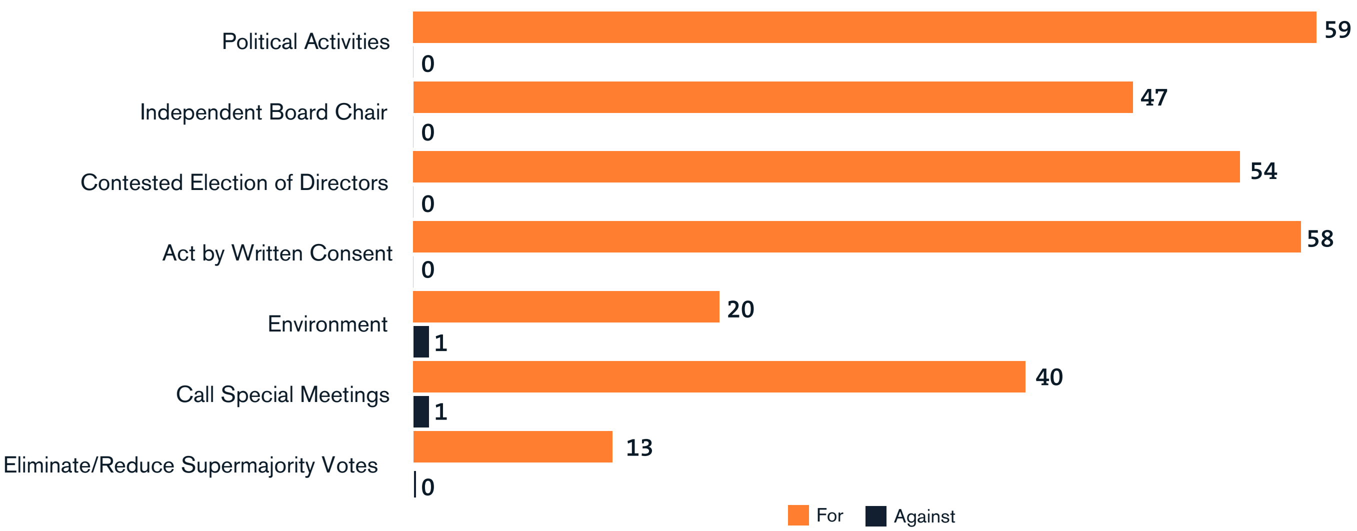
Dodd-Frank also enables shareholders to decide if they want to vote on a company's executive compensation annually, every two years or every three years. The vote on how frequently shareholders will vote on the say-on-pay vote occurs every six years. Since the first round of say-on-pay votes was in 2011, 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.

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 or for 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 is excessive or if there is a specific purpose for the increased stock authorization, such as an acquisition or stock split.

The Eight Most Common Shareholder Proposals Voted

2020 Votes of Most Common Shareholder Proposals



Source: Office of the Illinois State Treasurer

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.

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 UK have corporate laws that allow shareholders to call special meetings.

In the past in the U.S., only a few such proposals were filed 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.

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 to voluntarily eliminate supermajority vote provisions. The Illinois Treasurer position is that a majority vote by shareholders should be sufficient for all matters.

Environment

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 Treasurer's Office 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.

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 CEO 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 UK where it is a requirement.

Political Activities

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.

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.

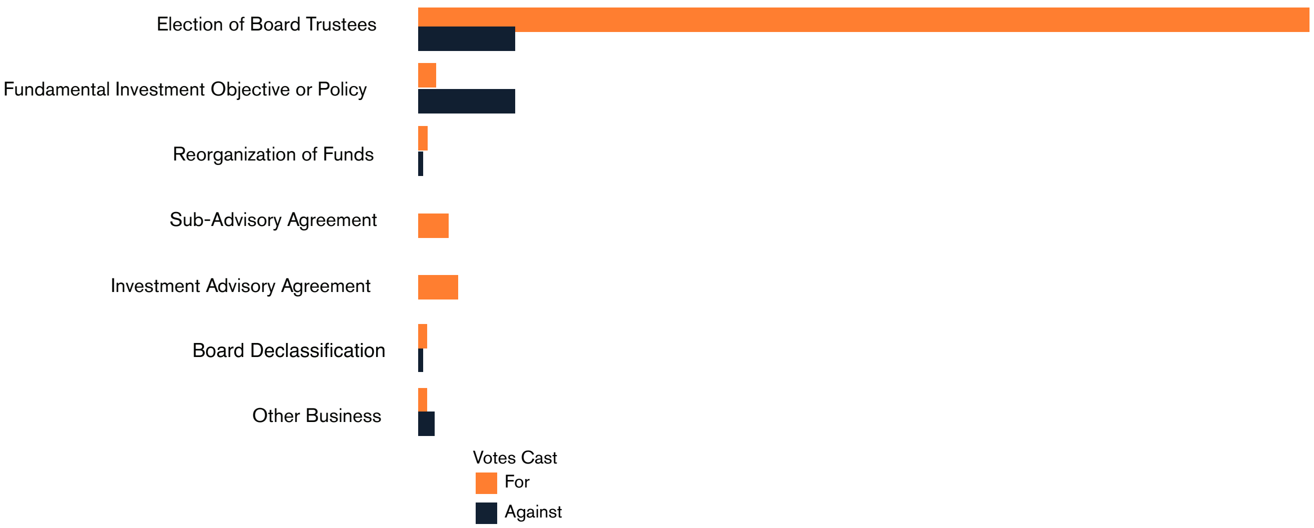
Board Diversity

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.

Mutual Fund Voting 2020

The Illinois Treasurer is an active steward of its investments across the full spectrum of asset classes. Beginning in 2016, we undertook an effort to vote proxies on equity holdings in the interest of the people whose assets are entrusted to us. In September 2018, we expanded the program to assert our voting rights on mutual fund ballots. Investors in mutual funds and similarly structured commingled funds are entitled to vote to elect the board of trustees, to approve strategic changes in the fund, opine on investment advisory agreements and handle shareholder proposals, although funds receive vastly fewer shareholder proposals than publicly traded firms. The table below provides a snapshot of the issues and frequency of the voting for mutual fund ballots.

