Michael W. Frerichs
Illinois State Treasurer

Raising The Bar:
Treasurer Frerichs' 2022 Annual Sustainable Investment Report

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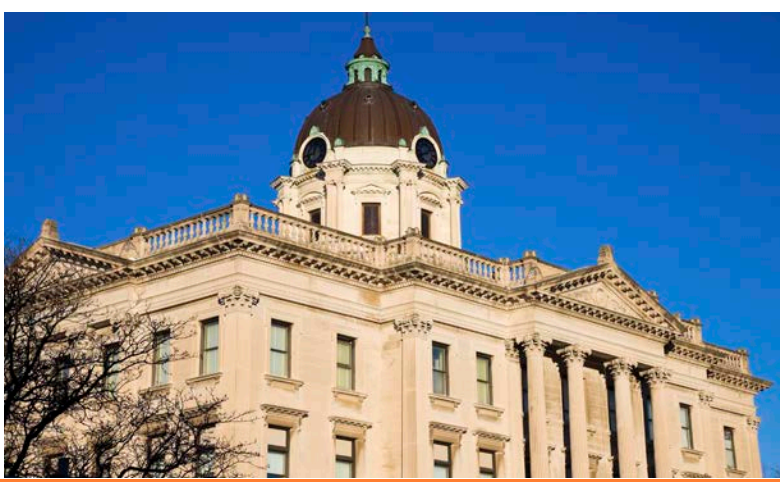
Letter from Illinois Treasurer Michael Frerichs

I am very pleased to present the Office of the Illinois State Treasurer's sixth Annual Sustainable Investment Report, which showcases our sustainable investing activities and processes during calendar year 2022 and the resulting proxy voting outcomes in the Spring of 2023.

Sustainability has been a fundamental aspect of our investment philosophy since I first took office in 2015. I firmly believe that integrating financially material sustainability factors into our decision-making processes not only furthers our fiduciary duty, but also allows us to make wiser investment decisions, maximize returns over the long term, and act prudently and responsibly with the roughly $54 billion in funds that are in my Office's care.

Make no mistake: we strongly consider traditional financial metrics. A company's debt-to-equity ratio, a municipality's credit rating, or a portfolio manager's track record—among other things—are still carefully examined when deciding where to make an investment. We *add* to that analysis by looking at a broad range of sustainability factors, such as how a company is treating workers, managing greenhouse gas emissions, providing sound governance and oversight, respecting customer privacy, or furthering diversity across its workforce. Where we believe that a company's performance related to these sustainability factors presents either a financially material risk, or a financially material opportunity—of which we hope for the latter—we may adjust our investment decisions. By doing so, not only do we position ourselves to better protect shareholder value and maximize returns, but we also help foster a business culture that is more attentive to systemic risks, societal shifts, and better positioned for long-term sustainable growth.

To that end, we work hard to ensure that the companies in which we invest disclose and account for the potential impact of material sustainability factors. For the investment managers that we employ, we thoroughly investigate their own unique approaches to sustainable investing, knowing that one way is not perfect compared to another. These activities are critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants.



"I am tasked with not just investing for the next quarter, but with the goal of maximizing returns over the next quarter *century*.... The more data we as investors have, the better informed our decisions can be when selecting investments over the long term."

—Treasurer Michael Frerichs

This approach for investors, and for our office, is not new. Professional investors have been incorporating sustainability factors into their investment processes for decades — just now people are branding those factors as revolutionary, idealistic, or worse. That is why I tried to combat this message through my testimony on May 10, 2023 at the Federal House Oversight and Accountability Committee.

This last year, institutional investors have witnessed considerable backlash against sustainable investing practices. In fact, legislators introduced or passed 44 anti-ESG bills across 17 conservative-led states in 2022 alone.[1] These bills, in essence, restrict the inclusion of sustainability factors in investment decisions, or bar entities from doing business with managers who employ sustainable investing practices. In addition to limiting investors' ability to incorporate financially relevant information, these bills have also proven costly for residents of those states. Texas' anti-ESG law, for instance, prevented cities from working with some of the largest municipal bond underwriters in the industry, including JPMorgan Chase, Bank of America, and Fidelity. As a result, some estimates show that these jurisdictions (and their taxpayers) will need to pay upwards of $532 million in added interest.[2]

By contrast, my office has remained as committed to sustainability as when I first took office. We continue to raise the bar on the best ways to employ sustainability integration into our investment process to enhance the risk-adjusted performance returns on our investments for the state, local governments, and residents. We achieve this through several different activities that fall under a three-legged stool: Corporate Engagement, Public Policy Advocacy, and Proxy Voting. Here are a few of the highlights from a very busy year for the office:

- **Engaged 3,000+ Companies on Material Sustainability Issues –** We conducted or supported more than 3,000 coalition-based engagements on a range of material sustainability topics, including board diversity, human capital management, and climate change. Of these, we took the opportunity to serve in a lead or co-lead capacity with some of the most well-known companies based on our financial holdings, including Berkshire Hathaway, Meta, Amazon, Vanguard, and more.
- **Conducted 80+ Sustainability Analyses of Individual Securities Issuers –** My office continued to comprehensively review debt issuers from a traditional financial creditworthiness perspective, with a long-term sustainability overlay.
- **Distributed Sustainability Questionnaires to All External Investment Managers –** My office conducts a proprietary evaluation of all our external investment managers for public market investments to assess how each integrates sustainability factors within their core processes to monitor risks and look for investment opportunities.
- **Entrusted Over $4.6 Billion in Assets to Managers in MWVD Firms –** Total assets managed by minority, women, veteran, and disabled-owned (MWVD) firms ended the year at $4.6 billion, with investments across each of our investment portfolios.
- **Cast 28,002 Proxy Votes at 3,009 Annual Meetings –** Our office voted on 28,022 proposals on corporate proxy ballots at 3,009 annual stockholder meetings in 2022. We believe it is within our fiduciary duty to vote every proxy of which our office is entrusted in accordance with our investment policies.

This report highlights some of the great work my team has done to advance our sustainable investing approach. We have not wavered in our belief that it is most prudent to continue to do so for the financial well-being of our beneficiaries. We will continue to seek academic research and incorporate industry best practices to further these initiatives. In the face of considerable market volatility and political noise, my team has stayed the course. I could not be prouder of them.

For more information, please visit our website at www.IllinoisRaisingTheBar.com.

Onward,

Michael W. Frerichs
Illinois State Treasurer

[1] https://www.reuters.com/article/wallstreet-esg-insight-idTRNIKBN2OH0O1 How Republican-led states are targeting Wall Street with 'anti-woke' laws | Reuters
[2] https://knowledge.wharton.upenn.edu/podcast/knowledge-at-wharton-podcast/texas-fought-against-esg-heres-what-it-cost/
Texas Fought Against ESG. Here's What It Cost - Knowledge at Wharton (upenn.edu)

About the Office of the Illinois State Treasurer

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

The Illinois Treasurer prudently invests money on behalf of the state, units of government, and individuals saving for retirement, higher education, or disability expenses. Our investment decisions promote economic growth, continuing education, access to capital, and opportunities for individuals, communities, and government bodies across our State. The Illinois Treasurer is committed to fulfilling this mission in a professional and ethical manner that fosters transparency, efficiency, diversity and inclusion, sustainability, and the preservation of the public trust.

The Illinois Treasurer manages approximately $54 billion, which includes $30 billion in state investments, $16 billion in financial product programs (ex: college savings, retirement savings, disability savings), and $8 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 Programs
- The Illinois Funds
- Illinois Growth and Innovation Fund
- Illinois Secure Choice Retirement Savings Program
- Illinois Achieving a Better Life Experience (ABLE) Plan
- Student Empowerment Fund
- The FIRST Fund

The Illinois Treasurer, as the State's Chief Banking Officer, also administers the state's multiple banking functions, overseeing cash management activities and processing payments and receipts on behalf of over 100 state agencies, boards, and commissions. In fiscal year 2022, the Illinois Treasurer processed $242 billion in receipts and $231 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

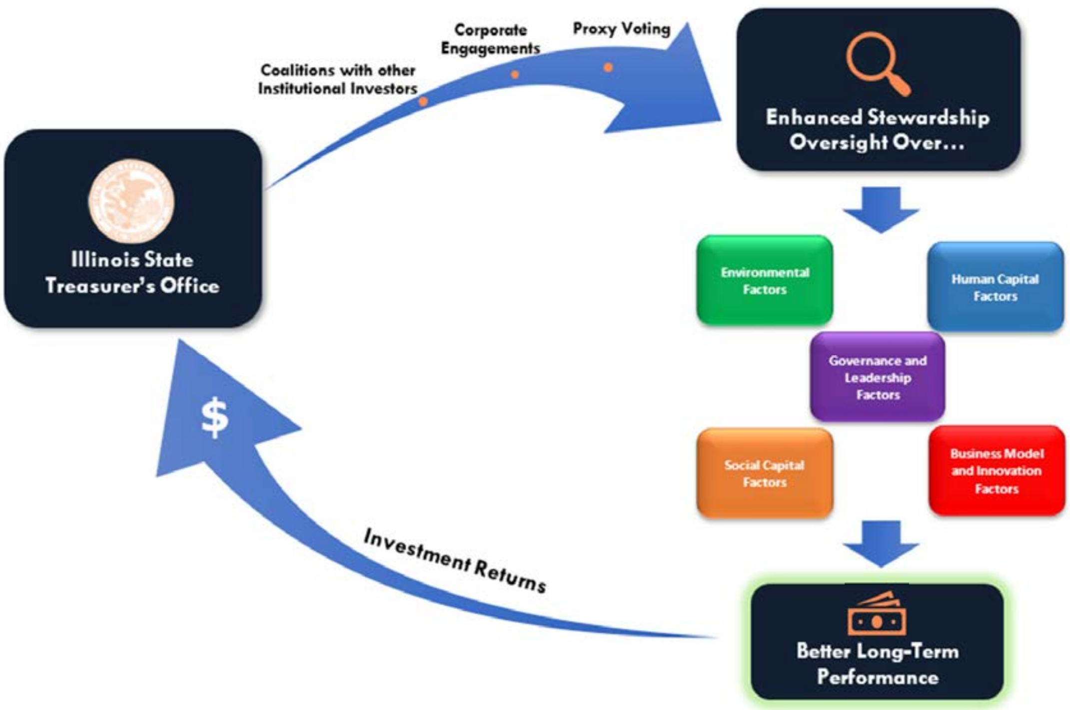
$54 billion.

Our View on Sustainable Investing

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

Sustainable Investment is About Value, Not Values. Incorporating sustainability factors into the investment decision making process furthers our fiduciary duty by seeking to better assess risk and return opportunities that may drive long-term capital appreciation and risk mitigation. Generating the highest long-term risk-adjusted returns for our beneficiaries is now and always will be the top priority and investment objective for the funds that we are entrusted to manage. We seek to invest in companies and with investment managers who look to build sustainable value over the long-term.

Engagement: Why it Matters



Sustainability Principles. In line with the International Sustainability Standards Board's (ISSB) guidance via the Sustainability Accounting Standards Board (SASB), we apply sustainability factors into our investment decision making process that are *material*, *relevant*, *decision-useful*, and *industry-specific*. We also work to ensure that the integration of such sustainability factors *outweighs any onerous costs* of implementation.

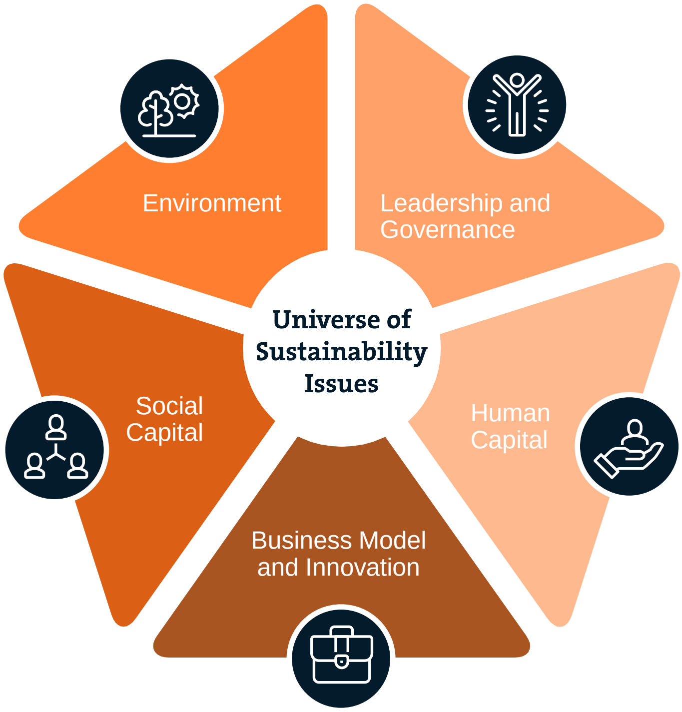
Sustainability Factors. Sustainability factors, as outlined in the Illinois Sustainable Investing Act, encompass a broad range of factors that are used to more comprehensively analyze an investment based on its risk profile and return potential. The sustainability factors we examine fall under five categories that include: (1) corporate governance, financial incentives and quality of leadership; (2) environmental, (3) social capital, (4) human capital, and (5) business model and innovation.

Environment

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

Leadership & Governance

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



Social Capital

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

Human Capital

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

Business Model & Innovation

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

Source: International Sustainability Standards Board

System-Level Risks. Sustainability issues, such as climate change[3] and biodiversity loss[4], have the potential to impact the Illinois Treasurer's entire investment portfolio. Therefore, the Illinois Treasurer examines system-level sustainability risks and their potential impact on long-term investment performance when strategizing engagement opportunities and/or regulatory and legislative priorities.

Research on Outcomes Agrees. Studies clearly illuminate that companies with sustainable policies have demonstrated superior rates of return, lower volatility, and frequently provide collateral benefits to investors.[5] [6] [7] [8] [9] This is likely because sustainable investing considers all stakeholders into the business process in order to achieve the highest outcomes: employees, investors, community members, corporate leadership, and the environment.

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[3] Financial Stability Oversight Council, "Report on Climate-Related Financial Risk," 2021, available at https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf.

[4] Central Banks and Supervisors Network for Greening the Financial System, "Statement on Nature-Related Financial Risks," March 24, 2022, available at https://www.ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf.

[5] 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.

[6] 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.

[7] 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.

[8] 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.

[9] Whelan, Tensie, Ulrich Atz, Tracy Van Holt, and Casey Clark. "ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015-2020," available at https://www.stern.nyu.edu/sites/default/files/assets/documents/ESG%20Paper%20Aug%202021.pdf.

More Holistic Analysis of Investments. The integration of material sustainability factors adds an additional layer of rigor to the fundamental analytical approach for manager and investment due diligence. Quantitative and qualitative sustainability factors help assess balance sheet strength, risk profiles, and the reliability of future cash flows to name a few.

Investment Objectives and Risk Tolerance	Traditional Analysis	Sustainability Factors
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	

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

Our Continued Commitment to Sustainable Investing. In 2022, we witnessed a widespread, highly coordinated, politically motivated attack on investors considering sustainability factors. The pushback is anti-free market and anti-investor. It harms retirement savers, pensioners, working people, and businesses as further research has shown.

Therefore, the Illinois Treasurer remains committed to integrating sustainability factors into investment decision-making. Doing so enables us to maximize the risk-adjusted returns of our investments. It provides additional sources of data, not the only sources of data, to making prudent investment decisions.

In order to maximize returns, an investor must be able to manage and mitigate risk, and explore potential opportunities to drive value creation. The more data investors have, including sustainability information, the better informed our decision is when selecting investments over the long-term.

This is what the Treasurer continued to reiterate in his testimony to the Federal House Committee on Oversight and Accountability in May 2023. Allowing investors the freedom to invest by using a sustainability framework enhances long-term shareholder value by serving as a supplemental tool in the assessment of all material risks and opportunities to investments.

Our Approach To Sustainable Investing

Alignment with State Law. The Illinois Sustainable Investing Act (30 ILCS 238), which took effect on January 1, 2020, provides that all state and local government entities that hold and manage public funds, including the Illinois Treasurer, “shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.” As such, the Illinois Treasurer maintains a standalone Sustainability Investment Policy Statement that outlines sustainability factors considered in managing investments and incorporates sustainability language and processes within each of its investment portfolios’ Investment Policy Statements to act in compliance with state law and fulfill its duties to the people of Illinois.

The Illinois Sustainable Investing Act

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

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

An amended version of the Act (PA 103-0324) was signed into law on July 28, 2023. The amendment requires that effective January 1, 2024, investment managers shall disclose their sustainability integration process prior to the award of a contract when seeking to serve as a fiduciary for a public agency, pension fund, retirement system, or governmental unit in the State

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

The Illinois Pension Code

The Illinois Pension Code was also amended in 2023 related to proxy voting authority, processes, and reporting for pension systems subject to the Illinois Pension Code. The amendment's purpose was to further bolster corporate governance and stewardship duties of public pension fiduciaries in Illinois through proxy voting. As such, the amendment now requires annual public reporting in the form of a fiduciary report stipulating a pension board's guidelines for voting proxy voting ballots and a detailed report describing how sustainability factors are considered in line with the Illinois Sustainable Investment Act. The report shall also:

- Describe the board's strategy as it relates to the consideration of sustainable investment factors;
- Outline the process for regular assessment across the total portfolio of potential effects from systemic and regulatory risks and opportunities, including, but not limited to, sustainability factors on the assets of the plan;
- Disclose how each investment manager serving as a fiduciary to the board integrates sustainability factors into the investment manager's investment decision-making process;
- Provide a comprehensive proxy voting report; and
- Provide an overview of all corporate engagement and stewardship activities.

The amendment further enables the Illinois Treasurer to act as a Fiduciary to the pension system by voting proxies of public pension funds if they grant the Treasurer the consent to do so with a three-fifths vote of the board. If the Treasurer is authorized to vote these domestic and international proxies, the Treasurer would have to provide the board of the system with comprehensive proxy voting reports on a quarterly basis.

This amendment became public law with an effective date of August 4, 2023.

Office Organization. The Corporate Governance and Sustainable Investment ("CGSI") division, a branch of the wider Public Market Investments team, serves as the central hub for the office's sustainable investing and stewardship activity. The CGSI team directly conducts and is responsible for the office's stewardship efforts including corporate engagement, proxy voting, advocacy, and sustainability due diligence evaluations of investment managers. Indirectly, it advises the Public Market Investments, Portfolio Risk & Analytics, and Alternative Investments teams on their oversight of sustainable integration practices. The CGSI division also works in collaboration with the Legislative team on any sustainability-related regulatory issues.

Corporate Governance and Sustainable Investment Division

Advises

Performs

Externally-Managed Portfolios

Public Market Investments
Integration of sustainability factors into external fund manager evaluations for public market focused portfolios

Alternative Investments

Intergration of sustainability factors into external fund manager evaluations for alternative investments focused portfolios

Internally-Managed Portfolios

Portfolio Risk & Analytics

Integration of sustainability factors into debt issuer and investment counterparty evaluations

Policymaking & Adovacy

Legislative Affairs

Relevant enacted or proposed laws, rules, or amendments related to corporate engagement, stewardship, and sustainability integration duties of public funds

Investment Stewardship

- Corporate Engagements (individual and collaborative)
- Sustainability Due Diligence
- Proxy Voting of Direct Equity Investments
- Advocacy and Regulatory Oversight, Review, and Commentary

Corporate Governance and Sustainable Investment Subcommittee. The Corporate Governance and Sustainable Investment Subcommittee (CGSIS) is tasked with reviewing the sustainable investment activities and related outcomes of the Illinois Treasurer in order to monitor the office's adherence to its core fiduciary duties. CGSIS meets at least monthly to evaluate and provide guidance on the office's corporate engagement activities, proxy voting, public policy advocacy, internal debt issuer and counterparty review, and external fund management review, among other tasks. CGSIS is composed of personnel from across different investment teams, allowing for the collaboration of strategy development, perspectives, and the exchange of best practices.

