



**Minutes of the PRIM Stewardship & Sustainability Committee Remote Meeting
Wednesday, January 17, 2024**

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even (arrived at 9:50 a.m.; departed at 11:05 a.m.)
- Ruth Ellen Fitch, Esq.
- Theresa McGoldrick, Esq. (departed at 10:59 a.m.)
- Dennis Naughton
- Poonam Patidar (departed at 10:00 a.m.)
- Marcela Pinilla

The PRIM Stewardship and Sustainability Committee meeting was called to order at 9:30 a.m. Chair Treasurer Deborah Goldberg announced that the meeting was being held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order ‘Suspending Certain Provisions of the Open Meeting Law’ until March 31, 2025. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website (www.mapension.com). At the start of the meeting, the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Stewardship and Sustainability Committee approved, by unanimous roll call vote, the minutes of its October 12, 2023, meeting.

II. Diversity, Equity, Inclusion, and Belonging Update Presentation

David Gurtz, Deputy Chief Investment Officer, presented an update on PRIM’s Diversity, Equity, Inclusion, and Belonging (“DEIB”) program.

Mr. Gurtz noted, improving diversity of thought has long been a focus at PRIM and is a core part of this Committee’s Stewardship efforts. At PRIM, we think of our DEIB efforts in terms of both external and internal efforts. External efforts include our proxy voting guidelines, which seek to improve board diversity and it includes our FUTURE Initiative. Internal efforts are the efforts we’ve made to increase the diversity of thought at PRIM.

Regarding PRIM’s external DEIB efforts, Mr. Gurtz noted in January 2021, legislation was passed in Massachusetts setting a goal that at least 20% of PRIM’s investment managers be diverse and for PRIM to take actions to reduce barriers for diverse investment managers. In May 2021, PRIM launched the FUTURE Initiative, a strategic plan to achieve the goals set forth by this legislation as well as position PRIM to be a leader on improving diversity in the asset management industry. The first key objective in the draft Stewardship Policy Statement is to enhance the risk/return expectations of the PRIT Fund. The FUTURE

Initiative is designed to do just that, by increasing the pipeline of managers, PRIM can select the best managers for the portfolio many of whom are diverse.

As of December 31, 2023, more than \$11.2 billion dollars, or more than 11% of the PRIT Fund is being managed by diverse investment managers more than double the amount prior to the launch of the FUTURE Initiative. Since 2021, PRIM has allocated or committed more than \$6.7 billion dollars to diverse investment managers.

To achieve the goal of reducing barriers for diverse managers, PRIM launched the \$1 billion dollar Emerging-Diverse Manager Program. To date, five manager-of-managers that help PRIM source, conduct due diligence, and select emerging-diverse managers have allocated or committed approximately \$590 million dollars to emerging-diverse managers, with more in the pipeline.

Mr. Gurtz noted, to help lead the industry on this topic, PRIM was a founding signatory to the CFA Institute's DEI Code for the Investment Profession and PRIM continues to champion this Code for the industry. PRIM conducted its 3rd annual DEI survey of PRIM's investment managers. Lenox Park Solutions, the industry leader in DEI metrics, sends out a survey to all investment managers. The survey provides necessary data and metrics to fulfill PRIM's legislative reporting obligation.

The FUTURE Initiative continues to earn praise and awards. In 2023, the Private Equity Women Investor Network or PE-WIN, recognized PRIM as a "Limited Partner of the Year" for "empowering women in private equity" reflecting not only the efforts of the FUTURE Initiative, but also the strong leadership presence of women on PRIM's own Private Equity team.

PRIM's internal DEIB efforts focus on improving the diversity of thought which leads to better decision-making. PRIM's hiring process is designed to increase the pool of top candidates, and then select the best candidate for PRIM. In 2023, PRIM hired nine new full-time employees, seven of which are diverse. PRIM's intern pool is very diverse, and in 2023, 100% of the interns are diverse. As of December 31st, 64% of PRIM staff are diverse in terms of gender, race, or both. To continue to retain top talent, PRIM implemented Milk Stork, a program to support nursing needs and milk storage for employees who travel for work. PRIM has added 2 new Wellness rooms for its office and has implemented a remote work policy to provide employees with flexibility with their schedules.

Committee member Michael Even joined the meeting.

III. 2024 Stewardship Annual Plan Summary

Veena Ramani, Director of Stewardship, presented PRIM's 2024 Stewardship annual plan, which includes updates to the 2024 Proxy Voting Guidelines, developing an engagement plan, and identifying stewardship priorities.