2020 Votes of Mutual Fund Proposals



Source: Office of the Illinois State Treasurer

VIII. 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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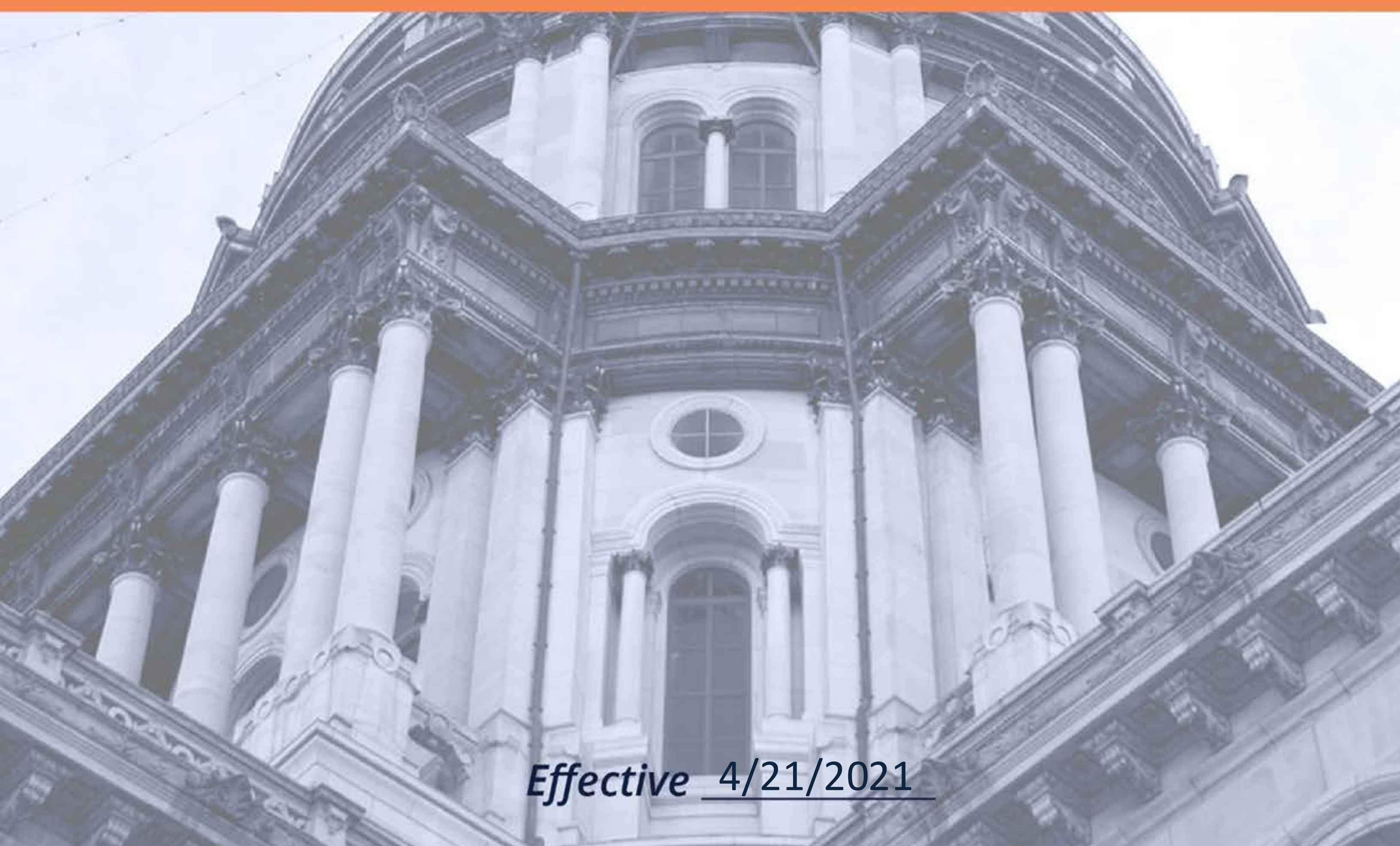
Appendix A:

Sustainability – Investment Policy Statement

Office of the Illinois State Treasurer
Michael W. Frerichs

Sustainability Investment Policy Statement



Effective 4/21/2021

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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 internal and external 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 applicable local, state, and federal laws.

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 (15 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 risk, and more effectively execute its fiduciary duty.

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 recognize and evaluate risk 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 sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.

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

- **Integration of Material Sustainability Factors in Internally and Externally Managed Investment Programs –** Prudent integration of material 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 of the Treasurer, given that these tangible and intangible factors may have material and relevant financial impacts.

- **Active Ownership –** Attentive oversight of 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 –** 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 –** Consideration of 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 be used for future planning and decision-making. 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.

4.0 GOVERNANCE

The Deputy Treasurer & 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 (PA 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 duty.

The Deputy Treasurer & Chief Investment Officer shall supervise and task pertinent divisions, including but not limited to the Division of Corporate Governance & Sustainable Investment, the Division of Investment Analysis & Due Diligence, 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 also involve the management of issues that are inherent to the business model or common practice in the industry and that are in potential conflict with the interest of broader stakeholder groups (e.g., government, community, customers, and employees), and therefore create a potential liability or, worse, a limitation or removal of a license to operate. This includes compliance, and regulatory 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 must maintain a level of independence from management to exercise proper oversight. The Treasurer considers an independent director to be one who: (1) is not an executive of the company, (2) does not have direct familial ties with executive management, (3) does not have significant business ties to the company, and (4) is not a significant shareholder.

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 certain threshold requirements.

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. 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. In an effort 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 & 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. While shareholders understand that corporate participation in the political process can benefit companies strategically and contribute to value creation, lobbying and corporate political giving has the potential to create risks to shareholder value through reputational harm and through undesirable reactions 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 as to the implications of such events occurring and the potential long-term impacts to the company and its shareholders.