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

1. Investment Policies

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

2. Fund Manager Sourcing, Selection and Evaluation

Our office sources, selects and evaluates fund managers based on a multitude of factors including, but not limited to, their staffing expertise, investment stewardship policies, institutional track record, and sustainability integration process. Additionally, all prospective and existing fund managers are required to complete a questionnaire to provide details on their firm's approach to sustainability integration.

3. Investment Analysis & Due Diligence

We continually monitor and conduct due diligence on external fund managers and other external counterparties to identify and address sustainability risks and opportunities.

4. Risk Management

We integrate sustainability research and external ratings into reviews of debt issuers and investment counterparties (e.g., corporate bond issuers, broker/dealers, etc.) as inputs into our risk analysis process.

5. Proxy Voting

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

6. Corporate Engagement and Value Creation

We engage companies in our investment portfolios on sustainability risks and opportunities through direct dialogue with corporate and board leadership, shareholder proposals, proxy voting, and public policy advocacy.

7. Strategic Partnerships

We actively partner with investor coalitions, service providers, data providers, and other stakeholders to better execute our sustainable investing strategies, identify leading best practices, and strengthen our stewardship responsibilities.

8. Advocacy and Policymaking

We engage lawmakers and government entities to protect shareholder rights and promote responsible sustainable investing practices that enhance our fiduciary duty to beneficiaries.

Sustainability Integration – Internally Managed Investments

Division of Portfolio & Risk Analytics

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

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

Comprehensive Evaluations for Riskier Investments

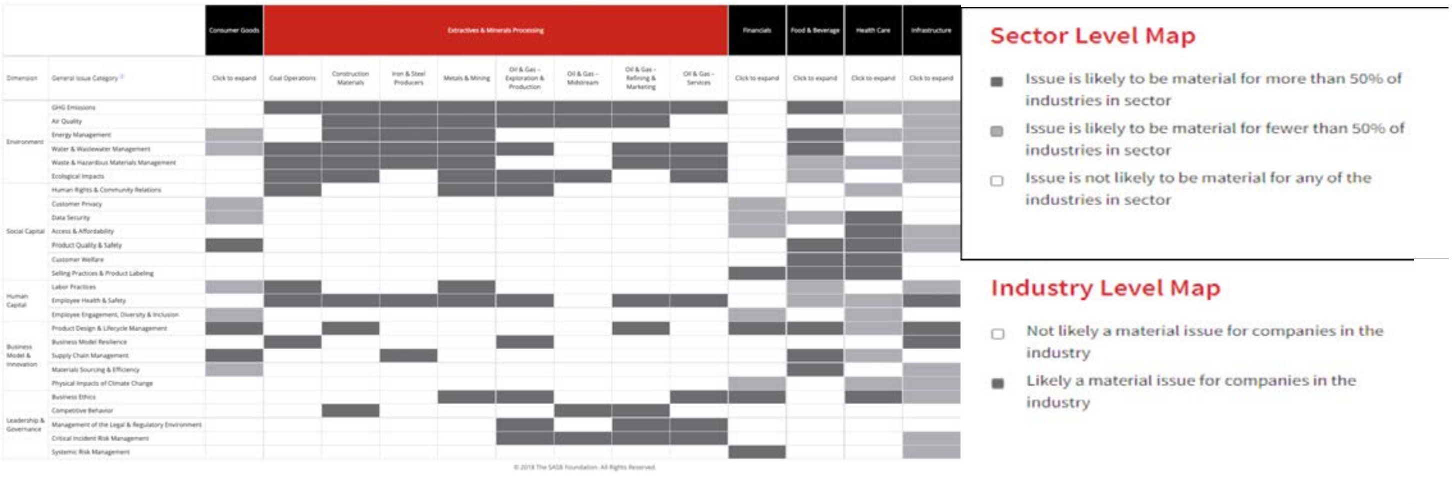
Within the office's two internally managed fixed-income investment programs, the office invests in only high-quality, investment grade securities rated single-A or above. If an issuer has a credit rating below AA, or if there are other circumstances such as headline risks, corporate events (such as mergers and acquisitions), or other operational or strategic shifts, the Division of Portfolio & Risk Analytics applies an additional layer of analysis to better inform investment decisions. This involves traditional financial statement analysis, as well as a more thorough evaluation of factors such as liquidity, leverage, profitability, and sustainability.

This process also utilizes the conceptual framework and reporting standards under the International Sustainability Standards board (ISSB) guidance from 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.

In 2022, the Division onboarded 18 new debt issuers. Of the new debt issuers, over 50% were engaged with regarding implications of their sustainability practices/ disclosure on financial performance.

When completing these comprehensive evaluations for riskier securities, the Portfolio Risks & Analytics Division executes three tasks:

1. **Identifies key sustainability metrics** – The Division utilizes the SASB Materiality Map to first identify key sustainability categories that are believed to be strongly correlated with a firm's financial and/or operating performance, and then quantify the firm's performance in each category. These categories vary depending on the industry. Refer to the example below for the SASB Materiality Map for companies in the financial sector, broken out by seven different types of businesses, showing the materiality regarding different issues per sustainability dimension.



2. **Assigns a Sustainability Grade** – The Division then identifies quantifiable metrics for those material categories. For example, SASB recommends looking at the complaints-to-claims ratio as a Selling Practices & Lifecycle Management metric for insurance companies. The Division then compares a company's performance on these metrics against its peers in order to obtain a letter-based sustainability Grade, with A representing the best score and F representing the worst.

   The PRA team will also conduct dialogue with companies when materially relevant sustainability information is not disclosed or only partially disclosed to ensure that the internal Sustainability Grade accurately reflects the company's activities, strategies, and management of material sustainability factors.

3. **Assigns a Key Metrics Grade** – The company is also assigned a broader Key Metrics Grade that combines quantifiable sustainability scores with other traditional financial metrics (i.e., profitability, liquidity, leverage, valuation). The sustainability grade and the key metrics grade are both measured to ensure that the company is measured appropriately against industry competitors, and assigned points based on industry-specific leading or lagging metrics.

Company Highlights: Top Performers

After going through the process as noted above for riskier securities, the office is proud to highlight the following companies for achieving the highest sustainability grade in the State's internally managed fixed-income portfolios:

AT&T, for their robust environmental plans that include targets and progress achieved toward reaching carbon neutrality for Scope 1 & 2 emissions by 2035, reliable network access during disasters, and their strong recycling and refurbishing process for used devices.

Verizon, for consistent year-over-year improvements on their environmental targets, clean energy upgrades made to their facilities and infrastructure, and commitment to reducing electricity consumption by 50% by 2025.

Union Pacific, for their ongoing upgrades to rail fleet and infrastructure, including electric and single-engine clean-diesel fueled locomotives in lieu of coal-powered locomotives, and the lowest employee injury rate in the industry.

Additional Sustainability Activities

- Engage in dialogue with other asset owners interested in integrating sustainability factors into fixed income investment decision-making.
- Collaborate with Principles for Responsible Investment (PRI) on sub-sovereign/municipal bond sustainability integration.
- Explore opportunities for the portfolio within innovative green-bond structures.
- Assess correlations between sustainability factors and credit spreads.
- Share learnings on sustainability integration at events and conferences.

Sustainability Integration – Externally Managed Investments

DIVISION OF PUBLIC MARKET INVESTMENTS

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

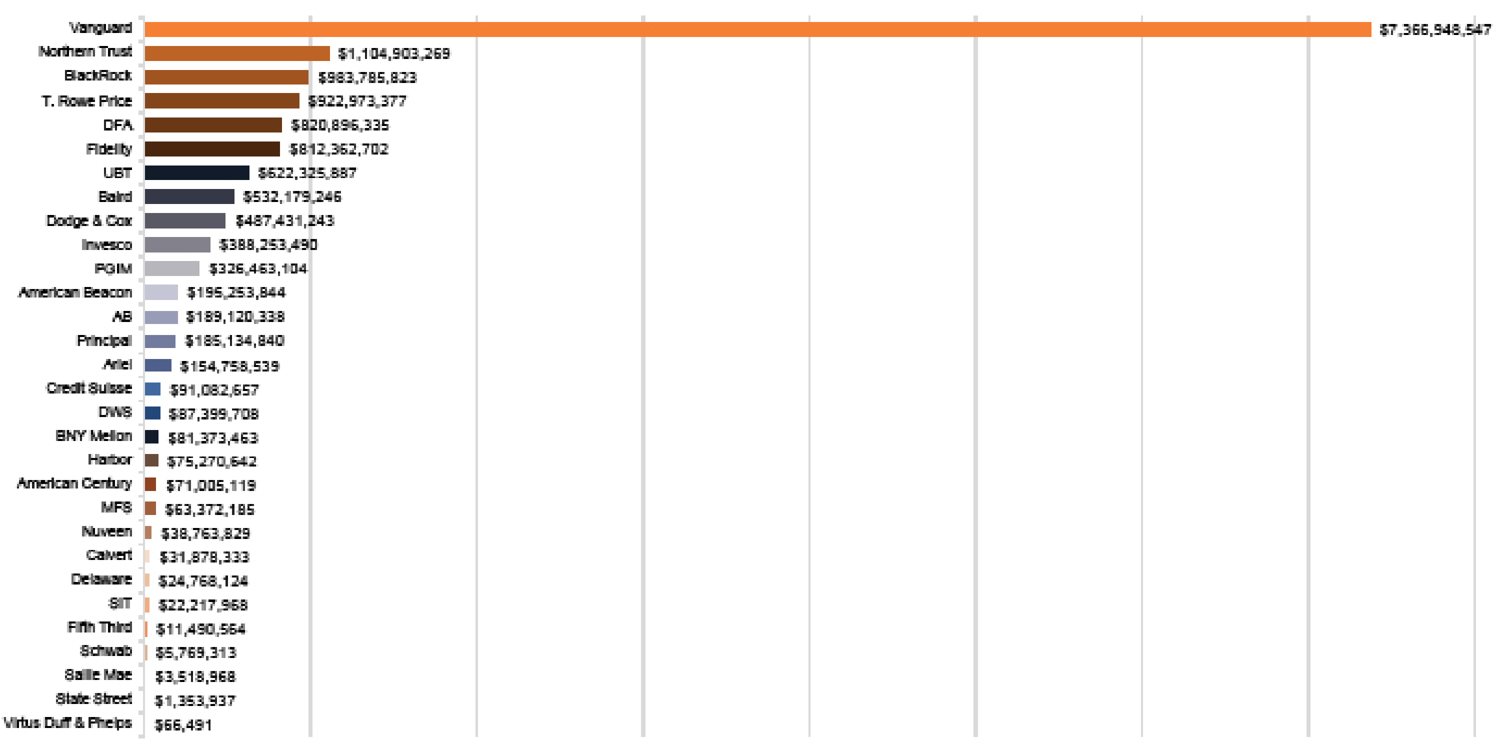
The team is responsible for the sourcing, selection, assessment, monitoring, and due diligence for all prospective and current external investment managers, including the manager's integration of sustainability factors into the investment process. Through the team's continual review of the portfolios' construction, manager selection, asset allocation, economic impact, and investment policies/objectives, the team guides decisions regarding the continued appropriateness of investment managers, policies, and program structures.

Sustainability Integration in Investment Manager Selection and Oversight

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 in publicly traded securities, the Division of Public Market Investments assesses prospective investment managers using various quantitative and qualitative criteria that align with the investment analysis, due diligence, and risk management responsibilities derived from the investment policies of the Illinois Treasurer.

Part of the quantitative and qualitative factors that are considered in investment manager selection and oversight includes a manager's integration of sustainability factors. This analysis provides additional sources of data and adds an additional layer of rigor to the fundamental analytical approach used by investors, which helps to further assess the reliability of

Figure 1: Assets by Investment Manager as of 12/31/2022



future cash flows and debt repayments of a company. Similar to traditional financial accounting, sustainability considerations can have both confirmatory and predictive value. Thus, they can be used to evaluate past performance and/or used for future planning, valuations, and decision-making. The Illinois Treasurer believes that this integration provides a more complete view of an investment in a fund, company, or manager by considering the implications of material factors likely to impact long-term value.

Engagement with Investment Managers on Sustainability Factors

The Public Market Investments Team actively engages with its external investment managers throughout the year by conducting due diligence meetings, distributing 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, the team uses its discretion to launch a dialogue, encourage best practices, and formulate an action plan for potential improvements. In 2022 for example, an engagement with asset manager, Fidelity, was undertaken related to board diversity at the firm level.

100%

of public market investment manager searches incorporate sustainability due diligence

Comprehensive Sustainability Evaluation of Investment Managers

In 2021, the office developed a customized Sustainability Scorecard to assess both existing and prospective asset managers on the quality of their sustainable investment processes. In 2022, the office continued to refine this process and analysis. Using information provided by managers via the office's Sustainability Due Diligence Questionnaire and internal research, the Scorecard assesses managers on a core set of criteria across the following categories: sustainability policy, proxy voting, research & personnel, sustainability integration, engagement, and firm-wide policies. This enables the office to analyze managers across the same sustainability criteria in order to leverage the information for relative and comparative purposes, as well as to identify specific risk areas or areas of improvement for individual managers.

Additionally, each external investment manager is assessed annually on their diversity, equity and inclusion policies, practices, and outcomes. The annual assessment seeks diversity information regarding both the firm's leaders and total workforce, as well as information on the organizational policies, practices and initiatives of the firm. This information is similarly used for comparative purposes and to identify specific areas of improvement or potential engagement with individual firms/managers.

DIVISION OF ALTERNATIVE INVESTMENTS

The Division of Alternative Investments is responsible for monitoring the externally managed investment portfolios of the Treasurer's Office which invest in private market investments, including, but not limited to, the Illinois Growth and Innovation Fund (ILGIF) and FIRST Fund.

The Division of Alternative Investments is responsible for the diligence, assessment, deal sourcing, selection, and integration of sustainability factors for all prospective and current investments with fund managers. The division continually reviews investment strategies, portfolio construction, manager selection, asset allocation, economic impact, and management structures. The actions taken help guide their decisions regarding the continued appropriateness of investment managers, portfolio construction, and program structures.

New Investment Portfolios Designed for Sustainability Outcomes

In 2021, the Illinois General Assembly passed the Infrastructure Development Act, also known as the FIRST Fund, which allows the Treasurer to invest 5% of the State's Investment Portfolio, approximately $1.5 billion, in infrastructure development projects with an Illinois nexus. Underlying development projects may include economic and social infrastructure such as land, buildings, transportation, renewable energy, schools, healthcare, and other real assets. In 2022, the STO went to market to find the right partner to help launch the FIRST Fund with the goal of deploying capital in 2023. The fund's investment objective is to enable financial returns, while growing local economies, improving infrastructure and the state's position for the energy transition, and creating high quality jobs. This infrastructure and real estate fund, also known as the FIRST Fund, began deploying capital in 2023. The Fund has an explicit focus on sustainable outcomes including climate solutions. This will help foster sustainable development, support equity, diversity and inclusion and strengthen Illinois' position for the energy transition.

Of the over **$700 million** that has been committed to qualified external fund managers in private markets, 43% has been allocated to MVWD-owned and/or managed firms.

Sustainability Integration in Fund Manager Sourcing and Diligence

The Illinois Treasurer has invested over $700 million in the private markets across several fund managers to date. The Division of Alternative Investments assesses each prospective and current investment manager 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, including the consideration of sustainability factors into their decision-making processes.

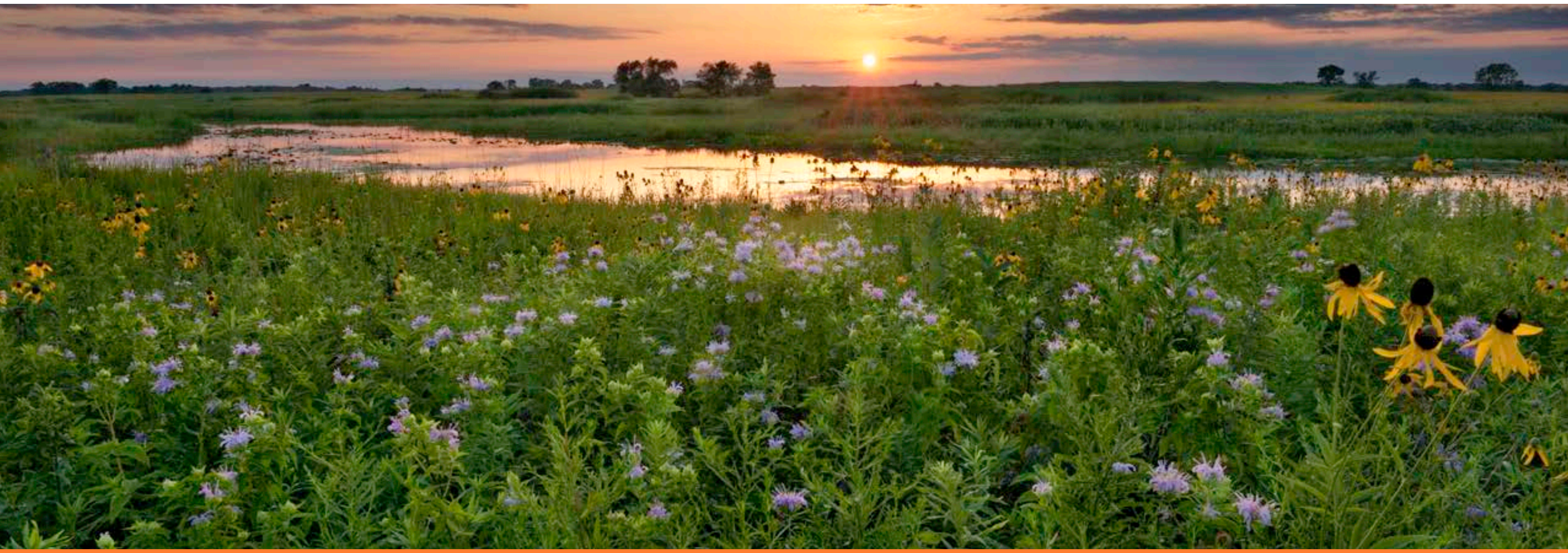
To further the Treasurer's commitment to increasing diversity amongst the entities in which we invest, side letter provisions are also requested and negotiated with all fund managers. The provisions of such letters include a priority to consider diverse-owned portfolio companies when identifying and conducting diligence on prospective investments and a request for managers to seek to identify, recruit, promote and retain diverse persons within the investment teams of the management company, as well as consider diverse persons for board seats internally and at portfolio companies.

Furthermore, within the Treasurer's newest alternative investment fund focused on infrastructure and real asset investments, the FIRST Fund, a key priority was on institutionalizing a focus on worker's rights and working conditions. To do so, the Treasurer published a Responsible Contractor Policy that encourages fair wages and benefits for workers in order to deliver the most high-quality products/services. A similar framework for Principles of Responsible Workforce Management within the Private Equity industry to assess managers was also explored within 2022.