IV. PRIM's Stewardship Policy Statement (Voting Item)

Ms. Ramani presented PRIM's Stewardship Policy Statement. The Stewardship Policy Statement lays out the rationale for "why" PRIM has a stewardship program, which is seeking to protect the long-term value of the PRIT Fund. The Stewardship Policy Statement lays out the program's objectives, and identifies several principles, which are the characteristics of the program and the activities that the Committee will pursue.

The PRIM Stewardship and Sustainability Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the draft Stewardship Policy Statement, attached as Appendix D of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

V. 2024 Custom Proxy Voting Guidelines (Voting Item)

Ms. Ramani presented the proposed 2024 Custom Proxy Voting Guidelines. The proposed changes include rationale language across the guidelines clarifying not only how PRIM intends to vote but also why, by connecting back to positioning companies for long-term value creation and enhancing guidelines in a few areas to reflect the latest research.

For board diversity, where company boards are not 35% diverse in terms of race and gender, PRIM will now be looking to vote against the board's nominating committee. The idea is to focus the "no" votes on those decision makers who are most responsible for getting diverse candidates on the board of directors. This will also position PRIM well when it begins to engage companies on these issues.

Committee member Theresa McGoldrick asked about the use of the word "generally" in the language of the guideline. Ms. Ramani explained that the use of "generally" allows for flexibility in PRIM's voting practices and has been in place in PRIM's proxy voting guidelines for years.

Ms. Ramani noted the proposed changes to update guidelines related to board accountability for climate change. The enhanced guidelines will focus the votes on high carbon emitting companies where the materiality case for climate change is well established. PRIM will seek to vote against board members if they do not provide adequate, financially relevant climate change disclosures. It will vote against the chair of the relevant committee when the company has not disclosed an operationally and financially credible climate transition plan. These updates build on PRIM's history of advocating for financially relevant disclosure and developing a strategy to target PRIM's votes on the most important decision makers.

New language has been added to the policy on biodiversity, to reflect the growing understanding about the extent to which many companies rely on and impact natural resources, including the extent to which biodiversity loss affects economic output. When these issues are material, PRIM will look to vote in favor of resolutions calling on companies to disclose the risks that they face from using a new global standard.

Committee member Poonam Patidar departed the meeting.

The PRIM Stewardship and Sustainability Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the draft Custom Proxy Voting Guidelines, attached as Appendix F of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VI. PRIM's Stewardship Prioritization Presentation

Ms. Ramani presented PRIM's Stewardship Prioritization. PRIM's Stewardship Framework, as presented at the previous Committee meeting, includes four stages. The first stage, defining our stewardship approach and clarifying the rationale for what we are doing is captured in the Stewardship Policy that the Committee just approved. The second stage is to identify our stewardship priorities and set goals.

PRIM utilized financial materiality frameworks to help prioritize our stewardship efforts. Financial materiality frameworks are tools that can be used to identify sustainability issues that are important for financial performance. Financial materiality frameworks are rigorously developed, using research and insights from thematic and sector experts on how issues affect financial performance.

Ms. Ramani noted that in researching different financial materiality frameworks, PRIM realized that different firms approach financial materiality somewhat differently. Firms define issues differently, have slightly different perspectives on when and how issues impact performance in various sectors and how to treat issues that manifest in the near term versus the long-term. PRIM has decided to work with a range of vendors to assess its Public Markets portfolio. Each of the firms PRIM engaged with has a long history

working on these issues and a deep bench of experts that power the analyses that feed into their frameworks.

Robert Goynesche and Greg Ruel from MSCI, one of the firms which PRIM partnered with, presented their financial materiality framework and the results of their materiality assessment on PRIM's Public Markets portfolio. MSCI's framework focuses on the following key issues: Climate Change; Natural Capital; Pollution & Waste; Human Capital; Product Liability; Stakeholder Opposition; Social Opportunities; and Governance. Based upon PRIM's Public Markets portfolio, the key issues noted included Governance, Human Capital, Product Liability and Climate Change.

Ms. Ramani emphasized that these themes are still broad and there is additional work to be done to refine and narrow these issues even further, specifically on how they affect PRIM's portfolio. Next steps include coming back to this Committee with specific measurable stewardship goals that can be applied across the portfolio.

Committee members Theresea McGoldrick and Michael Even departed the meeting.

The meeting was adjourned at 11:12am.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM ESG Committee Meeting on October 12, 2023*
- *Diversity, Equity, Inclusion, & Belonging Update Presentation*
- *PRIM's 2024 Stewardship Annual Plan*
- *PRIM's Draft Stewardship Policy Statement*
- *Proposed Enhancements to PRIM's Custom Proxy Voting Guidelines*
- *Draft Custom Proxy Voting Guidelines*
- *PRIM's Stewardship Prioritization Presentation*
- *MSCI's ESG Research on Key Issues Presentation*