6.0 ENVIRONMENTAL FACTORS

Environmental stewardship is a shared responsibility. Furthermore, environmental and climate-related factors may have adverse financial impacts on the Treasurer's investment portfolio. Accordingly, the Treasurer recognizes that impacts on the environment, either through the use of non-renewable natural resources as inputs to the factors of energy production or through harmful releases into the environment are key factors for consideration in identifying a company's value proposition and risk exposures. 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 maintain the knowledge and innovation to 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, power plants) and mobile sources (e.g. trucks, delivery vehicles, 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 are occurring as regulatory and public concerns about climate change are increasing in the U.S. and globally. The seven greenhouse gases covered under the Kyoto Protocol are included within the category: 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, power plants) and mobile sources (e.g. trucks, delivery vehicles, planes) as well as industrial emissions. Relevant airborne pollutants include, but at 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 and Hazardous Materials Management

Impacts related to water use, water consumption, wastewater generation, water resource contamination, and hazardous waste generation include higher costs, liabilities, and lost revenues due to curtailment or suspension of operations. Similarly, companies that reduce, recycle, and effectively manage their water resources and waste streams – as well as those companies that effectively treat, handle, store, and dispose of solid wastes and hazardous materials in manufacturing, agriculture, and other industrial processes – lower their regulatory and litigation risks, remediation liabilities, and operating costs.

f) 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, and 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 throughout their supply chain. The United Nations' "Guiding Principles on Business and Human Rights" sets out corporations' responsibility to respect human rights. Companies should regularly assess and seek to minimize any negative impact caused by their operations.

b) **Customer Welfare**
Companies have a material interest to provide products and services that do not expose their customers to undue physical or mental harm, deception, manipulation, exploitation, or unlawful conduct. This can expose companies to significant legal, regulatory, reputational, or other financial risks that jeopardize shareholder value. In addition, research demonstrates that companies that employ socially responsible business practices have the potential to create several distinct forms of value for customers, including positive marketing outcomes and subsequent financial performance. As such, this enhances firm value and long-term shareholder value.

c) **Product Quality, Safety, and Labelling**
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 reputational expenses and protect shareholder value. Conversely, companies with poor quality, safety, selling, and labelling standards may experience revenue loss due to damaged reputation, product recalls, lawsuits, or fines.

d) **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.

e) Data Security

Consumers trust companies with their personal and financial data. Companies that prevent data breaches and effectively manage data security and consumer privacy avoid harming 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 extraordinary expenses from breaches of data security.

f) Community Relations and Community Reinvestment

Community relations are a fundamental, strategic aspect of business for public and private corporations. They are not only a barometer of image and market presence across the world. It helps attract and retain top employees, positions itself positively among customers and, increasingly improves its position in the market. Positive, proactive community relations can translate into improved financial performance.

The Treasurer wants to encourage 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 is authorized to 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 undertaking investment decision-making.

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.

g) Access & 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 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 to deliver long-term value should manage their human capital with as much care and analytical insight as they manage their tangible and financial capital. It 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 Relations and Labor Practices**
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 of 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, leading 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 health 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 future considers how companies ensure physical and mental 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 the building of a diverse workforce at management and lower-ranking positions. Companies that respond to this demographic trend and employ staff who will 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 challenges recruiting and retaining those assets. 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 positively contributes 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 attributed 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 could contribute to increased shareholder value through improved competitive positioning, greater market share, and lower regulatory, demand, and supply chain risks.

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 & Materials Sourcing

Supply chain management and sustainable materials sourcing 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 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. Furthermore, it is important that companies manage the resiliency of materials supply chains to avoid disruptions and long-term risk exposures, including developing and disclosing plans for product design, maximizing resource efficiency in manufacturing, making R&D investments in substitute materials, using recycled or renewable materials, and/or reducing the use of key materials.

d) 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 may involve enhancing resiliency of physical assets and/or surrounding infrastructure as well as incorporate of climate change-related 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 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 during the review process, including the Treasurer. The total mix of information available through the existence of, or potential for, impacts on factors include: (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.

Potential actions will identify issues that can or do affect operational and financial performance by analyzing the three primary drivers of financial impact: (1) revenues and costs; (2) assets and liabilities; and (3) cost of capital or risk profile. 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 COGS, R&D, CAPEX or any other capital expenditures will be monitored. Issues, like climate change, that can impair tangible and intangible assets, such as PP&E 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 financial condition of a company can be impacted by sustainable factors that will raise the risk profile and create uncertainty in time capital needs.

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

1. **Internal and External Investment Management –** Prudently integrating sustainability criteria as components of 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

Reports shall be presented to the Corporate Governance Subcommittee for its review at minimum of one per month. The reports shall contain sufficient information to enable the Corporate Governance 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:

2021 Proxy voting policy statement

Office of the Illinois State Treasurer
Michael W. Frerichs

2021 Proxy Voting Policy Statement

Effective 2/24/2021

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, 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:

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:

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, Michael 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:
2020 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 X as defined in X, vote FOR. Otherwise, vote against.	2	2	2	0	0	0	0	0	0	0	2	0
If you are a Senior Officer as defined in Section 37(D) of the Securities Law, 1968, vote FOR. Otherwise, vote against.	13	13	0	13	0	0	0	0	0	0	13	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.	13	13	13	0	0	0	0	0	0	0	13	0
If you are an Interest Holder as defined in Section 1 of the Securities Law, 1968, vote FOR. Otherwise, vote against.	14	14	0	14	0	0	0	0	0	0	14	0
Indicate That You Do Not Have Personal Interest in Proposed Agenda Item	12	12	12	0	0	0	0	0	0	0	12	0
Limited Partnership/Limited Liability Corporation	1	3	0	0	3	0	0	0	0	0	0	3
Preferred Proposal	1	14	13	1	0	0	0	0	0	0	13	1
Private Company	6	35	0	2	15	18	0	0	0	0	0	35
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	31	109	41	31	19	18	0	0	0	0	70	39
Routine/Business												
Accept Consolidated Financial Statements and Statutory Reports	21	21	21	0	0	0	0	0	0	0	21	0
Accept Financial Statements and Statutory Reports	141	159	155	4	0	0	0	0	0	0	155	4
Adopt New Articles of Association/Charter	14	14	11	3	0	0	0	0	0	0	11	3
Adopt the Jurisdiction of Incorporation as the Exclusive Forum for Certain Disputes	3	3	0	3	0	0	0	0	0	0	0	3
Allow Board to Change the Investment Objective Without Shareholder Approval	19	22	3	19	0	0	0	0	0	0	3	19
Allow Electronic Distribution of Company Communications	1	1	1	0	0	0	0	0	0	0	1	0
Amend Articles/Bylaws/Charter -- Non-Routine	77	99	81	17	1	0	0	0	0	0	81	18
Amend Articles/Bylaws/Charter -- Routine	7	7	6	1	0	0	0	0	0	0	6	1
Amend Corporate Purpose	2	2	2	0	0	0	0	0	0	0	2	0
Amend Investment Advisory Agreement	1	1	0	1	0	0	0	0	0	0	0	1
Appoint Appraiser/Special Auditor/Liquidator	5	10	10	0	0	0	0	0	0	0	10	0