Comprehensive Sustainability Evaluation of Investment Managers

The Alternative Investments Team incorporates an evaluation of sustainability integration across its consideration of all fund manager investments to better understand the potential impact to investment value due to the long-term nature of the investments. Desired portfolio company sustainability practices include compliance with business guidelines, procedures to identify and implement sustainability risk factors and opportunities, commitments of resources to manage such factors, board responsibility and oversight, and sustainability considerations applied during considerations for the exit strategies.

Furthermore, as part of the investment due diligence and underwriting efforts of each investment, all recommendations include an impact analysis to assess the manager's integration of material sustainability factors into their investment process, as well as considerations for Diversity, Equity, and Inclusion at both the management company and underlying portfolio company level. 100% of alternative investment commitments made in 2022 came after a thorough analysis of a fund's sustainability integration process. Should the sustainability evaluation bring to light material sustainability concerns, the Alternative Investments team will conduct engagements with fund managers to address such concerns.



Investment Stewardship – Corporate Engagement Activities

2022 Corporate Engagement Summary

~3,000
Engagement Activities

Where the IL Treasurer supported a joint corporate engagement, signed a letter, or conducted an engagement meeting

2,500+
Engagements on Board Diversity

Where the IL Treasurer led or supported engagements to companies perceived as lagging on diversity measures

1
Federal Testimony Advocating for Investor Protections

Where the IL Treasurer provided Testimony to the Federal House Committee on Oversight and Accountability Committee

6
Shareholder Proposals Filed

Where the IL Treasurer formally submitted (and subsequently withdrew) a shareholder resolution or proposal at an individual portfolio company

DIVISION OF CORPORATE GOVERNANCE & SUSTAINABLE INVESTMENTS

The Division of Corporate Governance & Sustainable Investments, part of the wider Public Market Investments Team, is responsible for leading and managing the investment stewardship activities on behalf of the Illinois Treasurer. These activities further the office's compliance with the [Illinois Sustainable Investing Act (PA 101-473)]() and support the office's core investment objectives and fiduciary duties of maximizing financial returns and minimizing projected risks.

The Illinois Treasurer seeks to emulate industry best practices for investment stewardship through three core activities: (1) corporate engagement, (2) proxy voting, and (3) public policy advocacy. These functions are vital to best-in-class portfolio management as they stem from shareholder advocacy efforts working to improve governance and reporting practices at portfolio companies expected to have a material impact on financial performance, which ultimately benefits shareholders from increased expected performance and reduced risk exposures.[10, 11, 12]

Shareholder Engagement

Since no company or investment manager is perfect related to their disclosures or policies related to the ever-changing word of sustainability, engagement with portfolio companies and external investment managers is one of the most productive tools available to the Illinois Treasurer to both mitigate risk and enhance investment opportunities. Engagement is an effective way to encourage increased disclosure from companies and asset managers on issues that can have a material impact on performance. This then allows the Illinois Treasurer the opportunity to better understand the companies and fund managers in which it invests, which provides insights about investment quality and resilience that would be material, relevant, and decision-useful for the beneficiaries of which the Illinois Treasurer has a duty to protect.

[10] Tamas Barko, Martijn Cremers, Luc Renneboog, "Shareholder Engagement on Environmental, Social and Governance Performance," European Corporate Governance Institute, September 5, 2018.

[11] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2977219. 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.

[12] Barko, T., Cremers, M. & Renneboog, L. "Shareholder Engagement on Environmental, Social, and Governance Performance." Journal of Business Ethics 180, 777–812 (2022). https://doi.org/10.1007/s10551-021-04850-z

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

– Treasurer Michael Frerichs

The Illinois Treasurer engages companies or asset managers in our investment portfolios on sustainability risks and opportunities through direct dialogue with management, collaborative engagements with investor coalitions, requests via shareholder proposals, and public policy advocacy. The effective execution of corporate engagement duties entails a core set of activities, including:

- **Developing the Office's Sustainability Investment Policy Statement –** Developing the office's Sustainable Investment Policy Statement to outline the authority, philosophy, and investment criteria by which the office pursues corporate engagement activities.
- **Identifying and Prioritizing Material Sustainability Factors –** Identifying material sustainability risks and opportunities in the office's investment portfolio, including at the systemic, industry-wide, or company level, and deploying resources accordingly.
- **Crafting Corporate Engagement Strategies –** Developing actionable strategies and tactics to address said risks and opportunities, which may include, for example, direct dialogue with corporate decision-makers, the introduction of shareholder proposals to encourage specific actions, and/or the use of proxy votes to signal support/disfavor, encourage specific actions, or hold board directors accountable.
- **Conducting Corporate or Asset Manager Engagements –** Leading engagements with decision-makers to learn more about the manager's or company's management of relevant sustainability issues, request additional pertinent disclosures, and provide targeted recommendations.
- **Forming Partnerships and Coalitions –** Building coalitions and coordinating activities with other institutional asset owners and investment managers (e.g., Midwest Investors Diversity Initiative, Human Capital Management Coalition, Investors for Opioid and Pharmaceutical Accountability, Climate Action 100+, etc.).
- **Spearheading Public Policy Advocacy –** Advocating for the Illinois Treasurer's position and protection as an institutional investor.
- **Championing Sustainable Investing Best Practices –** Examining data, research, and recommendations from third party providers, such as the International Sustainability Standards Board (ISSB), Morningstar, Bloomberg, Principles for Responsible Investment (PRI), Ceres, Majority Action, and the Council for Institutional Investors (CII), to identify and implement best practices in sustainable investing.
- **Reporting Activities for Accountability and Transparency –** Reporting on the office's sustainable investment strategy and activities ensures transparency and accountability, leads by example, and further educates beneficiaries and fellow investors.

Proxy Voting

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

Proxy voting is a fundamental right of all shareholders, and it is a critical function of fulfilling one's fiduciary duty by providing shareholders with the ability to take part in official company decisions that convey views to corporate boards and management on business strategies, and hold boards accountable when companies fail to address material governance and risk management issues. Refer to the Illinois Treasurer's Proxy Voting Policy Statement for additional information on how the Treasurer votes proxies, particularly related to different subject matters.

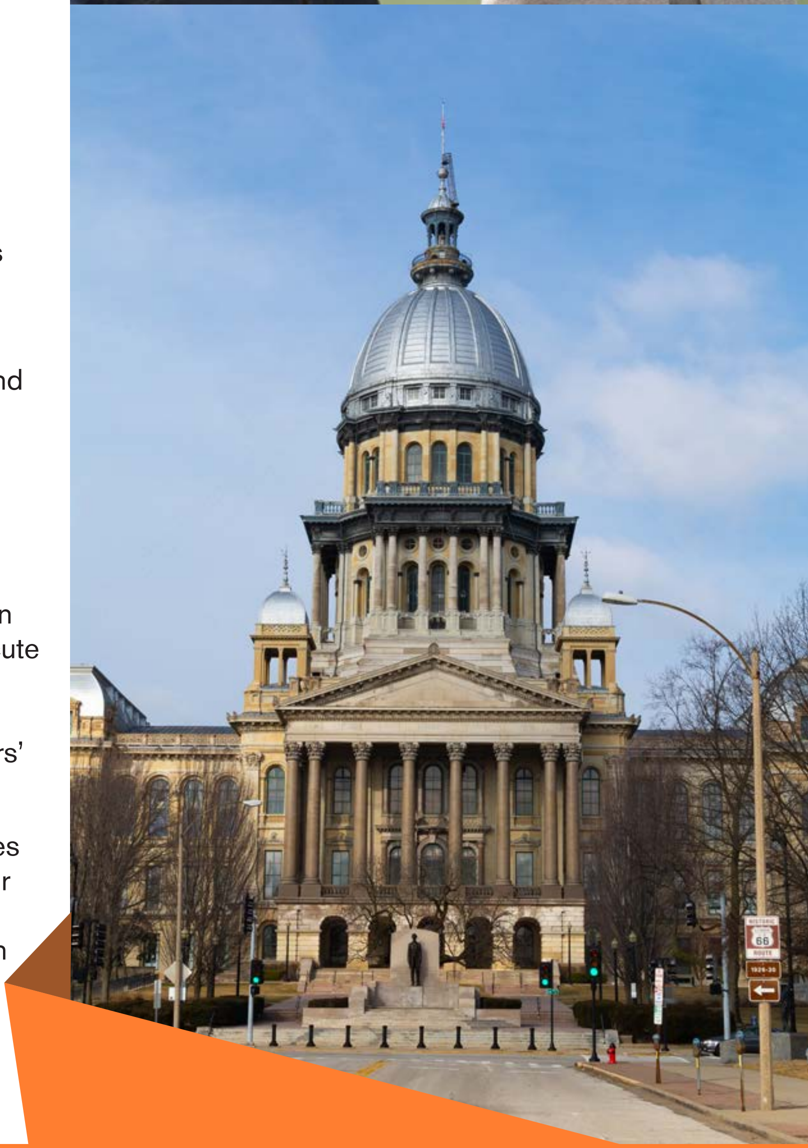
The execution of proxy voting entails the:

- Development of the office's Proxy Voting Policy Statement;
- Execution of the office's proxy votes at all companies and funds wherein the Illinois Treasurer is entitled to a vote through coordination with the office's Corporate Governance Consultant, Segal Marco Advisors;
- Management of communicating and reporting the office's proxy voting activities (note: all proxy votes are publicly available on the office's Proxy Voting Dashboard);
- Continual advocacy to protect the office's proxy voting and shareholder rights.

Public Policy Advocacy

The Illinois Treasurer engages with various governmental entities, ranging from the Illinois General Assembly to the U.S. Securities and Exchange Commission, that play a role in protecting investors and positioning the office to better execute its core duties. Public policy has widespread implications on the present and future sustainability, transparency, and efficiency of financial markets, and as such, requires investors' input and expertise in material public policy efforts.

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

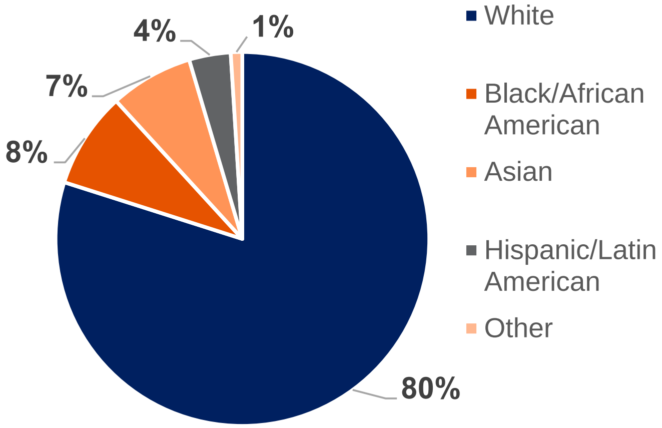


BOARD DIVERSITY

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

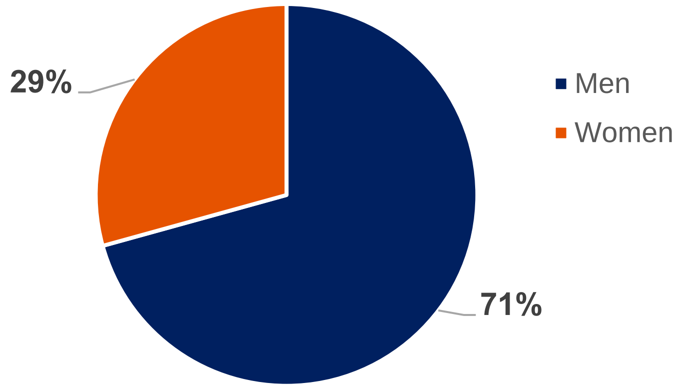
Companies with diverse boards — inclusive of gender, race, ethnicity, skillsets, professional backgrounds, and sexual orientation — are better positioned to execute good governance, effective risk management, and optimal decision-making.[13, 14, 15, 16] Given the correlation between board diversity and long-term financial outperformance,[17] 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, which is assessed through corporate disclosure of board compositions.

Racial Diversity among Russell 3000 Board Directors



Source: Reuters, February 2023

Gender Diversity among Russell 3000 Board Directors



Source: Equilar, August 2023

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

[14] 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.

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

[16] F. Arnaboldi et al., "Gender Diversity and Bank Misconduct," *Journal of Corporate Finance*, December 2021, available at: https://doi.org/10.1016/j.jcorpfin.2020.101834.

The Investment 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 peers by 36% in terms of profitability. Further, there was a profitability differential of 48% between companies with the highest gender diversity at the executive level and companies with the least.

Opportunities for Progress Remain. Despite broad consensus on the value of board diversity on investment performance and improving trends, women still only occupy only 28.4 percent of board seats among Russell 3000 companies, and persons of color occupy only 20.0 percent of board seats.[18] Of the total U.S. population, women account for nearly 50.4% of people and people of color account for nearly 41.1% of people.[19] As such, the representation of corporate boards is still significantly disproportionate to the representation of women and people of color in the total population.

Actions and Results

Treasurer Frerichs has been working to prioritize and increase corporate board diversity since 2016, utilizing an array of strategies, including direct shareholder corporate engagements, proxy voting, and public advocacy. In 2022, the Illinois Treasurer took numerous actions to encourage and foster boardroom change and create shareholder value.

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

In 2022, the letter to each constituent of the Index was grouped into the following three categories:

- **Top Performers:** 386 companies (13 percent) are commended for providing exemplary disclosure, which includes reporting the race, ethnicity and gender of individual board directors, often via a "Board Matrix;"
- **Middle Performers:** 1,847 companies (63 percent) are recognized for providing partial disclosure, which includes reporting the race, ethnicity and gender of board directors in aggregate or for only certain members, and as such, are encouraged to enhance their reporting; and
- **Bottom Performers:** 702 firms (24 percent) are urged to begin reporting as they neglect to disclose the race, ethnicity and gender of board directors in public filings.

See an example of a letter for each category of firm: 2022 Example Letter to Top Performers, 2022 Example Letter to Middle Performers, and 2022 Example Letter to Bottom Performers.

Through this initiative, Treasurer Frerichs identified more than 2,200 companies in the Russell 3000 that disclose the board's racial, ethnic and gender diversity in aggregate or by individual director, up from 292 companies in 2020. This initiative has demonstrated significant success in public disclosure of board diversity. The Treasurer plans to continue engaging on diversity at the executive level and also at the investment decision-making level.

> "Research shows that diversity is good for business. When companies build a diverse leadership team and workforce, they better position themselves to innovate, attract talent, reach more customers, and increase productivity. That is why investors seek greater transparency on board diversity, as this information enables investors to better assess board effectiveness and maximize shareholder value."
>
> – Treasurer Frerichs

18 Subodh Mishra, "Russell 3000 Boards Becoming More Diverse," Harvard Law School Forum on Corporate Governance, March 14, 2023, available at: https://corpgov.law.harvard.edu/2023/03/14/russell-3000-boards-becoming-more-diverse/.

19 United States Census Bureau: QuickFacts https://www.census.gov/quickfacts/fact/table/US/PST045222


OFFICE OF ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

FOR IMMEDIATE RELEASE:
November 15, 2022

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More U.S. Companies are Disclosing the Race, Ethnicity and Gender of Board Directors

Frerichs Leads National Effort Calling on Russell 3000 Companies to Disclose Board Diversity Data

Midwest Investors Diversity Initiative. The Illinois Treasurer leads the [Midwest Investors Diversity Initiative (MIDI)](), a 17-member coalition comprised of regional institutional investors with over $1 trillion in assets under management and advisement. MIDI primarily engages companies headquartered in the Midwest facing board diversity shortfalls, by engaging collaboratively to understand current company policies and make targeted recommendations to institutionalize best practices around diversity.

Furthermore, in 2022, MIDI established an asset manager engagement sub-group to collaborate with asset managers in understanding their current corporate policies regarding diversity and the implications of such on their workforce development and investment process.

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

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

Numbers Snapshot: Results from MIDI Engagements Since 2016

78

Midwest companies engaged on board diversity

114

Diverse directors appointed at MIDI-engaged companies, including 86 women, 60 people of color, and 32 women of color

58

MIDI-engaged companies that now disclose board diversity

66

MIDI-engaged companies have adopted a diverse search policy (40 of which fully align with the Rooney Rule)

MIDWEST INVESTORS DIVERSITY INITIATIVE

For asset manager engagements, MIDI focused on recommending the following best practices for the prioritization of diversity, equity, and inclusion that are unique to asset managers:

- Disclosure of the gender and racial/ethnic diversity numbers for investment portfolio managers and job positions with stated investment decision-making responsibilities;
- Analysis of the diversity among portfolio managers and job positions with stated investment decision-making responsibilities compared to firmwide diversity;
- Creation of firm goals regarding how to promote and retain diversity among portfolio managers and investment teams;
- Conduct pay equity analyses by gender and race/ethnicity among portfolio managers and/or firmwide; and
- Enhance and analyze the firm's talent pipeline and recruiting efforts and comparison of recruitment practices compare to peers.

Results to date: Since 2016, when the group was formed, MIDI has engaged 78 companies on the issue of board diversity. In August 2023, MIDI looked at all new board directors appointed among MIDI engaged companies and found that 58% of new directors were women or people of color (114 of the 197 new board directors). Among the 114 women and people of color that received board appointments at MIDI-engaged companies, 86 were women and 60 were people of color, including 32 women of color. Further, among all companies engaged by MIDI, 58 now publicly disclose board diversity data; 66 have a policy to include diverse candidates in the search process; and 9 publicly disclose their EEO-1 report.

For the 2022-2023 proxy season, MIDI engaged eight companies, and we're pleased to report the following results to date:

- 4 companies appointed or committed to appoint a diverse director;
- 8 companies have adopted a diverse search policy (one of which fully aligns with the Rooney Rule);
- 7 companies disclosed their board diversity; and
- 1 company disclosed their EEO-1 report.

- **Proxy Voting** – The Illinois Treasurer exercises its proxy voting rights to support proposals which increase board diversity, gender pay gap reporting, and the inclusion of diversity as a performance metric for executive compensation. In 2021, the Illinois Treasurer's amended its 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. Furthermore, the Illinois Treasurer maintains a policy to vote against nominating committees at companies that have less than two women directors.

Results: In 2022, the Illinois Treasurer voted against 1,026 directors on nominating committees for failure to disclose the racial composition of the board, and voted against 1,182 directors on nominating committees for lack of gender diversity. The Illinois Treasurer also cast votes in favor of 5 shareholder proposals aimed to increase board diversity in 2022 and 5 proposals to report on gender pay gaps.

CLIMATE RISKS AND OPPORTUNITIES

Climate Risk is a Systemic Risk to the Global Economy. Companies, investors, and government officials alike are increasingly aware of the material risks posed by climate change to our economy, financial markets, and investment portfolios. In Illinois, the state legislature has taken the position that the consideration of environmental factors (among other factors) is vital to maximizing the safety and performance of public funds. In fact, a new amendment to the Illinois Sustainable Investing Act now requires that beginning in 2024, anyone wishing to serve as fiduciary of any public agency, pension fund, retirement system or governmental unit in the state must disclose their sustainability integration process.[20]

The science is clear that "the world faces unavoidable multiple climate hazards over the next two decades with global warming of 1.5° Celsius," and the window to avert catastrophic consequences is closing fast.[21] While many businesses and economies are already facing the physical impacts of climate change with the onset of more frequent and severe weather events, the adverse effects of continued warming as society transitions to a low-carbon economy have the potential to be far worse, causing irreversible disruptions and losses of resources, ecosystems, and infrastructure.[22]

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

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, increased disclosure requirements, 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 preservation, and waste management practices.
- **Technological Factors** – Advances in energy storage, clean energy products, or energy efficiency undermining or optimizing existing business models.
- **Human Capital Factors** – Need for qualified, technical skilled labor and implications of onshoring.
- **Physical Factors** – More frequent and severe weather events disrupting physical operations.

