



**Minutes of the PRIM Stewardship and Sustainability Committee Remote Meeting
Wednesday, July 17, 2024**

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even
- Ruth Ellen Fitch, Esq.
- Theresa McGoldrick
- Dennis Naughton
- Poonam Patidar
- 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 January 17, 2024, meeting.

II. PRIM’s Engagement Policy (Voting Item)

Veena Ramani, Director of Stewardship, presented PRIM staff’s recommendation that the Stewardship and Sustainability Committee make a recommendation to the PRIM Board to approve the Draft Engagement Policy.

As previously presented to the Committee at its October 12, 2023, meeting, PRIM’s Stewardship Framework includes four phases:

1. Define and Establish the Objectives and Principles.
2. Identify Stewardship Priorities and Goals.
3. Develop and Implement Stewardship Efforts.
4. Measure and Report on Progress and Impact.

Building on the Stewardship Policy of Phase 1, PRIM’s Engagement Policy identifies when and how PRIM will engage with portfolio companies. The Policy has three components: It reiterates that active ownership is key to long-term value creation; specifies when to engage; and lays out how engagement works.

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

III. PRIM's Stewardship Prioritization Recommendation (Voting Item)

Ms. Ramani presented PRIM staff's recommendation that the Stewardship and Sustainability Committee make a recommendation to the PRIM Board to approve the following Stewardship Priorities:

- Climate Transition Planning - Encourage climate-aware strategic plans and business models.
- Fair Pay - Drive uptake of equitable and transparent pay practices.
- Sustainable Forestry - Support practices that reduce forest loss and promote resilience.
- Transparency - Encourage improved disclosure on stewardship priorities.

Ms. Ramani explained PRIM's Stewardship Priorities are the action areas where PRIM staff anticipates proactively spending most of our stewardship time and resources. The Stewardship Prioritization process involved discussions with investment managers, consultants, and peer plans, resulting in an innovative and data-driven approach to identifying stewardship themes. The Stewardship Prioritization Process utilizes a three-stage process:

1. Identify the most financially material issues based on the PRIT Fund's Public Markets sector concentrations.
2. Assess company performance on the issues.
3. Determine priorities building on insights from Stages 1 and 2.

PRIM worked with MSCI Inc. ("MSCI") to identify financially material issues and assess company specific performance on the issues to ultimately determine priorities.

Robert Goyeneche and Greg Ruel from MSCI joined the meeting and presented their findings which led to the recommended Stewardship Priorities.

Ms. Ramani then presented the recommended Stewardship Priorities, beginning with Climate Transition Planning. She noted the materiality analysis surfaced climate change as a material risk for two reasons: (i) emissions growth associated with energy use in our portfolio (ii) and value creation. Findings from the analysis include the following:

- Investors have been pushing for years to address GHG emissions – goals, real estate use, etc.
- Emissions rates are staying flat or even increasing, and this is expected to grow as companies lean into energy hungry technologies like AI.
- There is a lack of disclosure on how companies are taking advantage of Climate Change value creation.

Ms. Ramani noted that the takeaway is to have institutions make climate aware decisions based on their informed self-interest. Encouraging the development and disclosure of climate transition plans is a great way for PRIM to assess when climate aware decision making is happening.

Ms. Ramani noted then next recommended Stewardship Priority is Fair Pay. The materiality analysis revealed that workforce retention was a key risk affecting PRIM's portfolio. The data analysis showed

that culture, working conditions and compensation were the most significant factors in workforce retention.

The best proxy data found on “workplace culture” was DE&I. The research shows that there has been a significant positive momentum on board diversity. On workforce conditions, Ms. Ramani stated that many companies have the policies and systems that PRIM is looking for – things like protections for collective bargaining and human rights policies that extend to the supply chain. However, there is very limited transparency in pay practices – particularly pay equity, which makes it hard to assess whether the situation is positive or not, and that is where PRIM staff is recommending that we focus our efforts.

There is a lot of research making the point that fair pay practices lead to long term value creation as well as specifically help with retention. A lot of the industries that are in the spotlight for inequitable pay practices are well represented in our portfolio across asset classes. And pay equity allows us to evolve our thinking on DE&I from representation (or “recruiting” diversity) to the question of inclusion – or how are diverse voices being treated and included within organizations.

Overall, PRIM will look to engage relevant companies in our portfolio to signal that we care about pay equity and look for ways to advocate for more transparency on pay practices and equity.

The third Stewardship Priority is Sustainable Forestry. The materiality analysis highlighted the natural capital risk of having business models that either depended on or impact natural capital. PRIM’s approach with natural capital was to focus on a narrow slice of the topic, which is forests. PRIM has a large timberland portfolio, giving PRIM an opportunity to learn from its consultants and managers.

Many of these companies have policies in place to reduce or eliminate commodity driven deforestation in their supply chain. But data also showed that the enforcement of these policies is limited, and forest conversion continues. PRIM staff plans to educate itself on what it might mean to be profitable by engaging in sustainable forestry and engage companies on this topic to become smarter on these issues.

Ms. Ramani noted the final Stewardship Priority is Transparency. While staff focused our analysis on where the data was, staff also paid attention to where the data that we were looking for was hard to find or did not exist. Our takeaway is that there is a growing volume of data on environmental and social issues – but information that is investor relevant and decision useful is still limited.

To address this limitation, PRIM plans to engage with companies to support the need for standardized, high-quality information – particularly on stewardship priorities; support the need for disclosure regulations on issues where the investment case seems clear to most investors – particularly Climate Change and Human Capital; and support efforts to develop disclosure frameworks on new topics and issue areas – like Natural Capital – or Transparency in private markets.

The PRIM Stewardship and Sustainability Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the following Stewardship Priorities: Climate Transition Planning; Fair Pay; Sustainable Forestry; and Transparency, in substantially the form as described in Appendix E of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

The meeting was adjourned at 11:02am.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Stewardship & Sustainability Committee Meeting on January 17, 2024*
- *PRIM's Draft Engagement Policy*
- *PRIM's Engagement Policy Presentation*
- *MSCI's Stewardship Prioritization Presentation*
- *PRIM's Stewardship Prioritization Recommendations Presentation*