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve Allocation of Income and Dividends	72	74	74	0	0	0	0	0	0	0	74	0
Approve Auditors and Authorize Board to Fix Their Remuneration Auditors	217	221	133	39	4	44	1	0	0	0	133	87
Approve Change in Investment Objective	2	2	1	1	0	0	0	0	0	0	1	1
Approve Change of Fundamental Investment Policy	8	44	29	15	0	0	0	0	0	0	29	15
Approve Charitable Donations	2	2	2	0	0	0	0	0	0	0	2	0
Approve Delisting of Shares from Stock Exchange	6	6	5	1	0	0	0	0	0	0	5	1
Approve Dividend Distribution Policy	1	1	1	0	0	0	0	0	0	0	1	0
Approve Dividends	36	36	34	0	0	2	0	0	0	0	34	2
Approve Financial Statements, Allocation of Income, and Discharge Directors	7	7	7	0	0	0	0	0	0	0	7	0
Approve Investment Advisory Agreement	27	32	26	1	0	0	5	0	0	0	26	1
Approve Minutes of Previous Meeting	6	6	6	0	0	0	0	0	0	0	6	0
Approve Political Donations	25	25	25	0	0	0	0	0	0	0	25	0
Approve Provisionary Budget and Strategy for Fiscal Year 20XX	1	1	1	0	0	0	0	0	0	0	1	0
Approve Special Auditors' Report Regarding Related-Party Transactions	8	8	8	0	0	0	0	0	0	0	8	0
Approve Special/Interim Dividends	5	5	4	0	0	1	0	0	0	0	4	1
Approve Stock Dividend Program	5	8	8	0	0	0	0	0	0	0	8	0
Approve Treatment of Net Loss	2	3	3	0	0	0	0	0	0	0	3	0
Approve/Amend Regulations on General Meetings	2	4	4	0	0	0	0	0	0	0	4	0
Authorize Board to Fix Remuneration of External Auditor(s)	57	57	37	20	0	0	0	0	0	0	37	20
Authorize Board to Ratify and Execute Approved Resolutions	22	22	22	0	0	0	0	0	0	0	22	0
Authorize Filing of Required Documents/Other Formalities	9	9	9	0	0	0	0	0	0	0	9	0
Change Company Name	27	27	27	0	0	0	0	0	0	0	27	0
Designate Inspector or Shareholder Representative(s) of Minutes of Meeting and/or Vote Tabulation	5	5	5	0	0	0	0	0	0	0	5	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	4	4	4	0	0	0	0	0	0	0	4	0
Elect Member of Audit Committee	14	45	31	14	0	0	0	0	0	0	31	14
Elect Member of Nominating Committee	2	6	6	0	0	0	0	0	0	0	6	0
Elect Member of Remuneration Committee	9	36	30	6	0	0	0	0	0	0	30	6
Miscellaneous Proposal: Company-Specific	11	13	12	0	1	0	0	0	0	0	12	1
Open Meeting	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
Other Business	52	55	0	54	0	1	0	0	0	0	3	52
Ratify Alternate Auditor	1	1	1	0	0	0	0	0	0	0	1	0
Ratify Auditors	2122	2149	1580	531	22	7	9	0	0	0	1580	560
Receive/Approve Report/ Announcement	5	13	13	0	0	0	0	0	0	0	13	0
Totals for Routine/Business :	2498	3277	2449	730	28	55	15	0	0	0	2452	810
Directors Related												
Adopt Cumulative Voting for the Election of the Members of the Board of Directors at this Meeting	1	1	0	0	1	0	0	0	0	0	1	0
Adopt Majority Voting for Uncontested Election of Directors	10	11	10	0	0	0	1	0	0	0	10	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	5	5	5	0	0	0	0	0	0	0	5	0
Amend Articles Board-Related	9	10	9	1	0	0	0	0	0	0	9	1
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	4	4	4	0	0	0	0	0	0	0	4	0
Appoint Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	14	20	8	6	6	0	0	0	0	0	8	12
Appoint Internal Statutory Auditors (Bundled) [and Approve Auditors' Remuneration]	1	1	0	0	1	0	0	0	0	0	0	1
Approve Director/Officer Liability and Indemnification	11	12	9	3	0	0	0	0	0	0	9	3
Approve Discharge -- Other	1	1	1	0	0	0	0	0	0	0	1	0
Approve Discharge of Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Discharge of Board and President	25	27	26	1	0	0	0	0	0	0	26	1
Approve Discharge of Directors and Auditors	2	2	0	2	0	0	0	0	0	0	0	2
Approve Discharge of Management Board	27	43	25	8	10	0	0	0	0	0	25	18
Approve Discharge of Management and Supervisory Board	5	5	5	0	0	0	0	0	0	0	5	0
Approve Discharge of Supervisory Board	18	59	37	0	22	0	0	0	0	0	37	22
Approve Executive Appointment	2	3	3	0	0	0	0	0	0	0	3	0
Approve Increase in Size of Board	3	4	3	0	0	0	1	0	0	0	2	1
Approve Remuneration of Directors and/or Committee Members	70	79	36	9	34	0	0	0	0	0	37	42
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
As an Ordinary Shareholder, Would You like to Request a Separate Minority Election of a Member of the Board of Directors, Under the Terms of Article 141 of the Brazilian Corporate Law?	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
Authorize Board to Fill Vacancies	2	2	0	2	0	0	0	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
Change Range for Size of the Board	4	4	3	1	0	0	0	0	0	0	3	1
Company Specific--Board-Related	5	5	5	0	0	0	0	0	0	0	5	0
Declassify the Board of Directors	53	53	53	0	0	0	0	0	0	0	53	0
Dismiss/Remove Director(s)/ Auditor(s) (Non-contentious)	1	7	7	0	0	0	0	0	0	0	7	0
Elect Alternate/Deputy Directors	3	4	2	1	1	0	0	0	0	0	2	2
Elect Board Chairman/Vice-Chairman	9	9	2	7	0	0	0	0	0	0	2	7
Elect Director	2631	17966	9205	3986	9	4766	0	0	0	0	9204	8762
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	9	77	20	33	13	11	0	0	0	0	44	33
Elect Director (Management)	13	90	9	1	0	11	69	0	0	0	14	7
Elect Director and Approve Director's Remuneration	3	16	3	13	0	0	0	0	0	0	3	13
Elect Directors (Bundled)	17	18	5	8	2	3	0	0	0	0	5	13
Elect Directors (Bundled) and Approve Their Remuneration	2	3	0	3	0	0	0	0	0	0	0	3
Elect Members and Deputy Members of Corporate Assembly and/or Committee of Representatives	1	17	17	0	0	0	0	0	0	0	17	0
Elect Supervisory Board Member	14	40	33	4	3	0	0	0	0	0	33	7
Eliminate Cumulative Voting	3	3	0	3	0	0	0	0	0	0	0	3
Establish Range for Board Size	2	2	1	1	0	0	0	0	0	0	1	1
Fix Board Terms for Directors	1	1	0	0	1	0	0	0	0	0	0	1
Fix Number of Directors and/or Auditors	87	88	36	52	0	0	0	0	0	0	36	52
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?	3	4	0	0	4	0	0	0	0	0	4	0
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?	3	3	0	3	0	0	0	0	0	0	3	0
Indicate Personal Interest in Proposed Agenda Item	21	23	0	23	0	0	0	0	0	0	23	0
Indicate X as Independent Board Member	2	3	2	1	0	0	0	0	0	0	2	1
Install and/or Fix Size of Fiscal Council	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
Provide Proxy Access Right	3	3	3	0	0	0	0	0	0	0	3	0
Totals for Directors Related	2705	18737	9590	4177	108	4791	71	0	0	0	9652	9014
Capitalization												
Amend Articles/Charter Equity-Related	3	3	2	1	0	0	0	0	0	0	2	1
Amend Articles/Charter to Reflect Changes in Capital	6	6	6	0	0	0	0	0	0	0	6	0
Approve Cancellation of Capital Authorization	1	1	1	0	0	0	0	0	0	0	1	0
Approve Increase in Borrowing Powers	3	3	3	0	0	0	0	0	0	0	3	0
Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights	63	65	34	30	1	0	0	0	0	0	34	31
Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	110	144	107	21	16	0	0	0	0	0	107	37
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	22	28	23	5	0	0	0	0	0	0	23	5
Approve Issuance of Warrants/ Convertible Debentures	2	2	2	0	0	0	0	0	0	0	2	0
Approve Reduction in Share Capital	23	24	23	1	0	0	0	0	0	0	23	1
Approve Reverse Stock Split	81	82	78	2	1	0	1	0	0	0	78	3
Approve Shares Issued for a Private Placement to a Director or Executive	1	1	1	0	0	0	0	0	0	0	1	0
Approve Stock Split	3	3	2	1	0	0	0	0	0	0	2	1
Approve/Amend Conversion of Securities	26	34	33	1	0	0	0	0	0	0	33	1
Approve/Amend Securities Transfer Restrictions	4	4	3	1	0	0	0	0	0	0	3	1
Authorize Board to Increase Capital in the Event of Demand Exceeding Amounts Submitted to Shareholder Vote Above	2	3	1	2	0	0	0	0	0	0	1	2
Authorize Board to Set Issue Price for 10 Percent of Issued Capital Pursuant to Issue Authority without Preemptive Rights	2	2	0	2	0	0	0	0	0	0	0	2
Authorize Capital Increase of up to 10 Percent of Issued Capital for Future Acquisitions	2	3	2	1	0	0	0	0	0	0	2	1
Authorize Capitalization of Reserves for Bonus Issue or Increase in Par Value	2	3	2	1	0	0	0	0	0	0	2	1
Authorize Directed Share Repurchase Program	3	3	0	1	2	0	0	0	0	0	0	3
Authorize Issuance of Bonds/ Debentures	6	7	6	1	0	0	0	0	0	0	6	1
Authorize Issuance of Equity Upon Conversion of a Subsidiary's Equity-Linked Securities	1	2	0	2	0	0	0	0	0	0	0	2
Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	9	10	9	1	0	0	0	0	0	0	9	1
Authorize Issuance of Warrants/ Bonds with Warrants Attached/ Convertible Bonds with Preemptive Rights	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
Authorize Issuance of Warrants/ Bonds with Warrants Attached/ Convertible Bonds without Preemptive Rights	6	6	6	0	0	0	0	0	0	0	6	0
Authorize New Class of Preferred Stock	1	1	0	1	0	0	0	0	0	0	0	1
Authorize Reissuance of Repurchased Shares	27	27	0	21	6	0	0	0	0	0	0	27
Authorize Share Repurchase Program	98	103	4	13	79	7	0	0	0	0	4	99
Authorize Share Repurchase Program and Cancellation of Repurchased Shares	2	2	2	0	0	0	0	0	0	0	2	0
Authorize Share Repurchase Program and Reissuance of Repurchased Shares	5	5	0	0	5	0	0	0	0	0	0	5
Authorize Use of Financial Derivatives	3	3	0	0	3	0	0	0	0	0	0	3
Authorize a New Class of Common Stock	3	3	0	3	0	0	0	0	0	0	0	3
Company Specific - Equity Related	13	14	12	1	0	1	0	0	0	0	12	2
Eliminate Class of Preferred Stock	1	1	1	0	0	0	0	0	0	0	1	0
Eliminate Preemptive Rights	6	9	9	0	0	0	0	0	0	0	9	0
Eliminate/Adjust Par Value of Common Stock	1	1	1	0	0	0	0	0	0	0	1	0
Increase Authorized Common Stock	90	90	41	49	0	0	0	0	0	0	41	49
Increase Authorized Preferred Stock	1	1	0	1	0	0	0	0	0	0	0	1
Increase Authorized Preferred and Common Stock	1	1	0	1	0	0	0	0	0	0	0	1
Ratify Past Issuance of Shares	8	13	0	13	0	0	0	0	0	0	0	13
Reduce Authorized Common and/or Preferred Stock	10	12	12	0	0	0	0	0	0	0	12	0
Totals for Capitalization :	378	729	430	177	113	8	1	0	0	0	430	298
Reorg. and Mergers												
Acquire Certain Assets of Another Company	1	1	1	0	0	0	0	0	0	0	1	0
Amend Articles to: (Japan)	3	3	3	0	0	0	0	0	0	0	3	0
Amend Articles/Bylaws/Charter -- Organization-Related	2	2	2	0	0	0	0	0	0	0	2	0
Approve Accounting Treatment of Merger, Absorption, or Similar Transaction	1	1	1	0	0	0	0	0	0	0	1	0
Approve Acquisition OR Issue Shares in Connection with Acquisition	36	37	37	0	0	0	0	0	0	0	37	0
Approve Affiliation Agreements with Subsidiaries	1	1	1	0	0	0	0	0	0	0	1	0
Approve Amendments to Lending Procedures and Caps	1	1	1	0	0	0	0	0	0	0	1	0
Approve Exchange of Debt for Equity	1	2	2	0	0	0	0	0	0	0	2	0
Approve Formation of Holding Company	2	2	2	0	0	0	0	0	0	0	2	0
Approve Joint Venture Agreement	2	2	2	0	0	0	0	0	0	0	2	0
Approve Large-Scale Transaction with Right of Withdrawal	1	1	1	0	0	0	0	0	0	0	1	0
Approve Loan Agreement	1	1	0	0	1	0	0	0	0	0	0	1