"Economic damages from climate change have been detected in climate-exposed sectors, such as agriculture, forestry, fishery, energy, and tourism. Individual livelihoods have been affected through, for example, destruction of homes and infrastructure, and loss of property and income, human health and food security, with adverse effects on gender and social equity."

—IPCC, Climate Change 2023 Synthesis Report: Summary for Policymakers

[20] Illinois Sustainability Act (PA 103-0324), available at: www.ilga.gov/legislation/publicacts/fulltext.asp?Name=103-0324&GA=103

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

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

Addressing the Physical and Transition Risks of Climate Change. Climate change represents systemic risks to every investor's portfolio. The exposure to climate risks and opportunities cannot be mitigated alone through portfolio diversification. Companies and investors must be proactive in addressing their exposures. At the same time, the climate transition also presents enormous opportunities for 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:

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

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

Actions and Results

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

- **Corporate Engagement Spotlight: Southern Company** – Southern Company is the nation's third largest electric utility by power generation and market share. It is also the nation's third largest emitter of greenhouse gases (GHG).

  Given the company's notable exposure to material climate risks to its business model, the Illinois Treasurer launched a direct engagement with the company in 2018, seeking the establishment of GHG reduction targets, accelerated decarbonization plans, and improved governance and reporting practices, among other actions. In 2020, the Illinois Treasurer was selected to co-lead the Climate Action 100+ investor group engaging Southern Company, which contains 28 members and conducts dialogue with the company on a frequent basis. In response to shareholder feedback, the company has made the following improvements:

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

- **Separation of CEO and Board Chair Role** – In the 2022 proxy voting season, the Illinois Treasurer flagged a Vote "No" against CEO and Board Chair, Tom Fanning. In April 2023, after years of significant pressure, Southern Company separated the role of CEO and Board Chair. The Illinois Treasurer views this as a significant step forward in enhancing the company's governance structure and climate competence.
- **Public Support for Climate Provisions within Build Back Better –** Southern Company announced its support for the Build Back Better framework in February 2022, which includes important provisions to protect stakeholders and advance the net zero transition.
- **Publication of the Company's Decarbonization Strategy –** In April 2018, Southern Company issued its *Planning for a Low Carbon Future* report, and in September 2020, it issued its *Implementation and Action Toward Net Zero* report, which discloses the company's enterprise-wide decarbonization strategy.
- **Publication of the Company's Just Transition Report –** In April 2022, the company published a report outlining its Just Transition principles, describing how the company seeks to manage the potential impacts of the energy transition on workers, communities, and customers.
- **Linking Executive Compensation to the Company's Decarbonization Goals –** In 2019, Southern Company first linked the CEO's pay to progress in achieving the company's GHG emission targets. In 2022, the company then linked the pay of additional executive officers to progress in achieving GHG reduction targets. This alignment helps to ensure climate considerations are core business objectives.

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

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

"Climate risk is financial risk. That is a cold, hard fact. To ignore it would be a dereliction of duty."

– Treasurer Frerichs

- **Manager Engagement Spotlight: Vanguard** – The Illinois Treasurer entrusts Vanguard to manage over $7 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, andgovernance issues, specifically on climate change, the Illinois Treasurer co-filed a resolution with Boston Trust Walden in 2020 requesting that Vanguard initiate a review and issue a report assessing its proxy voting record, policies, and guiding criteria related to climate change.

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

In January 2022, Vanguard released a paper on the firm's expectations for companies with significant coal exposure, outlining increased pressure for climate-competent boards, robust climate risk oversight, emission-reduction initiatives, and disclosure corporate political involvement and lobbying. Vanguard also increased transparency on its voting decisions and engagement activities on sustainability issues, as evidenced in its 2022 Investment Stewardship Semiannual Report.

Despite these positive results, areas for improvement remain. In 2022, Vanguard voted in support of just 8% of shareholder proposals covering environmental or social topics, with limited insight into voting rationales. Furthermore, in December 2022, Vanguard conducted an abrupt about-face when it exited the Net Zero Asset Managers Initiative (NZAM) citing concerns of confusion amongst customers. In order to assess the implications of such actions and Vanguard's long-term perspective on sustainability at the firm-level and investment-level, the Illinois Treasurer plans to continue to undertake active dialogue with Vanguard, conduct due diligence on stewardship activities, and advocate for enhanced proxy voting and sustainability integration practices.

- **Raising the Bar on Sustainable Investment Practices Spotlight: Calvert** – Since its inception in 1976, Calvert has been a leader in responsible investing and is today one of the largest responsible investment asset managers in the United States. Through the "Calvert Principles for Responsible Investment", environmental sustainability and resource efficiency are one of their core principles used to guide stewardship activities and identify best-in-class companies for investment. The Illinois Treasurer is proud to partner with Calvert to provide the Calvert Equity Fund as an individual investment option for Bright Directions participants. In 2022 during a significant market downturn, the resiliency of the Calvert Fund proved strong as evidenced by outperformance of its benchmark, the Russell 1000 index.[25]

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

[24] "https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/investment_stewardship_semiannual_report_2022.pdf"2022 Investment Stewardship Semiannual Report

[25] Calvert Equity I (CEYIX) report from Morningstar, available at https://www.morningstar.com/funds/xnas/ceyix/sustainability

Results: In 2022, the Illinois Treasurer voted against directors at 17 companies flagged as climate laggards, consistent with the office's voting policy. In addition to exercising proxy votes to hold individual board directors accountable, the Illinois Treasurer frequently supports shareholder proposals that seek to enhance governance and reporting practices at climate-impacted companies. In 2022, the office supported 65 shareholder proposals on environmental topics, including for example proposals that ask companies to adopt GHG reduction targets, report on their climate lobbying activities, among others.

- **Public Policy: Advocating for Standardized Climate Disclosure Rules** – The Illinois Treasurer issued a letter to the U.S. Securities and Exchange Commission in May 2022 voicing support for the proposed rule to enhance and standardize climate-related disclosures. The rule would require public companies and foreign private issuers to include climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are likely to have a material impact on their business, operations, or financial condition.
- **Investing in Green and Sustainable Bonds.** The Illinois Treasurer purchased $49.6 million in green bonds and $50 million in sustainability bonds in 2022. These bonds generate first and foremost a strong investment return, while also supporting positive environmental outcomes, including renewable energy and energy efficiency.
- **Partnering and Leading Coalition Groups** – Since 2019, Treasurer Frerichs has served on the board of Ceres, a nonprofit organization working with influential investors and companies to drive solutions to build a sustainable future for people and the planet. In 2022, he also became one of the leading Task Force Members for the newly launched Ceres' Valuing Water Finance Initiative. Additionally, the Treasurer is an active member in many other groups assisting investors in addressing climate-related risks and opportunities.

Strategic Partners on Climate Projects:

Ceres

PRI Principles for Responsible Investment

Climate Action 100+
Global Investors Driving Business Transition

majority action

HUMAN CAPITAL MANAGEMENT

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

The Business Case for Investors. Effective human capital management strategies drive positive long-term performance through enhanced worker productivity and better risk management. A large body of empirical work supports the link between effective human capital management and corporate performance in the areas of increased total shareholder return, return on assets, return on capital, profitability, overall relative firm performance, and lower attrition. [26, 27, 28, 29, 30, 31]

Alignment with ISSB. In line with the International Sustainability Standards Board's (ISSB) guidance through the Sustainability Accounting Standards Boards (SASB), the Illinois Treasurer recognizes that the following subtopics under human capital management can have a material impact on companies and investors:

- **Labor Practices and Relations** – Companies benefit from taking a long-term perspective on managing workers, contractors, and suppliers. This relates to practices involving fair compensation, workers' rights, worker health and safety, and workforce productivity enhancements through skills and capacity building, research and development, and capital investments. Companies that subvert the law or international standards for labor practices are exposed to operational, legal, regulatory, and reputational risks that may create roadblocks for both its existing operations as well as efforts to expand to other markets. Conversely, companies with fair labor policies and practices may be at a competitive advantage in attracting and employing an effective workforce, which can lead to a healthy company culture, stronger customer loyalty, increased revenue, and reduced costs.
- **Employee Health and Safety** – It is beneficial to invest in a company with a consistent ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). Employee health and safety is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of internal practices as well as those of contractors and vendors.

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

[26] 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.

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

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

[29] Beeferman, Larry and Aaron Bernstein, "The Materiality of Human Capital to Corporate Finance," Harvard University, April 2015, Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2605640.

[30] "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

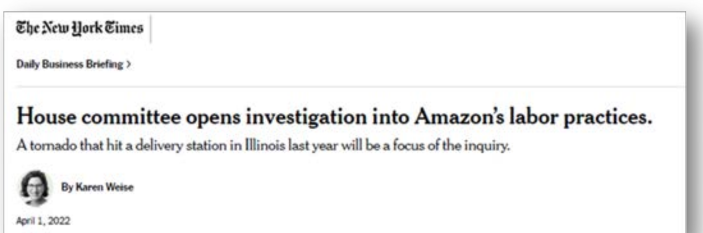
[31] "Performance Through People: Transforming Human Capital into Competitive Advantage,' McKinsey Global Institute, February 2, 2023, Available at https://www.mckinsey.com/mgi/our-research/performance-through-people-transforming-human-capital-into-competitive-advantage.

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

Actions and Results

- **Corporate Engagement Spotlight: Amazon** – In 2020, the Illinois Treasurer launched an engagement with Amazon on issues related to COVID-19 and worker safety, given reports of insufficient health and safety protections and retaliation against workers that raised concerns. While the engagement began with a focus on workplace safety issues related COVID-19, the scope expanded as additional issues came to light, prompting concerns about the company's overall human capital management practices. [32, 33, 34, 35, 36]

  Furthermore, on December 10, 2021, a tornado struck an Amazon facility in Edwardsville, Illinois, resulting in the tragic death of six workers: Etheria Hebb, Deandre Morrow, Kevin Dickey, Clayton Cope, Larry Virden, and Austin McEwen. Given reports of improper safety protocol at the Edwardsville facility [37, 38, 39] combined with mounting concerns about the company's overall human capital management practices, the Illinois Treasurer sent a letter to the Chair of Amazon's Leadership Development and Compensation Committee asking for a meeting to determine what the board of directors is doing to manage the likelihood of similar adverse impacts to the company's workers, operations, reputation, and regulatory oversight.


The New York Times

Daily Business Briefing ›

House committee opens investigation into Amazon's labor practices.

A tornado that hit a delivery station in Illinois last year will be a focus of the inquiry.

By Karen Weise

April 1, 2022

The Illinois Treasurer also co-signed a letter, along with the New York City Comptroller and New York State Comptroller, reiterating similar concerns about human capital management and asking for a meeting with board members. Despite repeated requests, the board did not meet with institutional investors to discuss its human capital management oversight and disclosure. Given the company's non-responsiveness to shareholders and its failure to adequately oversee human capital management, the Illinois Treasurer joined the New York City Comptroller and New York State Comptroller in launching a "vote no" campaign against the re-election of two Amazon board directors, Judith McGrath and Daniel Huttenlocher, at the company's annual meeting on May 25, 2022. Both individuals are longstanding members of the Leadership Development and Compensation Committee. Preliminary data suggests that both directors received the lowest votes among all board nominees, with McGrath receiving 27% votes against and Huttenlocher receiving 8% against (among independent investors).

Results: After the 2022 annual meeting, our engagement with Amazon continued due to the board's lack of willingness to meet with institutional investors. After repeated concerns about Amazon's human rights practices related to freedom of association and collective bargaining, the Illinois Treasurer signed an updated letter organized by SHARE, calling on Amazon to demonstrate a commitment to freedom of association and to conduct a third-party assessment of its practices related to this topic. Furthermore, as we remained concerned about employee turnover, health and safety, and the freedom of association at Amazon, we continued to reach out to the board of directors for a meeting. In March 2023, we joined the New York City Office of the Comptroller and other institutional investors in calling on Amazon's board to add new directors with relevant human capital management and human rights experience. In April 2023, the head of ESG engagement replied to the letter stating their defenses and elaborated on board member's skills related to human capital. However, as there has been little engagement directly with board members due to their lack of responsiveness, we plan to continue efforts to highlight areas of concern related to human capital practices at Amazon.

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

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

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

- **Corporate Engagement Spotlight: HCA Healthcare –** In 2022, alarming reports about HCA Healthcare's practices surfaced, alleging that patients in HCA Healthcare's emergency rooms are being admitted for inpatient stays regardless of medical need. It was estimated that these potentially unnecessary admissions may have brought in as much as $1.8 billion in excess Medicare payments to HCA over the years 2008-2019.[40] Additionally, staffing levels at HCA were reported to lag the national average by 30%, which presents opportunities for significant patient safety concerns, employee dissatisfaction and burnout, and reputational risks.[41] As such, these issues raised concerns at the Illinois Treasurer's Office about mounting risk exposures, including financial, regulatory, legal, and reputational risks that could adversely impact the long-term value of investments in HCA.


Issued January 13, 2022

New national survey of nurses and healthcare workers at HCA hospitals sounds alarm bells: nearly 80 percent of respondents report short staffing is jeopardizing patient care at America's largest for-profit hospital corporation

"The crisis inside HCA has reached new heights that endanger the well-being of frontline health care workers and the lives of patients," says one nurse respondent.


Some workers at U.S. hospital giant HCA say it puts profits above patient care

A union study found HCA's staffing levels were below the average for other hospitals in 19 of the 20 states where it provided care in 2020.

Results: Given the material risks facing HCA Healthcare's practices, the Illinois Treasurer led a coalition of state treasurers in calling on HCA healthcare to meet with investors to address some of their concerns. Due to the lack of willingness by the company to meet and address investor concerns, the Illinois Treasurer filed a shareholder proposal at the 2023 annual meeting. The shareholder proposal called on HCA Healthcare to implement better board oversight on human capital by giving the Patient Safety and Quality of Care Committee the power to review staffing levels and the resulting impact on patient safety. The proposal received 19% of shareholder's votes.

Given that the company has not addressed our concerns and material risks are still prevalent, the Illinois Treasurer plans to continue engagement with HCA Healthcare in 2023.

- **Member of the Human Capital Management Coalition** – The Illinois Treasurer remains an active member of the Human Capital Management Coalition (HCMC), a group of 36 institutional investors with more than $8 trillion in assets. HCMC seeks to engage companies to understand their human capital management policies and encourage disclosure of metrics to track policy implementation. The coalition also educates regulators on the relevance of human capital disclosures, as robust disclosure provides investors with material, relevant and decision-useful information to better assess the performance of the companies they own. Note: the Illinois Treasurer anxiously awaits further guidance from the SEC on human capital disclosures and workforce accounting data in order to help institutional investors with investment decision making and analysis on potential risky areas of concern.

[40] Service Employees International Union, "HCA: Higher Healthcare Costs for America,"Available at "https://hcavsamerica.org/wp-content/uploads/2022/02/SEIU_ExecSummary_FINAL-1.pdf"SEIU_ExecSummary_FINAL-1.pdf (hcavsamerica.org).

[41] SEIU, "Care Crisis: How Low Staffing Contributes to Patient Failures at HCA Hospitals," Available at "https://hcavsamerica.org/wp-content/uploads/2023/01/SEIU_ExecSumm.pdf"SEIU_ExecSumm.pdf (hcavsamerica.org).

GOVERNANCE AND BOARD ACCOUNTABILITY

Leadership Matters. Even the best leaders need advice, counsel, and oversight. For this reason, principal oversight of U.S. businesses falls to boards of directors. The directors hire the CEO, evaluate corporate and executive performance, and oversee the long-term strategy for the corporation. Boards of directors enforce governance practices to ensure the cultivation of an ethical and inclusive workplace, which guides companies towards sustainable growth. As such, boards of directors wield immense influence over the governance, management, business strategy, and financial performance of corporations. They also serve as the direct representatives of a company's shareholders, elected by the investors to represent shareholders' interests in overseeing the agency of corporate management.

The Value Proposition for Investors. Given their level of influence, it is clear why corporate leaders, financial analysts, institutional investors, and other stakeholders devote so much time and attention to the composition, competencies, and oversight practices of corporate boards. Effective boards help cultivate and sustain strong companies. When corporate boards uphold high standards of accountability, transparency, ethical conduct, risk management, and sustainability, companies and their investors are often better positioned for long-term success.[42, 43, 44]

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

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

[44] McKinsey & Company, "What is a Board of Directors?" 2023. Available at "https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-a-board-of-directors"What is a board of directors? | McKinsey

> "In today's rapidly changing business and societal landscapes, effective board governance is more important than ever... The modern board of directors provides more proactive direction and oversight on strategy, risk and opportunity management, sustainability, talent management, leadership succession, organizational culture, and even brand management and marketing. And that's just the tip of the iceberg."
>
> -McKinsey & Company

On the flipside, boards that disregard sound governance practices, often present elevated risks for underperformance of shareholders' investments. Therefore, the Illinois Treasurer frequently engages companies in which it invests on issues of board governance and accountability, given the materiality of these issues.

Key Governance Factors. The office's Sustainability Investment Policy Statement, as well as the office's Proxy Voting Policy Statement, delineate the Illinois Treasurer's position on key governance factors, which is further detailed below:

- **Board Independence** – Boards of directors should maintain a level of independence from management to exercise proper oversight and serve the interests of shareholders.
- **Separation of the CEO and Board Chair** – The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the Board is also the CEO of the company, the quality of the board's oversight is obviously hindered. An independent chairman helps avoid any conflicts of interest in the board's role of overseeing management.
- **Transparency** – Shareholders benefit from material, relevant, and decision-useful disclosures such as: board responsibilities and procedures, company operating practices, policies, and targets, management executive compensation, etc. Notwithstanding proprietary information, companies should strive therefore to be transparent in their business operations.
- **Oversight of Material Sustainability Risks** – Boards of directors should have a responsibility to oversee and respond to risks that may have a material impact on performance, such as systemic risks, reputational risks, and/or legal/regulatory risks.
- **Sensible Executive Compensation Programs** – Executive compensation should be reflective of a company's performance and incentivize appropriate manager behavior. Excessive executive compensation programs may signal board entrenchment and exacerbate income inequality.

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

Actions and Results

- **Corporate Engagement Spotlight: Meta Platforms** – Meta Platforms, formerly known as Facebook, has continued to face a barrage of governance and sustainability challenges. In recent years, the company has overlooked or mishandled significant controversies, including data breaches, election interference, rampant misinformation, anti-trust accusations, and child exploitation concerns. From December 31, 2021 to December 31, 2022 alone, the company's share price total return was (64.28%). This evidences the inadequacy of the company's response to exercise effective oversight of management and such governance issues in order to balance growth with long-term sustainability.

  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, in 2021 the Illinois Treasurer filed a shareholder proposal seeking to separate the CEO and board chair roles.

Results: Following the 2021 proposal to create an independent board chair structure, which received support from 52% of independent shareholders, the Office has continued to engage with Meta. In 2022, the Office held a meeting with Meta's Lead Independent Director Robert Kimmitt. During the meeting, the Office stressed the actions it considers to be most important for Meta to improve its corporate governance structure:

- Revise how the company classifies the "independent director;
- Implement a sunset or phase-out of the company's dual-class stock structure;
- Modify the company's Corporate Governance guidelines to clarify the roles of the Lead Independent Director; and
- Provide the independent vote totals in its 8-K reports.

After the discussions held in 2022, Meta did inform the Illinois Treasurer of the Company's intention to bolster the responsibilities of the Lead Independent Director, independent of the board chair. As significantly more progress is desired, the Illinois Treasurer will continue to engage Meta and its leadership in 2023 related to governance best practices in order to mitigate further depletion of shareholder value and realized investment losses.

> “Leadership matters. But even the best leaders need advice, counsel and—let’s face it—oversight from a diverse range of viewpoints.”
>
> – Treasurer Frerichs

- **Corporate Engagement Spotlight: Berkshire Hathaway** – Berkshire Hathaway is a large, well-diversified conglomerate, with material subsidiaries in insurance, utilities, energy, railroads, manufacturing, and retail. It generates approximately $300 billion in revenue annually. Due to or despite the vast coverage of its operations, the company provides minimal reporting on its exposures to sustainability risks, and opportunities, of material importance to shareholders. For example, when considering the Company’s significant investments in energy, the Company fails to meet 9 of 10 criteria as part of the CA100+ disclosure framework. This lack of disclosure makes investors, like the Illinois Treasurer, have less conviction in the governance and oversight of the Company in assessing and responding to material risks and opportunities.

Given the perceived strategic absence of transparency, the Illinois Treasurer filed a shareholder proposal requesting that Berkshire Hathaway include the following financially material disclosures to shareholders:

1. If and how the company is testing the impact of climate-related risks on the business;
2. The degree to which the company deems directors to be competent in climate-related risks; and
3. If and how sustainability factors are considered in director election and succession planning.

Results: The proposal received support from approximately 18% of all shareholders. Note: Warren Buffet, the company’s CEO and Chairman, has approximately 32% of the voting authority. Undaunted, the Illinois Treasurer plans to continue engaging with the company on its board oversight, climate competency, and disclosure.

Investment Stewardship – Proxy Voting

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

The Illinois Treasurer votes its proxies in line with the Proxy Policy Statement available on page 72 of this report. In 2022, the Illinois Treasurer voted 28,022 proposals at 3,009 companies. A full list of the votes cast is available on the Treasurer's Raising The Bar website.

A Glance at 2022 Proxy Voting

28,022
Proposals Voted at 3,009 Annual Meetings in 2022

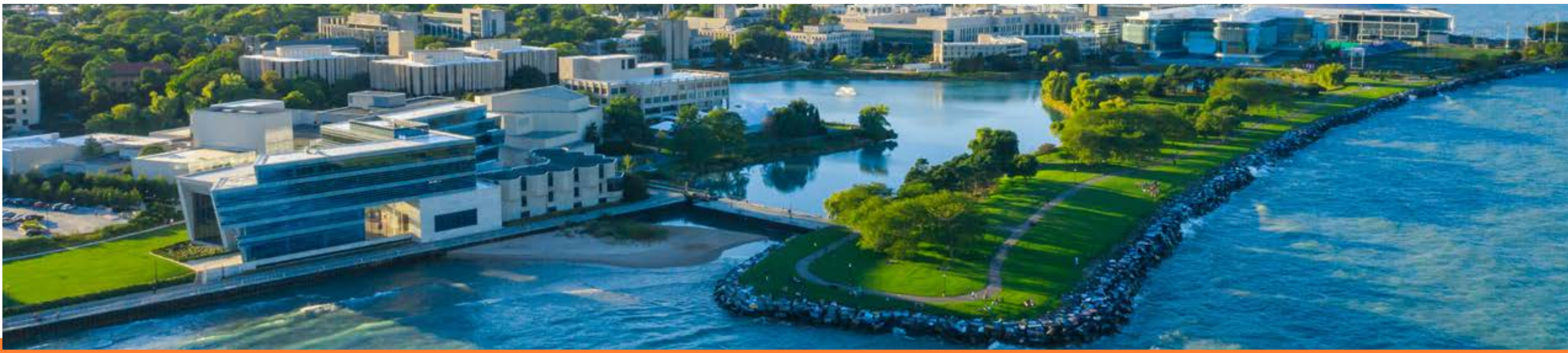
18,330
Election of Directors Proposals Voted in 2022

826
Shareholder Proposals Voted in 2022

54%
of Votes Cast in Favor of all Proposals

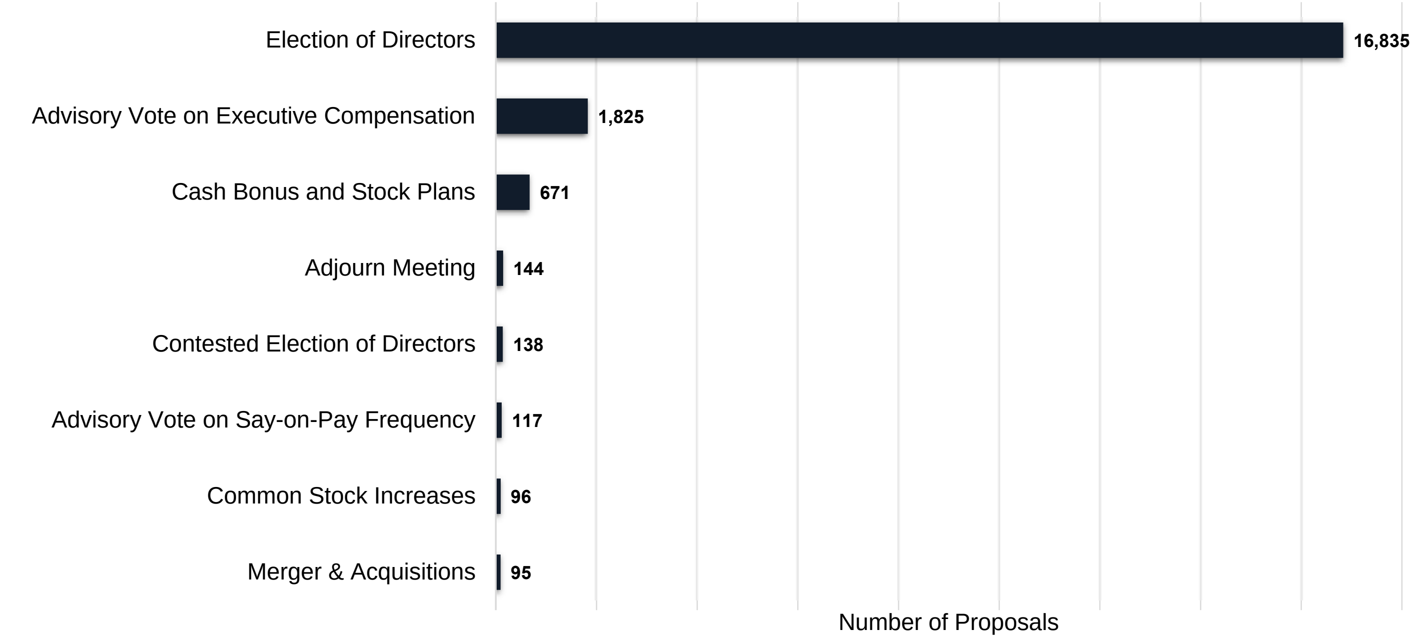
49%
of Votes Cast in Favor of Election of Directors

67%
of Votes Cast in Favor of Shareholder Proposals

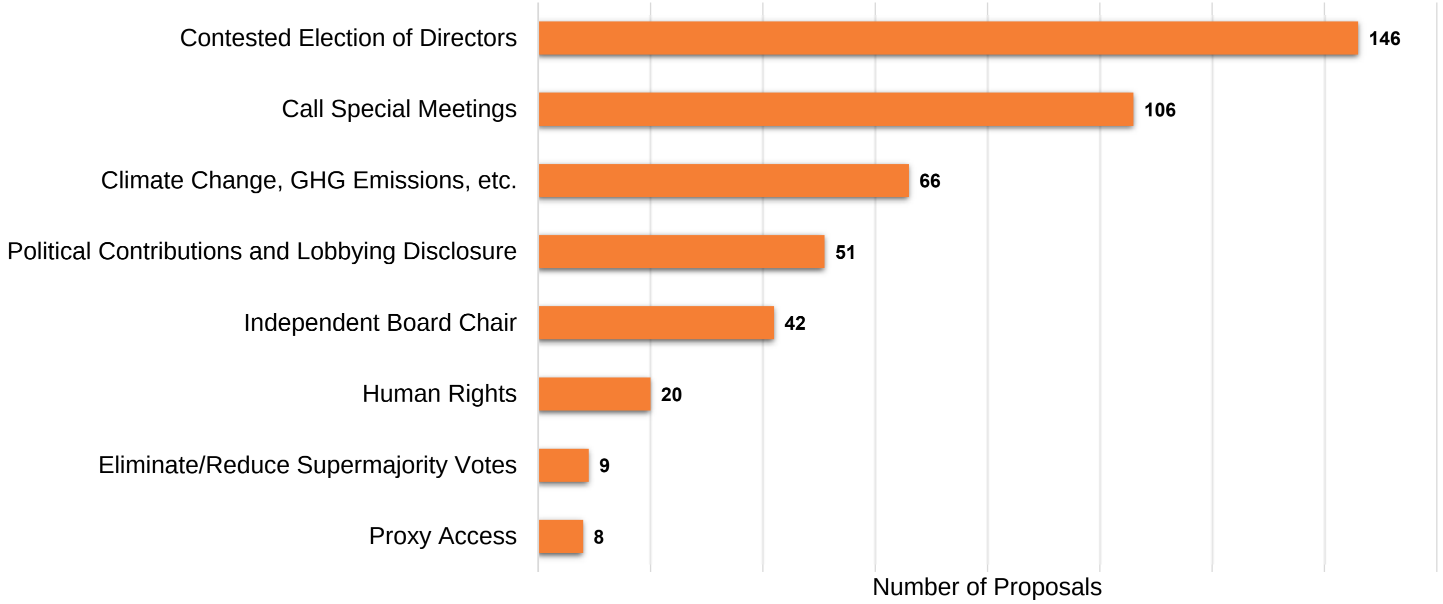


Climate	Voted against directors at **17** companies flagged as climate laggards
Racial Diversity	**1,026** Voted against directors on nominating committees for failure to disclose the racial composition of the board
Gender Diversity	**1,182** Voted against directors on nominating committees for lack of gender diversity
Board Independence	Votes against directors at **1,206** companies for board independence concerns
Sustainability Shareholder Proposals	Supported **81%** of total environmental and social shareholder proposals

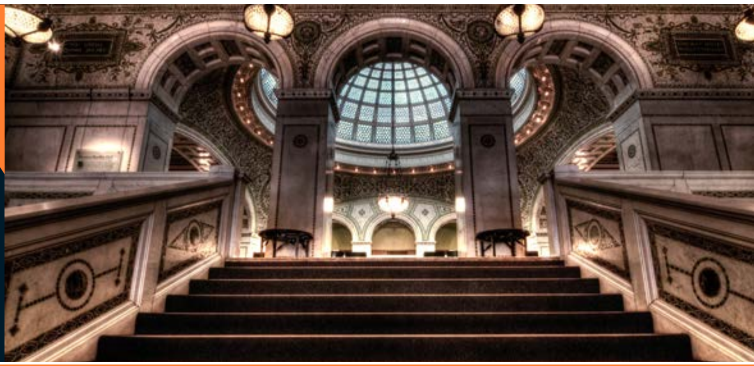
The Eight Most Commonly Voted Management Proposals at U.S. Companies in 2022



The Eight Most Commonly Voted Shareholder Proposals at U.S. Companies in 2022



Of the 28,022 proposals the Illinois State Treasurer voted on in 2022, 826 (2.9 percent) were shareholder proposals.



Shareholder proposals

The Illinois State Treasurer voted a total of 826 shareholder proposals in 2022 at 3,009 corporate meetings. Shareholders that meet certain ownership eligibility requirements may file proposals.

The topics of shareholder proposals tackle a variety of areas: compensation, corporate governance, director elections as well as their term limits and composition, general economic issues, health and environment, human rights and other routine and non-routine items. For U.S. corporate meetings, the Illinois State Treasurer voted on 724 shareholder proposals at 2,667 meetings. The most commonly voted proposals for U.S. meetings are detailed below and cover 57 percent of all shareholder proposals voted. Table 1 shows the year-over-year comparison of the most commonly voted shareholder proposals at U.S. company meetings.

Act by written consent

The proponents of the resolution, which first began appearing with regularity in the 2010 season, state that to act by written consent gives shareholders the opportunity to raise important matters outside the normal annual meeting cycle. An action by written consent gives shareholders the right to approve certain corporate matters without having to call a meeting of shareholders or to give notice to all shareholders about the matters being approved. In some instances, an action by written consent could be more efficient and cost-effective than holding a special meeting. In 2022, the Illinois State Treasurer voted in support of all 6 proposals to provide the right to act by written consent (100 percent).

Table 1: Most Commonly Voted Shareholder Proposals at U.S. Companies

	2022		2021		2020	
Proposal Name	Number of Proposals	% Supported	Number of Proposals	% Supported	Number of Proposals	% Supported
Contested Election of Directors	146	24%	83	25%	89	60%
Call Special Meetings	106	99%	30	100%	41	98%
Climate Change, GHG Emissions, etc.	66	98%	30	100%	14	100%
Political Contributions and Lobbying Disclosure	51	98%	44	100%	58	100%
Independent Board Chair	42	100%	37	100%	46	100%
Human Rights	20	85%	8	88%	10	100%
Eliminate/Reduce Supermajority Votes	9	100%	12	100%	11	100%
Proxy Access	8	100%	23	100%	10	100%
Act by Written Consent	6	100%	72	100%	58	100%
Environmental & Social	6	50%	12	92%	6	50%
Board Diversity	5	100%	5	100%	11	91%
Gender Pay Gap	5	100%	6	100%	13	100%
Majority Vote for Election of Directors	3	100%	6	100%	9	100%
Link Executive Pay	1	100%	5	100%	8	100%

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, board structure, and new board member nominee candidates. Board diversity proposals generally ask companies to report on the board's diversity and qualifications, report on plans to increase board diversity or adopt a policy on board diversity where nominee pools for new director searches include minority candidates in terms of race and gender.

In 2022, the Illinois State Treasurer voted in favor of 5 out of 5 proposals on board diversity (100 percent).

Call special meetings

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

In 2022, the Illinois State Treasurer voted for in favor of 105 out of 106 proposals to provide the right to call a special meeting or to amend the right to call a special meeting (99 percent). Note the unsupported proposal appeared on a dissident ballot in a proxy contest where Illinois State Treasurer supported the management ballot.

Climate change, greenhouse gas emissions, recycling and sustainability

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

In 2022, the Illinois State Treasurer voted in favor of 65 out of 66 proposals on climate change, greenhouse gas emissions, recycling and sustainability (98 percent).

Contested election of directors

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

In 2022, the Illinois State Treasurer voted in favor of 36 out of 146 shareholder proposals to elect directors in contested elections (24 percent).

In 2022, the Illinois State Treasurer voted on 138 management proposals to elect directors in contested elections and supported 49 proposals (36 percent).

Eliminate/reduce supermajority votes

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

In 2022, the Illinois State Treasurer voted for all 9 proposals to reduce a supermajority-voting requirement (100 percent).

In 2022, the Illinois State Treasurer voted on 60 management proposals to reduce a supermajority-voting requirement and supported all 60 proposals (100 percent).

Environmental & social

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

In 2022, the Illinois State Treasurer voted in favor of 11 out of 14 proposals related to environmental & social issues (79 percent).

Gender pay gap

In 2016, shareholders began filing proposals on pay equity, asking companies about the risks of the pay disparities between genders. A number of these proposals have evolved to include pay disparities by gender, race and ethnicity, global median gender pay gap, and the risks companies face with emerging public policies addressing the gender pay gap.

In 2022, Illinois State Treasurer voted for all 5 proposals on gender pay gap (100 percent).

Human rights

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

In 2022, the Illinois State Treasurer voted for 17 of 20 proposals related to human rights risk assessments (85 percent).

Independent board chair

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

In 2022, the Illinois State Treasurer voted for all 42 proposals for an independent board chair (100 percent).

Majority vote for election of directors

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

In 2022, the Illinois State Treasurer voted for all 3 proposals asking for majority vote for election of directors (100 percent).

Political contributions and lobbying disclosure

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

In 2022, the Illinois State Treasurer voted in favor of 50 out of 51 proposals on political contributions and lobbying disclosure (98 percent).

Proxy access

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

In 2022, the Illinois State Treasurer supported all 8 proposals on proxy access (100 percent).

Management proposals

The clear majority of proposals at corporate annual meetings are put on the ballot by management. In 2022, 97 percent of all proposals fell under the management category.

In total, the Illinois State Treasurer voted on 27,196 management proposals at 3,009 corporate annual meetings this year. The topics of management proposals include corporate governance provisions, corporate transactions, auditors and executive compensation.

For U.S. corporate meetings, the Illinois State Treasurer voted on 23,010 management proposals at 2,667 meetings. Table 2 shows the year-over-year comparison of the most commonly voted shareholder proposals at U.S. company meetings.

TABLE 2: Most Commonly Voted Management Proposals at U.S. Companies

	2022		2021		2020	
Proposal Name	Number of Proposals	% Supported	Number of Proposals	% Supported	Number of Proposals	% Supported
Election of Directors	16,835	47%	16,701	38%	16,460	51%
Advisory Vote on Executive Compensation	1,825	58%	1,788	57%	1,864	56%
Cash Bonus and Stock Plans	671	15%	765	14%	761	14%
Adjourn Meeting	144	51%	160	49%	117	44%
Contested Election of Directors	138	35%	78	45%	90	10%
Advisory Vote on Say-on-Pay Frequency	117	100%	109	100%	109	97%
Common Stock Increases	96	41%	120	55%	87	46%
Merger & Acquisitions	95	96%	178	98%	87	100%
Eliminate/Reduce Supermajority Votes	60	100%	57	100%	57	100%
Advisory Vote on Golden Parachutes	51	54%	89	36%	48	13%
Amend Articles/Bylaws/Charter - Non-Routine	44	88%	36	81%	53	83%
Board Declassification	37	100%	28	100%	52	100%

Election of directors

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

- **Diversity:** The Illinois State Treasurer reviews the gender composition of the board and withholds on the nominating committees of boards that lack at least two women. A similar review is not possible for the racial composition of directors given the lack of available data.
- **Financial performance:** The Illinois State Treasurer evaluates how the company performed compared to a broad market index and/or its peer group over an extended time. The Illinois State Treasurer may withhold from directors when a company has underperformed for a sustained period.
- **Independence:** When a board has less than two-thirds independent directors, The Illinois State Treasurer votes in favor of outsiders and against/withhold on insiders. An insider is a director who also serves as an executive officer, has familial or business ties to an executive officer, is recently a former executive officer or poses other potential conflicts of interest to independent thought.
- **Egregious actions adverse to shareholder interests:** The Illinois State Treasurer may vote against or withhold votes from directors when the board has taken an action that threatens shareholders' interests. Such actions include repricing underwater stock options or ignoring a majority vote on a shareholder proposal.
- **Attendance:** The Illinois State Treasurer may withhold from directors that attend fewer than 75 percent of board and committee meetings without providing a valid explanation for the absence. Of the 16,835 proposals that the Illinois State Treasurer voted in 2022 to elect directors of U.S. companies, 8,074 proposals (48 percent) were supported.