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve Merger Agreement	58	62	62	0	0	0	0	0	0	0	62	0
Approve Merger by Absorption	5	12	12	0	0	0	0	0	0	0	12	0
Approve Merger of Funds	6	6	4	2	0	0	0	0	0	0	4	2
Approve Multi-Manager Structure	2	2	0	2	0	0	0	0	0	0	0	2
Approve Plan of Liquidation	6	6	6	0	0	0	0	0	0	0	6	0
Approve Pledging of Assets for Debt	1	1	1	0	0	0	0	0	0	0	1	0
Approve Recapitalization Plan	1	1	1	0	0	0	0	0	0	0	1	0
Approve Reorganization/ Restructuring Plan	4	4	4	0	0	0	0	0	0	0	4	0
Approve Sale of Company Assets	19	39	39	0	0	0	0	0	0	0	39	0
Approve Scheme of Arrangement	7	7	7	0	0	0	0	0	0	0	7	0
Approve Spin-Off Agreement	6	6	6	0	0	0	0	0	0	0	6	0
Approve Transaction with a Related Party	10	14	10	4	0	0	0	0	0	0	10	4
Approve/Amend Loan Guarantee to Subsidiary	11	13	11	2	0	0	0	0	0	0	11	2
Approve/Amend Subadvisory Agreement	20	41	33	0	0	0	8	0	0	0	33	0
Change Jurisdiction of Incorporation [ ]	13	13	3	10	0	0	0	0	0	0	3	10
Change of Corporate Form	1	1	1	0	0	0	0	0	0	0	1	0
Company Specific Organization Related	3	5	5	0	0	0	0	0	0	0	5	0
Miscellaneous Mutual Fund - Company-Specific	1	1	0	1	0	0	0	0	0	0	0	1
Waive Requirement for Mandatory Offer to All Shareholders	2	2	0	1	1	0	0	0	0	0	0	2
Totals for Reorg. and Mergers	210	290	258	22	2	0	8	0	0	0	258	24
Non-Salary Comp.												
Advisory Vote on Golden Parachutes	51	51	6	45	0	0	0	0	0	0	6	45
Advisory Vote on Say on Pay Frequency	110	112	2	3	0	0	0	107	0	0	75	37
Advisory Vote to Ratify Named Executive Officers'Compensation	2002	2039	1125	897	8	0	9	0	0	0	1126	904
Amend Articles/Charter Compensation-Related	1	2	0	0	2	0	0	0	0	0	0	2
Amend Executive Share Option Plan	64	66	0	66	0	0	0	0	0	0	2	64
Amend Non-Employee Director Omnibus Stock Plan	7	7	0	7	0	0	0	0	0	0	0	7
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	4	4	0	4	0	0	0	0	0	0	0	4
Amend Non-Qualified Employee Stock Purchase Plan	2	2	2	0	0	0	0	0	0	0	2	0
Amend Omnibus Stock Plan	322	323	1	321	1	0	0	0	0	0	4	319
Amend Qualified Employee Stock Purchase Plan	61	61	61	0	0	0	0	0	0	0	61	0
Amend Restricted Stock Plan	25	28	3	25	0	0	0	0	0	0	3	25