Ratification of auditors

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

In 2022, the Illinois State Treasurer cast votes to ratify the auditor of U.S. companies on 2,065 proposals and voted in favor of 1,708 proposals (83 percent).

Compensation

Cash bonus and stock plans

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

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

- **Performance standards:** Compensation plans should reward specified performance or serve as an incentive for future performance.
- **Dilution:** The dilution to current shareholder equity should not exceed 5 percent.
- **Change-in-control provisions:** Options and restricted stock awards should not automatically accelerate in a change-in-control scenario.

- **Underwater options:** Options that drop below their exercise price should not be repriced.
- **Participation and distribution:** Plans made available to rank-and-file employees help drive company performance. The number of shares per individual should have a reasonable limit.

In 2022, the Illinois State Treasurer voted on 671 compensation plans and supported 102 (15 percent).

Advisory vote on executive compensation

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

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

In 2022, The Illinois State Treasurer voted on 1,825 U.S. advisory votes on compensation and supported 1,063 (58 percent).

Advisory vote on say-on-pay frequency

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

In 2022, the Illinois State Treasurer voted in favor of an annual frequency on the say-on-pay vote at 117 out of 117 proposals (100 percent).

Adjourn meeting

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

In 2022, The Illinois State Treasurer voted on 144 proposals for the adjournment of a meeting and supported 74 (51 percent).

Mergers and acquisitions

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

In 2022, the Illinois State Treasurer voted on 95 proposals for mergers and acquisitions and supported 92 (97 percent).

Advisory vote on golden parachutes

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

In 2022, the Illinois State Treasurer voted on 51 advisory proposals on golden parachutes and supported 28 (55 percent).

Amend articles/bylaws/charter — non-routine

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

In 2022, the Illinois State Treasurer voted on 44 proposals to amend articles/bylaws/charters and supported 39 (89 percent).

Board declassification

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

In 2022, the Illinois State Treasurer voted in favor of all 37 proposals to declassify the board of directors (100 percent).

Common stock increases

Increases in common stock authorizations can negatively affect shareholder value because once shareholders approve the increases, the board of directors can issue the additional shares at its discretion without seeking shareholder approval. This could include issuance of shares for financial recapitalization plans, acquisitions or to thwart acquisitions. Share issuances also dilute current shareholders' equity. The Illinois State Treasurer analyzes whether a request for an increase in common stock seeks an excessive amount. The Illinois State Treasurer also studies whether there is a specific purpose for increasing the stock authorization — such as an acquisition or a stock split.

In 2022, the Illinois State Treasurer voted on increases in common stock authorization on 90 proposals and supported 40 (42 percent).

Reverse stock split

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

In 2022, the Illinois State Treasurer voted on 70 management proposals to reverse stock split and supported 69 (99 percent).

Prioritizing Diverse Investment Firms

A core tenet of the Treasurer's mission is to promote education, access, and opportunity for individuals, families, and governmental bodies across the state of Illinois to help them achieve the American Dream. Inclusive within that mission, is the Treasurer's commitment to providing equal access for minority persons, women, qualified veterans, and persons with disabilities ("MWVD Persons").

Treasurer Frerichs firmly believes that our governance should mirror the diversity in our state.

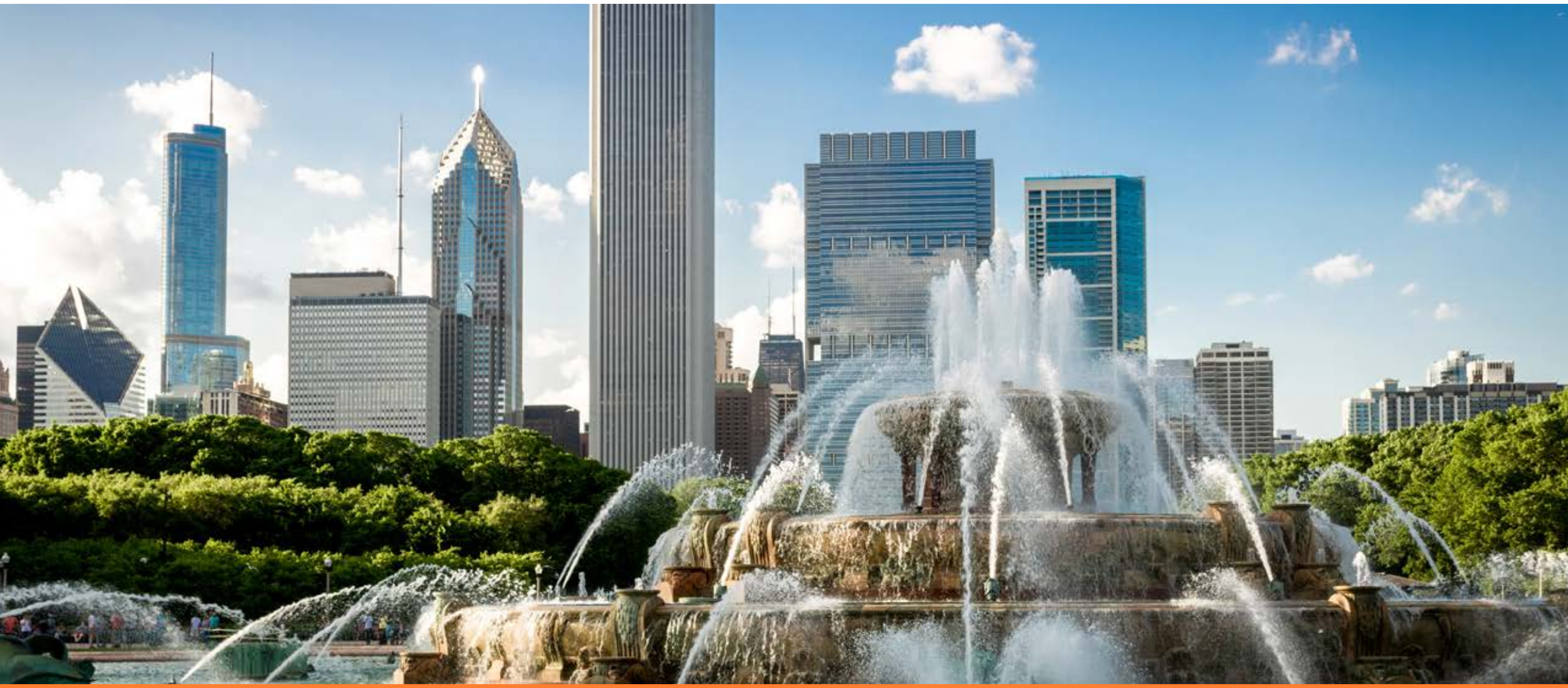
Significant academic research demonstrates that diverse-owned companies are often more well-situated to capitalize on market inefficiencies, and as such, primed to outperform their peers. That is why the Illinois Treasurer is focused on providing more opportunities to qualified investment firms and suppliers owned by MWVD Persons because diversity is good for business performance.

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

Ensuring our Business Partners Prioritize Diversity & Inclusion. All firms seeking to business with the Illinois Treasurer (ex: investment consultants, brokers, active depositories, asset managers, etc.) must disclose how their firm promotes diversity, equity and inclusion. This is accomplished through an internal assessment our office collects from each firm, which includes, but is not limited to, the following:

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

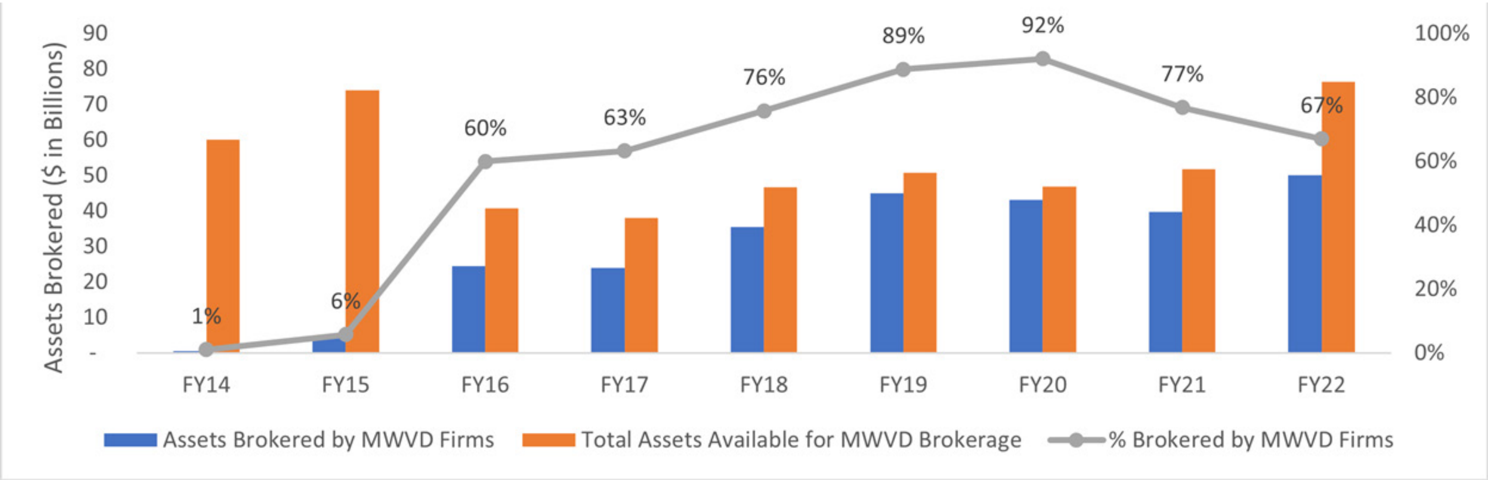
Due to these internal policies and coordination with external partners, refer below for some of the great strides the Illinois Treasurer has made to provide more opportunities for MWVD firms.



Actions and Results

Increasing Business with MWVD Broker/Dealers. The Treasurer's two internally managed investment programs, the State Investment Portfolio and the Illinois Public Treasurers' Investment Pool (also referred to as "The Illinois Funds"), are made up of direct purchases and brokered investments of fixed income securities. Utilizing diverse-owned broker/dealers for best execution of such activity is one of the most effective and worthwhile opportunities for MWVD participation. The percentage of assets brokered by MWVD firms remains well above the 25% preference statutorily.

Year-by-Year Comparison of Assets Brokered by MWVD Firms (FY 2014 to FY 2022)



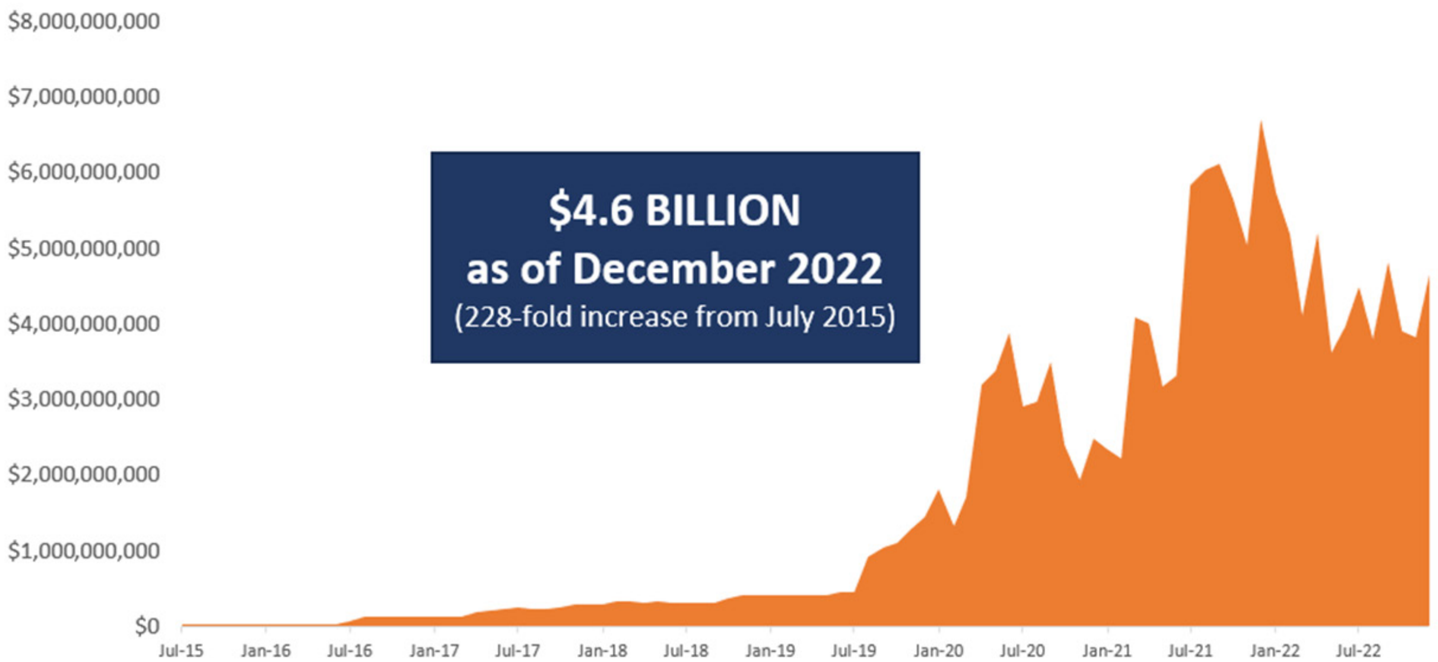
Annual Comparison of Assets Brokered by MWVD Firms

Annual Comparison of Assets Brokered by MWVD Firms FY 2014 – FY 2022									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Assets Brokered by MWVD Firms	$603 million	$4 billion	$24 billion	$24 billion	$35 billion	$45 billion	$43 billion	$40 billion	$50 billion
Total Assets Available	$60 billion	$74 billion	$41 billion	$38 billion	$47 billion	$51 billion	$47 billion	$52 billion	$76 billion
% Brokered by MWVD Firms	1.0%	5.7%	59.9%	63.2%	75.8%	88.8%	92.1%	76.8%	67.0%

Increasing Business with MWVD Asset Managers. The Illinois Treasurer has made tremendous strides expanding the use of MWVD asset managers across its investment portfolios. As of June 30, 2015, the Treasurer's Office had $20.4 million invested with MWVD asset managers. As of June 30, 2022, the Treasurer's Office had over $3.7 billion invested with MWVD asset managers. That represents a **181-fold increase**.

Annual Comparison of Assets Managed by MWVD Firms (Assets as of Fiscal Year-End)								
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Assets Managed by MWVD Firms	$20.4 million	$70.9 million	$209.5 million	$303.8 million	$446.3 million	$3.9 billion	$3.3 billion	$3.7 billion
Total Externally Managed Assets	$7.6 billion	$8.1 billion	$9.7 billion	$11.0 billion	$12.5 billion	$15.8 billion	$18.9 billion	$19.1 billion
% Managed by MWVD Firms	0.3%	0.9%	2.2%	2.8%	3.6%	24.9%	17.6%	19.4%

Assets Managed by MWVD Firms (July 2015 to December 2022)



Diverse Investment Firm Spotlight

Investments Grounded in Impact: Buoyant Ventures, a partnership for the future

We are pleased to announce an investment into Buoyant Ventures, a Chicago-based venture capital firm with a calling to create a climate-resilient world through adaptation and mitigation.

Launched in 2022, the $75M inaugural fund is the largest first-time women-owned venture fund outside of the East and West coasts of the United States. The 100% women-owned firm invests in software and simple hardware that helps adapt to and mitigate the impacts of climate change.

Through the Illinois Growth and Innovation Fund ("ILGIF"), we are investing in Buoyant, and other diverse first-time funds, who are mission driven to create a climate resilient future. ILGIF continues to be at the forefront of increasing equity, diversity, and inclusion within the venture capital ecosystem, with 43% of its committed capital invested with qualified firms led by women, minorities, veterans, or person with disabilities.

Buoyant Ventures invests in companies that will drive climate resilience today and reverse trends that threaten tomorrow. The firm takes a dual focus on mitigation, reducing emissions to slow the pace of climate change in the future, and adaptation, addressing the risk to lives and livelihoods today. By focusing on digital solutions that can be rapidly deployed and scaled, Buoyant believes it's investments can accelerate efforts to defend against some of the largest threats from climate change.

Interested entrepreneurs and stakeholders can visit https://www.buoyant.vc/ for more information.

Buoyant Ventures Fund I is the largest first-time women-owned venture fund outside of the coasts.

We have committed **$2.5M** in this fund to foster a more inclusive venture capital ecosystem and support investments designed to create and benefit from a climate-resilient world.

Strategic Partnerships

The Illinois Treasurer is proud to work with other partners committed 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. However it is important to note, that the Illinois Treasurer conducts all coalition engagement activity through the lens of the individual fiduciary duty to which he owes.

Refer to the table below for some of the investor networks, policy/research groups, and coalitions of which we are a member of or work closely with to incorporate sustainability into our investment process in the most prudent manner. These organizations are made up of leading asset management firms, public pension funds, labor unions, foundations, endowments, family offices, and other state treasurers.

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

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

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

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

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

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

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

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

International Financial Reporting Standards Foundation (IFRS) – The IFRS Foundation is a not-for-profit, public interest organization established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards. The standards are developed by two standard-setting boards, the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB).

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 its fiduciary duties, which include maximizing anticipated financial returns and minimizing projected risk. As a result of this mission, the financial outcomes achieved are expected to contribute to a more just, equitable, 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 7/25/2023

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Office of the Illinois State Treasurer
SUSTAINABILITY INVESTMENT POLICY STATEMENT

1.0 PURPOSE

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

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

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

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

2.0 AUTHORITY

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

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

3.0 PHILOSOPHY

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

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

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

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

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

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

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

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

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

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

4.0 GOVERNANCE

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

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

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

5.0 CORPORATE GOVERNANCE AND LEADERSHIP FACTORS

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

a) Board Accountability

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

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

b) Board Diversity

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

c) Transparency

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

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

d) Sensible Executive Compensation Programs

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

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

e) Robust Shareholder Rights

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

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

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

f) Ethical Conduct and Business Practices

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

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

g) Systemic Risk Management

The increased globalization and interconnectedness of the marketplace has become a central concern of state, federal, and international regulators. This is particularly relevant to companies in the financial sector and insurance industry, with many designated or at risk of being designated as systemically important institutions. This designation can subject firms to stricter regulatory standards, credit limitations, and increased oversight by government officials. To demonstrate how these risks are being managed, companies should enhance their disclosures of key metrics, risk exposures, and additional aspects of systemic risk management.

h) Management of the Legal and Regulatory Environment

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

i) Critical Incident Risk Management

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

6.0 ENVIRONMENTAL FACTORS

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

a) Climate Competence

Climate change may pose a source of systemic risk for investors and the businesses in which they invest as well as the financial system. Shifts in temperature, weather patterns, and rising sea levels impact supply chain, consumer demand, physical capital, and communities represent risks that can disrupt proper functioning of financial markets and institutions. Extreme weather events are occurring on a more frequent basis and with increasing intensity. Events such as droughts, floods, and storms may lead to scarce resources and disruptions in operations and workforce availability. A company's awareness of environmental risks and opportunities may have a significant impact on its operational capacity, financial position, and long-term value creation. With new environmental technologies, regulations, and business strategies rapidly developing (e.g., carbon pollution regulations and energy efficiency opportunities), it is important that companies adapt and capitalize on these evolving changes. This may include, among other strategies, maintaining a board member or senior executive with expertise or ample experience with environmental science and technology.

b) Greenhouse Gas Emissions

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

c) Air Quality

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

d) Energy Management

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

e) Water & Wastewater Management

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

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

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

7.0 SOCIAL CAPITAL FACTORS

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

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

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

shareholder value. Companies considering the use of Artificial Intelligence (AI) should also consider associated risks to data integrity, responsible use and the impact on jobs.

c) **Data Privacy**
Companies have a material interest in managing risks related to the use of personally identifiable information and other customer or user data for secondary purposes including, but not limited to, marketing through affiliates and non-affiliates. This factor includes legal, regulatory, and reputational issues that may arise from a company's approach to collecting data, obtaining consent (e.g., opt-in policies), managing user and customer expectations regarding how their data is used, and managing evolving regulation.

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

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

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

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

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

and affordability of health care, financial services, utilities, education, and telecommunications.

8.0 HUMAN CAPITAL FACTORS

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

a) **Labor Practices and Relations**

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

b) **Employee Health and Safety**

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

c) **Employee Engagement, Equity, Diversity and Inclusion**

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

9.0 BUSINESS MODEL & INNOVATION FACTORS

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

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

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

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

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

efficiency in manufacturing, and making research and development investments in substitute materials. Companies can manage these issues by screening, selecting, monitoring, and engaging with suppliers to ensure their resilience to external risks.

e) **Physical Impacts of Climate Change**
This factor includes a company's ability to manage risks and opportunities associated with direct exposure of its owned or controlled assets and operations to actual or potential physical impacts of climate change. It relates to a company's ability to adapt to increased frequency and severity of extreme weather, shifting climate, sea level risk, and other physical disruptions related to climate change. Management of such issues may involve enhancing resiliency of physical assets and/or surrounding infrastructure, as well as incorporating climate considerations into key business activities (e.g., mortgage and insurance underwriting, planning and development of real estate projects).

10.0 DIVESTMENT

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

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

11.0 POTENTIAL ACTIONS

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

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

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

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

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

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

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

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

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

12.0 REPORTING

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

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

Appendix B:
Proxy Voting Policy Statement

OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

2023 Proxy Voting Policy Statement

PROXY VOTING GUIDELINES

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

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

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

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

CORPORATE GOVERNANCE PHILOSOPHY

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

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

ISSUE GUIDELINES

<u>ELECTION OF DIRECTORS</u>

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

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

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

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

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

RATIFICATION OF AUDITORS

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

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

ROUTINE PROPOSALS

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

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

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

NON-ROUTINE PROPOSALS

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

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

Climate Action Plan

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

SPAC Merger Transactions

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

Mergers/Acquisitions and Restructuring (See also Reincorporating/ Inversions)

Our analysis will focus on the strategic justifications for the transaction and the fairness of any costs incurred.

Advisory Votes on Compensation Policies and Practices

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

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

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

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

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

SHAREHOLDER PROPOSALS

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

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

Board Diversity

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

Poison Pill Plans

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

Independence of Boards and Auditors

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

Cumulative Voting

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

Confidential Voting

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

Shareholder Access to the Proxy For Director Nominations

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

Separate Chairperson and Chief Executive Officer

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

Term Limit For Directors

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

Greater Transparency and Oversight

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

Executive/Director Compensation

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

High Performance Workplaces

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

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

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

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

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

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.

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

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

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

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

Appendix C:

2022 Proxy Voting Statistics

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Audit Related												
Management												
Ratify Auditors	2192	2226	1842	344	23	2	15	0	0	0	1844	367
Authorize Board to Fix Remuneration of External Auditor(s)	53	54	46	8	0	0	0	0	0	0	46	8
Approve Auditors and Authorize Board to Fix Their Remuneration	205	206	168	16	1	21	0	0	0	0	168	38
Ratify Alternate Auditor	2	2	2	0	0	0	0	0	0	0	2	0
Shareholder												
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	6	11	4	0	7	0	0	0	0	0	4	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
Totals for Audit Related :	2406	2500	2063	368	31	23	15	0	0	0	2065	420
Capitalization												
Management												
Authorize New Class of Preferred Stock	4	4	0	4	0	0	0	0	0	0	0	4
Increase Authorized Common Stock	101	101	42	59	0	0	0	0	0	0	42	59
Increase Authorized Preferred Stock	3	3	0	3	0	0	0	0	0	0	0	3
Increase Authorized Preferred and Common Stock	2	2	0	2	0	0	0	0	0	0	0	2
Approve Stock Split	6	6	6	0	0	0	0	0	0	0	6	0
Approve Reverse Stock Split	75	76	73	3	0	0	0	0	0	0	73	3
Approve/Amend Conversion of Securities	16	21	17	4	0	0	0	0	0	0	17	4
Approve Issuance of Warrants/Convertible Debentures	1	1	1	0	0	0	0	0	0	0	1	0
Eliminate Preemptive Rights	6	7	7	0	0	0	0	0	0	0	7	0
Eliminate/Adjust Par Value of Common Stock	2	2	2	0	0	0	0	0	0	0	2	0
Amend Votes Per Share of Existing Stock	2	2	2	0	0	0	0	0	0	0	2	0
Approve Tender Offer	1	1	1	0	0	0	0	0	0	0	1	0
Authorize Share Repurchase Program	114	118	3	35	80	0	0	0	0	0	3	115
Eliminate Class of Common Stock	1	1	1	0	0	0	0	0	0	0	1	0
Approve Issuance of Shares for a Private Placement	22	28	21	7	0	0	0	0	0	0	21	7
Approve Shares Issued for a Private Placement to a Director or Executive	1	2	0	2	0	0	0	0	0	0	0	2
Authorize Capitalization of Reserves for Bonus Issue or Increase in Par Value	2	2	2	0	0	0	0	0	0	0	2	0
Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	8	8	7	1	0	0	0	0	0	0	7	1
Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	105	139	111	23	4	0	1	0	0	0	111	27
Authorize Capital Increase of up to 10 Percent of Issued Capital for Future Acquisitions	3	3	3	0	0	0	0	0	0	0	3	0
Reduce Authorized Common and/or Preferred Stock	8	8	8	0	0	0	0	0	0	0	8	0
Approve/Amend Securities Transfer Restrictions	4	4	4	0	0	0	0	0	0	0	4	0
Authorize Share Repurchase Program and Reissuance of Repurchased Shares	2	2	0	0	2	0	0	0	0	0	0	2
Authorize Share Repurchase Program and Cancellation of Repurchased Shares	5	5	5	0	0	0	0	0	0	0	5	0
Authorize Directed Share Repurchase Program	8	12	6	4	2	0	0	0	0	0	6	6
Ratify Past Issuance of Shares	5	6	0	6	0	0	0	0	0	0	0	6
Authorize Issuance of Investment Certificates	1	1	1	0	0	0	0	0	0	0	1	0
Authorize Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights	2	2	2	0	0	0	0	0	0	0	2	0
Authorize Issuance of Bonds/Debentures	2	2	2	0	0	0	0	0	0	0	2	0
Authorize Reissuance of Repurchased Shares	28	28	5	19	4	0	0	0	0	0	5	23

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Approve Reduction in Share Capital	28	31	31	0	0	0	0	0	0	0	31	0
Approve Reduction/Cancellation of Share Premium Account	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	74	76	47	28	1	0	0	0	0	0	47	29
Authorize Board to Set Issue Price for 10 Percent of Issued Capital Pursuant to Issue Authority without Preemptive Rights	1	1	1	0	0	0	0	0	0	0	1	0
Authorize Board to Increase Capital in the Event of Demand Exceeding Amounts Submitted to Shareholder Vote Above	3	3	3	0	0	0	0	0	0	0	3	0
Authorize Use of Financial Derivatives	1	1	0	0	1	0	0	0	0	0	0	1
Approve Issuance of Shares Below Net Asset Value (NAV)	5	5	4	1	0	0	0	0	0	0	4	1
Totals for Capitalization :	378	717	421	201	94	0	1	0	0	0	421	295
Company Articles												
Management												
Amend Articles/Bylaws/Charter -- Routine	5	5	5	0	0	0	0	0	0	0	5	0
Adopt New Articles of Association/Charter	16	16	10	6	0	0	0	0	0	0	10	6
Amend Articles/Bylaws/Charter -- Non-Routine	75	86	74	12	0	0	0	0	0	0	74	12
Amend Articles Board-Related	13	20	17	3	0	0	0	0	0	0	17	3
Amend Articles/Charter to Reflect Changes in Capital	12	12	10	2	0	0	0	0	0	0	10	2
Amend Articles/Charter Equity-Related	4	6	6	0	0	0	0	0	0	0	6	0
Amend Articles/Bylaws/Charter -- Organization-Related	5	5	4	1	0	0	0	0	0	0	4	1
Amend Articles to: (Japan)	14	14	13	1	0	0	0	0	0	0	13	1
Amend Articles/Charter Compensation-Related	1	1	1	0	0	0	0	0	0	0	1	0
Amend Articles/Charter Governance-Related	8	8	7	1	0	0	0	0	0	0	7	1
Amend Certificate of Incorporation to Add Federal Forum Selection Provision	6	6	6	0	0	0	0	0	0	0	6	0
Shareholder												
Amend Articles/Bylaws/Charter -- Non-Routine	5	6	3	2	0	0	1	0	0	0	5	0
Totals for Company Articles :	149	185	156	28	0	0	1	0	0	0	158	26
Compensation												
Management												
Approve Remuneration of Directors and/or Committee Members	81	111	87	7	17	0	0	0	0	0	87	24
Approve Executive Share Option Plan	17	19	3	16	0	0	0	0	0	0	4	15
Amend Executive Share Option Plan	39	40	1	38	0	1	0	0	0	0	2	38
Approve Restricted Stock Plan	25	32	11	21	0	0	0	0	0	0	11	21
Amend Restricted Stock Plan	14	15	0	15	0	0	0	0	0	0	0	15
Approve Qualified Employee Stock Purchase Plan	43	48	44	3	0	0	1	0	0	0	43	4
Amend Qualified Employee Stock Purchase Plan	52	52	52	0	0	0	0	0	0	0	52	0
Approve Non-Qualified Employee Stock Purchase Plan	4	4	4	0	0	0	0	0	0	0	4	0
Amend Non-Qualified Employee Stock Purchase Plan	2	2	2	0	0	0	0	0	0	0	2	0
Approve Bonus Matching Plan	2	2	2	0	0	0	0	0	0	0	2	0
Approve/Amend Issuance of Warrants Reserved for Founders	1	2	0	2	0	0	0	0	0	0	0	2
Approve Omnibus Stock Plan	181	183	0	182	0	0	1	0	0	0	0	182
Amend Omnibus Stock Plan	312	315	0	312	0	1	2	0	0	0	2	311
Approve Non-Employee Director Stock Option Plan	1	1	1	0	0	0	0	0	0	0	1	0
Amend Non-Employee Director Stock Option Plan	2	2	0	2	0	0	0	0	0	0	0	2
Approve/Amend Executive Incentive Bonus Plan	2	2	0	2	0	0	0	0	0	0	0	2
Approve/Amend Deferred Share Bonus Plan	7	7	7	0	0	0	0	0	0	0	7	0
Approve/Amend Non-Employee Director Deferred Share Unit Plan	4	4	4	0	0	0	0	0	0	0	4	0
Approve Stock/Cash Award to Executive	3	5	1	4	0	0	0	0	0	0	1	4
Approve Equity Plan Financing	5	8	4	2	0	0	2	0	0	0	4	2
Approve Alternative Equity Plan Financing	1	1	0	1	0	0	0	0	0	0	0	1
Approve Repricing of Options	1	1	0	1	0	0	0	0	0	0	0	1
Approve Remuneration of Executive Directors and/or Non-Executive Directors	28	31	4	3	24	0	0	0	0	0	4	27

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Advisory Vote to Ratify Named Executive Officers' Compensation	1982	2009	1158	833	4	0	14	0	0	0	1163	832
Advisory Vote on Say on Pay Frequency	120	120	0	0	0	0	0	120	0	0	87	33
Approve/Amend All Employee Share Schemes	4	4	4	0	0	0	0	0	0	0	4	0
Approve Outside Director Stock Awards/Options in Lieu of Cash	1	1	1	0	0	0	0	0	0	0	1	0
Approve Stock Option Plan Grants	18	37	2	35	0	0	0	0	0	0	10	27
Approve/Amend Bundled Remuneration Plans	2	2	1	1	0	0	0	0	0	0	1	1
Approve/Amend Employment Agreements	10	10	7	3	0	0	0	0	0	0	7	3
Advisory Vote on Golden Parachutes	53	53	30	23	0	0	0	0	0	0	30	23
Grant Equity Award to Third Party	1	1	0	1	0	0	0	0	0	0	0	1
Approve Remuneration Policy	45	64	44	19	1	0	0	0	0	0	44	20
Fix Maximum Variable Compensation Ratio	3	3	3	0	0	0	0	0	0	0	3	0
Approve Annual Bonus Payment for Directors and Statutory Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Increase in Aggregate Compensation Ceiling for Directors	4	4	3	1	0	0	0	0	0	0	4	0
Approve or Amend Option Plan for Overseas Employees	1	1	1	0	0	0	0	0	0	0	1	0
Amend Terms of Outstanding Options	1	1	0	1	0	0	0	0	0	0	0	1
Approve Share Plan Grant	18	23	7	16	0	0	0	0	0	0	11	12
Approve Non-Employee Director Restricted Stock Plan	4	4	0	4	0	0	0	0	0	0	0	4
Amend Non-Employee Director Restricted Stock Plan	4	4	0	4	0	0	0	0	0	0	0	4
Amend Non-Employee Director Omnibus Stock Plan	10	10	0	10	0	0	0	0	0	0	0	10
Remuneration-Related	8	8	8	0	0	0	0	0	0	0	8	0
Shareholder												
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	14	14	14	0	0	0	0	0	0	0	0	14
Stock Retention/Holding Period	1	1	1	0	0	0	0	0	0	0	0	1
Increase Disclosure of Executive Compensation	3	3	3	0	0	0	0	0	0	0	0	3
Company-Specific--Compensation-Related	7	8	2	4	0	0	2	0	0	0	4	2
Non-Employee Director Compensation	1	1	0	0	0	0	1	0	0	0	0	0
Clawback of Incentive Payments	5	5	4	1	0	0	0	0	0	0	1	4
Adopt Policy on 10b5-1 Trading Plans	2	2	2	0	0	0	0	0	0	0	0	2
Use GAAP for Executive Compensation Metrics	2	2	2	0	0	0	0	0	0	0	0	2
Totals for Compensation :	2251	3283	1524	1568	46	2	23	120	0	0	1609	1651
Corporate Governance												
Shareholder												
Amend Articles/Bylaws/Charter - Call Special Meetings	106	108	105	1	0	0	2	0	0	0	4	102
Amend Vote Requirements to Amend Articles/Bylaws/Charter	2	2	2	0	0	0	0	0	0	0	0	2
Provide Right to Act by Written Consent	6	6	6	0	0	0	0	0	0	0	0	6
Reduce Supermajority Vote Requirement	10	10	10	0	0	0	0	0	0	0	2	8
Totals for Corporate Governance :	124	126	123	1	0	0	2	0	0	0	6	118
Director Election												
Management												
Elect Director	2691	18330	8972	4386	9	4963	0	0	0	0	8972	9358
Fix Number of and Elect Directors (Bundled)	1	1	0	0	1	0	0	0	0	0	0	1
Elect Directors (Bundled)	19	19	2	14	1	2	0	0	0	0	2	17
Elect Director and Approve Director's Remuneration	1	1	1	0	0	0	0	0	0	0	1	0
Elect Representative of Employee Shareholders to the Board	2	6	3	3	0	0	0	0	0	0	6	0
Elect Supervisory Board Member	11	26	19	7	0	0	0	0	0	0	19	7
Elect Members and Deputy Members of Corporate Assembly and/or Committee of Representatives	1	16	16	0	0	0	0	0	0	0	16	0
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	12	112	12	35	39	26	0	0	0	0	58	54
Elect Director (Management)	16	138	49	0	0	23	66	0	0	0	49	23

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Shareholder												
Removal of Existing Board Directors	2	3	1	1	0	0	1	0	0	0	1	1
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	3	9	0	6	3	0	0	0	0	0	8	1
Elect Supervisory Board Members (Bundled)	2	2	0	0	1	0	1	0	0	0	1	0
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	2	4	4	0	0	0	0	0	0	0	4	0
Elect Minority Representative under Majority Fiscal Council Election	1	6	4	0	2	0	0	0	0	0	6	0
Elect Director (Dissident)	19	146	36	1	0	35	74	0	0	0	38	34
Totals for Director Election :	2753	18819	9119	4453	56	5049	142	0	0	0	9181	9496
Director Related												
Management												
Elect Member of Nominating Committee	3	8	5	0	3	0	0	0	0	0	5	3
Elect Member of Audit Committee	13	48	31	17	0	0	0	0	0	0	31	17
Elect Member of Remuneration Committee	9	33	19	14	0	0	0	0	0	0	19	14
Approve Remuneration of Members of Audit Commission	3	3	3	0	0	0	0	0	0	0	3	0
Elect Member of X Committee	2	6	0	6	0	0	0	0	0	0	0	6
Fix Number of Directors and/or Auditors	78	79	25	53	1	0	0	0	0	0	25	54
Approve Increase in Size of Board	2	2	0	2	0	0	0	0	0	0	0	2
Establish Range for Board Size	1	1	0	1	0	0	0	0	0	0	0	1
Classify the Board of Directors	2	2	0	2	0	0	0	0	0	0	0	2
Eliminate Cumulative Voting	1	1	0	1	0	0	0	0	0	0	0	1
Issue Updated Indemnification, Liability and Exculpation Agreements for Directors	14	15	12	3	0	0	0	0	0	0	12	3
Authorize Board to Fix Remuneration of Internal Statutory Auditor(s)	1	1	0	0	1	0	0	0	0	0	0	1
Declassify the Board of Directors	36	38	37	0	0	0	1	0	0	0	37	0
Elect Alternate/Deputy Directors	2	3	2	1	0	0	0	0	0	0	2	1
Authorize Board to Fill Vacancies	2	2	0	2	0	0	0	0	0	0	0	2
Adopt Majority Voting for Uncontested Election of Directors	5	5	5	0	0	0	0	0	0	0	5	0
Change Range for Size of the Board	2	2	1	1	0	0	0	0	0	0	1	1
Dismiss/Remove Director(s)/Auditor(s) (Contentious)	1	4	4	0	0	0	0	0	0	0	0	4
Dismiss/Remove Director(s)/Auditor(s) (Non-contentious)	2	5	5	0	0	0	0	0	0	0	5	0
Fix Board Terms for Directors	3	3	1	1	1	0	0	0	0	0	1	2
In Case Cumulative Voting Is Adopted, Do You Wish to Equally Distribute Your Votes to All Nominees in the Slate? OR In Case Cumulative Voting Is Adopted, Do You Wish to Equally Distribute Your Votes for Each Supported Nominee?	2	2	0	0	2	0	0	0	0	0	2	0
Approve the Spill Resolution	1	1	0	1	0	0	0	0	0	0	1	0
Adopt Cumulative Voting for the Election of the Members of the Board of Directors at this Meeting	4	4	2	0	2	0	0	0	0	0	4	0
Indicate X as Independent Board Member	3	5	1	4	0	0	0	0	0	0	1	4
Allow Board to Appoint Additional Directors Between Annual Meetings	1	1	0	1	0	0	0	0	0	0	0	1
Approve Discharge of Management Board (Bundled)	24	35	25	10	0	0	0	0	0	0	25	10
Approve Discharge of Supervisory Board (Bundled)	17	53	53	0	0	0	0	0	0	0	53	0
Approve Discharge of Auditors	1	1	0	1	0	0	0	0	0	0	0	1
Approve Discharge of Board and President (Bundled)	29	30	28	1	0	0	1	0	0	0	28	1
Approve Discharge of Directors and Auditors (Bundled)	4	4	0	4	0	0	0	0	0	0	0	4
Approve Discharge -- Other (Bundled)	3	5	5	0	0	0	0	0	0	0	5	0
Elect Board Chairman/Vice-Chairman	13	16	2	14	0	0	0	0	0	0	2	14
Authorize Board Chairman to Serve as CEO	1	1	0	1	0	0	0	0	0	0	0	1
Deliberations on Possible Legal Action Against Directors/(Internal) Auditors	1	1	0	0	1	0	0	0	0	0	1	0
Appoint Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	10	16	7	6	3	0	0	0	0	0	7	9
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	4	4	4	0	0	0	0	0	0	0	4	0