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Amend Terms of Outstanding Options	1	1	1	0	0	0	0	0	0	0	1	0
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	2	2	0	2	0	0	0	0	0	0	0	2
Approve Equity Plan Financing	3	6	2	4	0	0	0	0	0	0	2	4
Approve Executive Share Option Plan	18	50	1	49	0	0	0	0	0	0	1	49
Approve Increase in Aggregate Compensation Ceiling for Directors	4	5	0	1	4	0	0	0	0	0	0	5
Approve Increase in Aggregate Compensation Ceiling for Statutory Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Non-Employee Director Omnibus Stock Plan	7	7	0	7	0	0	0	0	0	0	0	7
Approve Non-Employee Director Restricted Stock Plan	1	1	0	1	0	0	0	0	0	0	0	1
Approve Non-Employee Director Stock Option Plan	1	1	0	1	0	0	0	0	0	0	0	1
Approve Non-Qualified Employee Stock Purchase Plan	3	3	3	0	0	0	0	0	0	0	3	0
Approve Omnibus Stock Plan	234	237	4	230	0	1	2	0	0	0	6	229
Approve Outside Director Stock Awards/Options in Lieu of Cash	4	8	8	0	0	0	0	0	0	0	8	0
Approve Qualified Employee Stock Purchase Plan	36	39	38	1	0	0	0	0	0	0	37	2
Approve Remuneration Policy	81	98	64	33	1	0	0	0	0	0	64	34
Approve Remuneration of Executive Directors and/or Non-Executive Directors	22	27	6	5	16	0	0	0	0	0	6	21
Approve Repricing of Options	5	5	0	5	0	0	0	0	0	0	0	5
Approve Restricted Stock Plan	26	26	5	21	0	0	0	0	0	0	5	21
Approve Share Plan Grant	21	29	9	19	1	0	0	0	0	0	9	20
Approve Stock Option Plan Grants	11	26	1	25	0	0	0	0	0	0	7	19
Approve Stock/Cash Award to Executive	1	2	0	2	0	0	0	0	0	0	0	2
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	3	3	3	0	0	0	0	0	0	0	3	0
Approve/Amend All Employee Share Schemes	8	8	7	1	0	0	0	0	0	0	7	1
Approve/Amend Deferred Share Bonus Plan	7	8	8	0	0	0	0	0	0	0	8	0
Approve/Amend Employment Agreements	13	14	9	5	0	0	0	0	0	0	9	5
Approve/Amend Executive Incentive Bonus Plan	2	2	0	2	0	0	0	0	0	0	0	2
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	2	2	2	0	0	0	0	0	0	0	2	0
Company-Specific Compensation-Related	8	9	4	3	2	0	0	0	0	0	4	5
Fix Maximum Variable Compensation Ratio	2	2	2	0	0	0	0	0	0	0	2	0

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Grant Equity Award to Third Party	4	12	6	6	0	0	0	0	0	0	6	6
Totals for Non-Salary Comp.	2229	3340	1384	1802	35	1	11	107	0	0	1470	1859
Antitakeover Related												
Adjourn Meeting	122	122	55	67	0	0	0	0	0	0	55	67
Adopt or Increase Supermajority Vote Requirement for Amendments	1	1	0	1	0	0	0	0	0	0	0	1
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)	10	11	1	9	0	0	1	0	0	0	1	9
Amend Articles/Charter Governance-Related	12	14	14	0	0	0	0	0	0	0	14	0
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	28	28	28	0	0	0	0	0	0	0	28	0
Eliminate/Restrict Right to Act by Written Consent	1	1	0	1	0	0	0	0	0	0	0	1
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	7	7	7	0	0	0	0	0	0	0	7	0
Reduce Supermajority Vote Requirement	40	58	58	0	0	0	0	0	0	0	58	0
Renew Partial Takeover Provision	3	3	0	3	0	0	0	0	0	0	0	3
Require Advance Notice for Shareholder Proposals/ Nominations	5	5	4	1	0	0	0	0	0	0	4	1
Totals for Antitakeover Related :	245	280	196	83	0	0	1	0	0	0	196	83
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
Totals for Miscellaneous	8	8	8	0	0	0	0	0	0	0	8	0
Social Proposal												
Elect Members of Remuneration Committee (Bundled) (INACTIVE)	1	1	0	1	0	0	0	0	0	0	0	1
Elect Members of X Committee (Bundled) (INACTIVE)	1	2	0	2	0	0	0	0	0	0	0	2
Totals for Social Proposal	1	3	0	3	0	0	0	0	0	0	0	3
SH-Routine/Business												
Amend Articles/Bylaws/Charter -- Non-Routine	5	6	5	0	0	0	1	0	0	0	3	2
Company-Specific -- Miscellaneous	8	36	3	2	31	0	0	0	0	0	5	31
Require Independent Board Chairman	47	47	47	0	0	0	0	0	0	0	0	47
Totals for SH-Routine/Business	59	89	55	2	31	0	1	0	0	0	8	80