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Appoint Internal Statutory Auditors (Bundled) [and Approve Auditors' Remuneration]	2	2	1	0	1	0	0	0	0	0	1	1
Do You Wish to Request Installation of a Fiscal Council, Under the Terms of Article 161 of the Brazilian Corporate Law?	2	2	2	0	0	0	0	0	0	0	1	1
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
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?	2	2	0	0	2	0	0	0	0	0	2	0
Provide Proxy Access Right	3	3	3	0	0	0	0	0	0	0	3	0
Install and/or Fix Size of Fiscal Council	3	3	3	0	0	0	0	0	0	0	3	0
Amend Articles of Association Regarding Party Committee	1	1	0	1	0	0	0	0	0	0	0	1
Approve Executive Appointment	1	4	4	0	0	0	0	0	0	0	4	0
Approve Cost Auditors and Authorize Board to Fix Their Remuneration	2	2	2	0	0	0	0	0	0	0	2	0
Approve Discharge of Management Board Member XXX/ Executive Director XXX (INDIVIDUAL RESOLUTION)	2	12	0	12	0	0	0	0	0	0	0	12
Approve Discharge of Supervisory Board Member XXX/Non-Executive Board Member XXX (INDIVIDUAL RESOLUTION)	2	39	12	27	0	0	0	0	0	0	12	27
Elect Members of Audit Committee (Bundled)	4	4	0	2	2	0	0	0	0	0	0	4
Shareholder												
Require Independent Board Chairman	42	42	42	0	0	0	0	0	0	0	0	42
Declassify the Board of Directors	6	6	6	0	0	0	0	0	0	0	3	3
Require a Majority Vote for the Election of Directors	3	3	3	0	0	0	0	0	0	0	0	3
Adopt Proxy Access Right	2	2	2	0	0	0	0	0	0	0	0	2
Company-Specific Board-Related	9	12	9	2	0	0	1	0	0	0	5	6
Change Size of Board of Directors	2	2	0	1	0	0	1	0	0	0	0	1
Amend Proxy Access Right	8	8	8	0	0	0	0	0	0	0	0	8
Require More Director Nominations Than Open Seats	1	1	0	1	0	0	0	0	0	0	1	0
Amend Articles/Bylaws/Charter - Removal of Directors	1	1	1	0	0	0	0	0	0	0	0	1
Totals for Director Related :	304	596	375	198	19	0	4	0	0	0	321	271
E&S Blended												
Management												
Accept/Approve Corporate Social Responsibility Report	4	4	4	0	0	0	0	0	0	0	4	0
Shareholder												
Establish Environmental/Social Issue Board Committee	1	1	1	0	0	0	0	0	0	0	0	1
Require Environmental/Social Issue Qualifications for Director Nominees	1	1	1	0	0	0	0	0	0	0	0	1
Link Executive Pay to Social Criteria	1	1	1	0	0	0	0	0	0	0	0	1
Product Toxicity and Safety	8	9	7	1	0	0	1	0	0	0	1	7
Sustainability Activities and Action	3	3	1	2	0	0	0	0	0	0	2	1
Miscellaneous -- Environmental & Social Counterproposal	14	14	0	14	0	0	0	0	0	0	14	0
Miscellaneous Proposal -- Environmental & Social	6	7	4	3	0	0	0	0	0	0	3	4
Totals for E&S Blended :	33	40	19	20	0	0	1	0	0	0	24	15
Environmental												
Management												
Management Climate-Related Proposal	12	12	8	4	0	0	0	0	0	0	8	4
Shareholder												
Community -Environment Impact	6	6	6	0	0	0	0	0	0	0	0	6
Report on Climate Change	25	29	27	2	0	0	0	0	0	0	6	23
GHG Emissions	26	29	27	1	0	0	1	0	0	0	1	27
Climate Change Action	2	7	3	4	0	0	0	0	0	0	4	3
Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan	4	4	4	0	0	0	0	0	0	0	0	4

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Renewable Energy	2	2	0	2	0	0	0	0	0	0	2	0
Recycling	7	8	7	0	0	0	1	0	0	0	1	6
Miscellaneous Proposal - Environmental	2	2	1	1	0	0	0	0	0	0	1	1
Totals for Environmental :	67	99	83	14	0	0	2	0	0	0	23	74
Miscellaneous												
Management												
Miscellaneous Proposal: Company-Specific	11	16	9	6	0	0	1	0	0	0	13	2
Company Specific--Board-Related	6	8	7	1	0	0	0	0	0	0	7	1
Company Specific - Equity Related	20	24	15	8	1	0	0	0	0	0	15	9
Company Specific Organization Related	4	4	2	2	0	0	0	0	0	0	2	2
Miscellaneous Mutual Fund - Company-Specific	5	5	5	0	0	0	0	0	0	0	5	0
Company-Specific Compensation-Related	9	9	5	3	1	0	0	0	0	0	5	4
Shareholder												
Company-Specific -- Miscellaneous	14	41	4	6	31	0	0	0	0	0	8	33
Company-Specific--Governance-Related	10	11	2	9	0	0	0	0	0	0	8	3
Miscellaneous -- Equity Related	2	2	2	0	0	0	0	0	0	0	2	0
Company-Specific -- Shareholder Miscellaneous	1	1	1	0	0	0	0	0	0	0	0	1
Totals for Miscellaneous :	74	121	52	35	33	0	1	0	0	0	65	55
Mutual Funds												
Management												
Approve Investment Advisory Agreement	5	5	5	0	0	0	0	0	0	0	5	0
Approve Change of Fundamental Investment Policy	10	32	18	14	0	0	0	0	0	0	18	14
Allow Board to Change the Investment Objective Without Shareholder Approval	1	1	0	1	0	0	0	0	0	0	0	1
Approve Multi-Manager Structure	7	7	0	7	0	0	0	0	0	0	0	7
Approve/Amend Subadvisory Agreement	6	6	6	0	0	0	0	0	0	0	6	0
Approve Merger of Funds	4	4	3	1	0	0	0	0	0	0	3	1
Totals for Mutual Funds :	29	55	32	23	0	0	0	0	0	0	32	23
No Research												
Management												
Private Company	11	68	0	5	37	24	2	0	0	0	0	66
Limited Partnership/Limited Liability Corporation	2	8	0	0	8	0	0	0	0	0	0	8
The Undersigned Hereby Certifies that the Shares Represented by this Proxy are Owned and Controlled by a @ Citizen	3	4	1	1	2	0	0	0	0	0	4	0
If you are an Interest Holder as defined in Section 1 of the Securities Law, 1968, vote FOR. Otherwise, vote against.	11	11	0	11	0	0	0	0	0	0	11	0
If you are a Senior Officer as defined in Section 37(D) of the Securities Law, 1968, vote FOR. Otherwise, vote against.	10	10	0	10	0	0	0	0	0	0	10	0
If you are an Institutional Investor as defined in Regulation 1 of the Supervision Financial Services Regulations 2009 or a Manager of a Joint Investment Trust Fund as defined in the Joint Investment Trust Law, 1994, vote FOR. Otherwise, vote against.	10	10	10	0	0	0	0	0	0	0	10	0
If you are X as defined in X, vote FOR. Otherwise, vote against.	3	13	2	11	0	0	0	0	0	0	13	0
Indicate That You Do Not Have Personal Interest in Proposed Agenda Item	4	4	4	0	0	0	0	0	0	0	4	0
Indicate Personal Interest in Proposed Agenda Item	21	22	0	22	0	0	0	0	0	0	22	0
Totals for No Research :	42	150	17	60	47	24	2	0	0	0	74	74
Non-Routine Business												
Management												
Appoint Appraiser/Special Auditor/Liquidator	8	13	13	0	0	0	0	0	0	0	13	0
Approve Special Auditors' Report Regarding Related-Party Transactions	7	7	6	1	0	0	0	0	0	0	6	1
Consider Measures to Address the Decline in the Company's Net Asset Value Relative to Its Capital	1	1	1	0	0	0	0	0	0	0	1	0
Receive/Approve Special Report	3	3	3	0	0	0	0	0	0	0	3	0
Amend Quorum Requirements	6	6	5	1	0	0	0	0	0	0	5	1

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Allow Directors to Engage in Commercial Transactions with the Company and/or Be Involved with Other Companies	4	4	3	1	0	0	0	0	0	0	3	1
Approve Transaction with a Related Party	13	27	25	2	0	0	0	0	0	0	25	2
Shareholder												
Approve Recapitalization Plan for all Stock to Have One-vote per Share	7	7	7	0	0	0	0	0	0	0	0	7
Seek Sale of Company/Assets	1	1	1	0	0	0	0	0	0	0	1	0
Totals for Non-Routine Business :	49	69	64	5	0	0	0	0	0	0	57	12
Routine Business												
Management												
Change Date/Location of Annual Meeting	1	1	1	0	0	0	0	0	0	0	1	0
Accept Consolidated Financial Statements and Statutory Reports	24	24	24	0	0	0	0	0	0	0	24	0
Accept Financial Statements and Statutory Reports	146	158	154	3	0	0	1	0	0	0	154	3
Approve Dividends	49	49	49	0	0	0	0	0	0	0	49	0
Approve Special/Interim Dividends	7	7	6	0	1	0	0	0	0	0	7	0
Designate X as Independent Proxy	9	9	9	0	0	0	0	0	0	0	9	0
Change Company Name	14	14	14	0	0	0	0	0	0	0	14	0
Allow Electronic Distribution of Company Communications	1	1	1	0	0	0	0	0	0	0	1	0
Authorize Filing of Required Documents/Other Formalities	13	13	13	0	0	0	0	0	0	0	13	0
Designate Inspector or Shareholder Representative(s) of Minutes of Meeting and/or Vote Tabulation	11	12	11	0	0	0	1	0	0	0	11	0
Approve Stock Dividend Program	4	6	6	0	0	0	0	0	0	0	6	0
Other Business	53	55	0	54	0	1	0	0	0	0	3	52
Approve Minutes of Previous Meeting	15	16	15	0	0	0	1	0	0	0	15	0
Approve Provisionary Budget and Strategy for Fiscal Year 20XX	2	2	2	0	0	0	0	0	0	0	2	0
Amend Corporate Purpose	5	5	5	0	0	0	0	0	0	0	5	0
Authorize Board to Ratify and Execute Approved Resolutions	29	30	27	2	1	0	0	0	0	0	27	3
Approve Financial Statements, Allocation of Income, and Discharge Directors	11	11	11	0	0	0	0	0	0	0	11	0
Approve Allocation of Income and Dividends	74	74	73	0	0	0	1	0	0	0	73	0
Change Location of Registered Office/Headquarters	1	1	1	0	0	0	0	0	0	0	1	0
Open Meeting	2	2	2	0	0	0	0	0	0	0	2	0
Elect Chairman of Meeting	13	13	12	0	0	0	1	0	0	0	12	0
Prepare and Approve List of Shareholders	3	3	2	0	0	0	1	0	0	0	2	0
Acknowledge Proper Convening of Meeting	4	5	4	0	0	0	1	0	0	0	4	0
Approve Standard Accounting Transfers	3	3	3	0	0	0	0	0	0	0	3	0
Approve Treatment of Net Loss	2	2	2	0	0	0	0	0	0	0	2	0
Discuss/Approve Company's Corporate Governance Structure/Statement	1	1	1	0	0	0	0	0	0	0	1	0
Approve/Amend Regulations on General Meetings	5	7	7	0	0	0	0	0	0	0	7	0
In the Event of a Second Call, Can the Voting Instructions Contained in this Proxy Card Be Considered Valid for the Second Call?	2	3	3	0	0	0	0	0	0	0	3	0
Receive/Approve Report/Announcement	7	22	22	0	0	0	0	0	0	0	22	0
Allow Shareholder Meetings to be Held in Virtual-Only Format	1	2	0	2	0	0	0	0	0	0	0	2
Shareholder												
Amend Ordinary Business Items	2	4	1	3	0	0	0	0	0	0	3	1
Totals for Routine Business :	270	555	481	64	2	1	7	0	0	0	487	61
Social												
Management												
Approve Charitable Donations	2	2	2	0	0	0	0	0	0	0	2	0
Approve Political Donations	24	24	24	0	0	0	0	0	0	0	24	0
Shareholder												
Board Diversity	5	5	5	0	0	0	0	0	0	0	0	5
Human Rights Risk Assessment	17	20	17	3	0	0	0	0	0	0	3	17

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	DNV	One Year	Two Years	Three Years	With Mgmt	Against Mgmt
Improve Human Rights Standards or Policies	6	6	6	0	0	0	0	0	0	0	0	6
Operations in High Risk Countries	5	5	2	3	0	0	0	0	0	0	3	2
Data Security, Privacy, and Internet Issues	1	1	1	0	0	0	0	0	0	0	0	1
Racial Equity and/or Civil Rights Audit	22	24	22	0	1	0	1	0	0	0	0	23
Miscellaneous Proposal - Social	10	17	13	3	1	0	0	0	0	0	3	14
Report on Pay Disparity	4	4	3	1	0	0	0	0	0	0	1	3
Mandatory Arbitration on Employment Related Claims	1	1	1	0	0	0	0	0	0	0	0	1
End Production of Tobacco Products	1	1	0	1	0	0	0	0	0	0	1	0
Prepare Tobacco-Related Report	1	1	1	0	0	0	0	0	0	0	0	1
Facility Safety	1	2	2	0	0	0	0	0	0	0	0	2
Weapons - Related	3	3	2	1	0	0	0	0	0	0	1	2
Review Drug Pricing or Distribution	6	9	8	1	0	0	0	0	0	0	1	8
Prepare Report on Health Care Reform	3	3	3	0	0	0	0	0	0	0	0	3
Charitable Contributions	13	13	0	13	0	0	0	0	0	0	13	0
Political Contributions Disclosure	21	22	21	0	0	0	1	0	0	0	0	21
Political Lobbying Disclosure	29	31	29	1	0	0	1	0	0	0	1	29
Political Activities and Action	1	1	0	1	0	0	0	0	0	0	1	0
Report on EEO	5	6	6	0	0	0	0	0	0	0	0	6
Labor Issues - Discrimination and Miscellaneous	16	16	16	0	0	0	0	0	0	0	0	16
Gender Pay Gap	5	5	5	0	0	0	0	0	0	0	0	5
Income Inequality	1	1	1	0	0	0	0	0	0	0	0	1
Workplace Sexual Harassment	1	1	1	0	0	0	0	0	0	0	0	1
Animal Welfare	8	9	7	1	0	0	1	0	0	0	2	6
Animal Slaughter Methods	1	1	0	1	0	0	0	0	0	0	1	0
Adopt a Policy on Ideological Board Diversity	1	1	0	1	0	0	0	0	0	0	1	0
Totals for Social :	135	235	198	31	2	0	4	0	0	0	58	173
Strategic Transactions												
Management												
Going Dark Transaction	2	2	0	2	0	0	0	0	0	0	0	2
Change Jurisdiction of Incorporation [ ]	8	8	1	7	0	0	0	0	0	0	1	7
Approve Reorganization/Restructuring Plan	2	2	2	0	0	0	0	0	0	0	2	0
Approve Merger Agreement	70	70	69	0	1	0	0	0	0	0	69	1
Approve Scheme of Arrangement	6	6	4	2	0	0	0	0	0	0	4	2
Approve Acquisition OR Issue Shares in Connection with Acquisition	30	32	31	1	0	0	0	0	0	0	31	1
Approve Recapitalization Plan	1	1	1	0	0	0	0	0	0	0	1	0
Approve Sale of Company Assets	8	8	8	0	0	0	0	0	0	0	8	0
Change of Corporate Form	2	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 Merger by Absorption	3	9	9	0	0	0	0	0	0	0	9	0
Approve Joint Venture Agreement	2	3	2	1	0	0	0	0	0	0	2	1
Approve Plan of Liquidation	1	1	1	0	0	0	0	0	0	0	1	0
Approve Spin-Off Agreement	3	3	3	0	0	0	0	0	0	0	3	0
Approve Public Offering of Shares in Subsidiary	1	1	1	0	0	0	0	0	0	0	1	0
Waive Requirement for Mandatory Offer to All Shareholders	2	2	0	2	0	0	0	0	0	0	0	2
Approve Loan Agreement	4	4	1	3	0	0	0	0	0	0	1	3
Approve/Amend Loan Guarantee to Subsidiary	8	8	7	1	0	0	0	0	0	0	7	1
Approve/Amend Investment in Project	1	1	1	0	0	0	0	0	0	0	1	0
Totals for Strategic Transactions :	152	165	145	19	1	0	0	0	0	0	145	20
Takeover Related												
Management												
Adopt the Jurisdiction of Incorporation as the Exclusive Forum for Certain Disputes	4	4	0	4	0	0	0	0	0	0	0	4
Eliminate/Restrict Right to Act by Written Consent	1	1	0	1	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
Adopt or Increase Supermajority Vote Requirement for Amendments	1	1	0	1	0	0	0	0	0	0	0	1
Reduce Supermajority Vote Requirement	41	60	60	0	0	0	0	0	0	0	60	0
Adopt, Renew or Amend Shareholder Rights Plan (Poison Pill)	13	13	0	13	0	0	0	0	0	0	0	13
Adopt, Renew or Amend NOL Rights Plan (NOL Pill)	15	15	15	0	0	0	0	0	0	0	15	0
Provide Right to Act by Written Consent	10	10	10	0	0	0	0	0	0	0	10	0
Adjourn Meeting	150	151	77	73	0	0	1	0	0	0	77	73
Provide Right to Call Special Meeting	13	13	13	0	0	0	0	0	0	0	13	0
Require Advance Notice for Shareholder Proposals/ Nominations	1	1	1	0	0	0	0	0	0	0	1	0
Authorize the Company to Call EGM with Two Weeks Notice	29	29	29	0	0	0	0	0	0	0	29	0
Amend Right to Call Special Meeting	7	8	7	0	0	0	1	0	0	0	7	0
Renew Partial Takeover Provision	1	1	0	1	0	0	0	0	0	0	0	1
Totals for Takeover Related :	269	307	212	93	0	0	2	0	0	0	212	93
Totals for the report :	3009	28022	15084	7181	331	5099	207	120	0	0	14938	12877