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
SH-Dirs' Related												
Adopt Proxy Access Right	2	2	2	0	0	0	0	0	0	0	0	2
Amend Articles Board-Related	23	24	3	19	0	1	1	0	0	0	19	4
Amend Articles/Bylaws/Charter - Call Special Meetings	41	43	40	1	0	0	2	0	0	0	2	39
Amend Articles/Bylaws/Charter - Removal of Directors	1	1	1	0	0	0	0	0	0	0	0	1
Amend Proxy Access Right	10	10	10	0	0	0	0	0	0	0	0	10
Amend Vote Requirements to Amend Articles/Bylaws/Charter	2	2	2	0	0	0	0	0	0	0	0	2
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	4	8	1	0	7	0	0	0	0	0	1	7
Appoint Internal Statutory Auditor(s) Nominated by Preferred Shareholders [and Approve Auditor's/Auditors' Remuneration]	1	1	1	0	0	0	0	0	0	0	1	0
Board Diversity	11	11	10	1	0	0	0	0	0	0	1	10
Company-Specific Board-Related	16	17	13	2	0	0	2	0	0	0	1	14
Declassify the Board of Directors	6	6	6	0	0	0	0	0	0	0	0	6
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	1	3	0	3	0	0	0	0	0	0	0	3
Elect Director (Dissident)	15	90	54	0	0	12	24	0	0	0	53	13
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	4	16	3	13	0	0	0	0	0	0	15	1
Establish Environmental/Social Issue Board Committee	2	2	2	0	0	0	0	0	0	0	0	2
Establish Other Governance Board Committee	1	1	1	0	0	0	0	0	0	0	0	1
Establish Term Limits for Directors	2	2	0	2	0	0	0	0	0	0	2	0
Provide Right to Act by Written Consent	58	58	58	0	0	0	0	0	0	0	1	57
Removal of Existing Board Directors	2	21	9	0	0	3	9	0	0	0	6	6
Require Environmental/Social Issue Qualifications for Director Nominees	2	2	2	0	0	0	0	0	0	0	0	2
Require a Majority Vote for the Election of Directors	9	9	9	0	0	0	0	0	0	0	1	8
Totals for SH-Dirs' Related	192	329	227	41	7	16	38	0	0	0	103	188
SH-Corp Governance												
Approve Recapitalization Plan for all Stock to Have One-vote per Share	7	7	7	0	0	0	0	0	0	0	1	6
Company-Specific--Governance-Related	10	10	7	3	0	0	0	0	0	0	2	8
Miscellaneous -- Equity Related	7	8	5	2	0	0	1	0	0	0	4	3
Proxy Voting Disclosure	1	1	1	0	0	0	0	0	0	0	0	1
Reduce Supermajority Vote Requirement	11	11	11	0	0	0	0	0	0	0	4	7
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	1	1	1	0	0	0	0	0	0	0	0	1
Totals for SH-Corp Governance	36	38	32	5	0	0	1	0	0	0	11	26

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
SH-Soc./Human Rights												
Data Security, Privacy, and Internet Issues	3	3	3	0	0	0	0	0	0	0	0	3
Human Rights Risk Assessment	10	10	10	0	0	0	0	0	0	0	0	10
Improve Human Rights Standards or Policies	5	5	5	0	0	0	0	0	0	0	0	5
Plant Closures and Outsourcing	1	1	1	0	0	0	0	0	0	0	0	1
Totals for SH-Soc./Human Rights	19	19	19	0	0	0	0	0	0	0	0	19
SH-Compensation												
Adjust Executive Compensation Metrics for Share Buybacks	1	1	1	0	0	0	0	0	0	0	0	1
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	4	5	2	3	0	0	0	0	0	0	3	2
Increase Disclosure of Executive Compensation	2	2	2	0	0	0	0	0	0	0	0	2
Limit Executive Compensation	3	3	3	0	0	0	0	0	0	0	0	3
Limit/Prohibit Accelerated Vesting of Awards	2	2	2	0	0	0	0	0	0	0	0	2
Link Executive Pay to Social Criteria	8	8	8	0	0	0	0	0	0	0	0	8
Non-Employee Director Compensation	1	1	0	1	0	0	0	0	0	0	1	0
Report on Pay Disparity	3	3	3	0	0	0	0	0	0	0	0	3
Stock Retention/Holding Period	5	5	5	0	0	0	0	0	0	0	0	5
Totals for SH-Compensation :	28	35	31	4	0	0	0	0	0	0	4	31
SH-Gen Econ Issues												
Seek Sale of Company/Assets	1	1	0	1	0	0	0	0	0	0	1	0
Totals for SH-Gen Econ Issues :	1	1	0	1	0	0	0	0	0	0	1	0
SH-Health/Environ.												
Climate Change Action	3	5	2	3	0	0	0	0	0	0	3	2
Community -Environment Impact	10	11	11	0	0	0	0	0	0	0	0	11
GHG Emissions	3	3	3	0	0	0	0	0	0	0	0	3
Prepare Report on Health Care Reform	2	2	2	0	0	0	0	0	0	0	0	2
Prepare Tobacco-Related Report	1	1	1	0	0	0	0	0	0	0	0	1
Product Toxicity and Safety	5	5	5	0	0	0	0	0	0	0	0	5
Recycling	1	1	1	0	0	0	0	0	0	0	0	1
Renewable Energy	1	1	0	1	0	0	0	0	0	0	1	0
Report on Climate Change	10	11	11	0	0	0	0	0	0	0	0	11
Report on Environmental Policies	1	1	1	0	0	0	0	0	0	0	0	1
Totals for SH-Health/Environ. :	34	41	37	4	0	0	0	0	0	0	4	37
SH-Other/misc.												
Animal Testing	1	1	1	0	0	0	0	0	0	0	0	1
Animal Welfare	4	4	3	1	0	0	0	0	0	0	1	3
Charitable Contributions	1	1	0	1	0	0	0	0	0	0	1	0
Company-Specific -- Shareholder Miscellaneous	5	6	2	3	0	0	1	0	0	0	4	1
Gender Pay Gap	13	13	13	0	0	0	0	0	0	0	0	13
Labor Issues - Discrimination and Miscellaneous	1	1	1	0	0	0	0	0	0	0	0	1

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Political Activities and Action	1	1	1	0	0	0	0	0	0	0	0	1
Political Contributions Disclosure	29	29	29	0	0	0	0	0	0	0	0	29
Political Lobbying Disclosure	30	30	30	0	0	0	0	0	0	0	0	30
Report on EEO	8	8	8	0	0	0	0	0	0	0	0	8
Totals for SH-Other/misc. :	81	94	88	5	0	0	1	0	0	0	6	87
Social Proposal												
Adopt a Policy on Ideological Board Diversity	3	3	0	3	0	0	0	0	0	0	3	0
Miscellaneous -- Environmental & Social Counterproposal	6	6	3	3	0	0	0	0	0	0	3	3
Miscellaneous Proposal -- Environmental & Social	20	26	24	2	0	0	0	0	0	0	3	23
Totals for Social Proposal :	28	35	27	8	0	0	0	0	0	0	9	26
Totals for the report :	2964	27454	14872	7095	343	4889	148	107	0	0	14682	12624