



Minutes of the PRIM Stewardship & Sustainability Committee Remote Meeting
Wednesday, October 23, 2024

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even (arrived at 9:38 a.m.)
- Ruth Ellen Fitch, Esq.
- Dennis Naughton
- Poonam Patidar
- Marcela Pinilla

Committee members not present:

- Theresa McGoldrick, Esq.

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 July 17, 2024, meeting.

Michael Even joined the meeting at 9:38 a.m.

II. PRIM’s Stewardship Priorities Implementation Update

Veena Ramani, Director of Stewardship, provided an update regarding the implementation of PRIM’s Stewardship Priorities established by the Committee. The Priorities were established to align with PRIM’s fiduciary duty to the PRIT Fund and for long-term value creation. These Priorities include Climate Transition Planning, Fair Pay, Sustainable Forestry and Transparency.

Ms. Ramani noted that conversations are ongoing with every asset class consultant regarding Stewardship Priorities. The goal of these conversations is to help develop a baseline that will be used as the foundation of PRIM’s efforts. Additionally, each asset class team has started to engage their investment managers on PRIM’s Priorities to develop a view of what leading practice looks like – and bring this proactive thinking into PRIM’s DDQs and engagements with managers.

Ms. Ramani explained that staff is working to enhance our Proxy Voting Guidelines, which already include a focus on Climate Transition Planning. PRIM has hired an outside expert to help draft best in class proxy voting guidelines on Say on Pay. The next step would be to leverage the fully updated guidelines to engage companies on both executive pay and worker pay.

On Sustainable Forestry, Ms. Ramani noted that the problem is how to come up with an effective approach given the relative newness of the issue. She explained the plan over the next 12 months is to understand the value at risk from unsustainable deforestation in corporate investments and explore investment opportunities linked to conservation. PRIM's timber consultant, IWC, is already reporting on a range of metrics including the certification status of timber investments, levels of carbon emissions, and other ecologically sensitive data.

Ms. Ramani noted the goals of corporate engagement will be (i) to better understand the risk drivers and value creation opportunities at the company specific level and (ii) to advocate for better disclosure to help the market better understand and price the risks. PRIM's plan over the next 12 months is to call for better, more comparable, and reliable disclosure on issues like Climate Change, deforestation, and human capital.

In private markets, PRIM has transparency through contracts with our General Partners, but there is a role to play through partnerships to improve the disclosure consistency, particularly on stewardship priorities.

III. Proxy Voting Review

a. 2024 Proxy Voting Season Overview

Stephen L. Brown a managing director and senior advisor at KPMG's Board Leadership Center presented the highlights of the 2024 Proxy Season. Mr. Brown noted that the proposal process is still a primary communication tool for investors and their managers and that broad socioeconomic issues continue to be shareholder concern.

Mr. Brown noted that by separating the "E" (environmental) and "S" (social) proposals, these have gone down in number. Some proposals were seen as too prescriptive and support for these proposals has declined. "G" (governance) proposals have had higher support overall. The anti ESG movement has gained momentum, and while support for shareholder resolutions remains low, there has been an increased use of notices of exempt solicitation to advocate for such issues.

Mr. Brown noted the future of SEC regulations on environmental, social, and governance issues are uncertain due to ongoing litigation and political changes. Mr. Brown finished by stating that the future may hold an increase in the volume of shareholder proposals on biodiversity and Artificial Intelligence (AI), and growth in litigation related to current shareholder proposals and past actions.

b. PRIM's 2024 Proxy Voting Review

Ms. Ramani explained that PRIM owns over 7,500 companies in its Public Markets' portfolio – and this past year it voted on over 90,000 individual resolutions. After the guidelines are updated annually, staff works with PRIM's proxy voting service provider, ISS, to make sure the implementation systems are matched to incoming resolutions, and the assessment of the resolutions align with the expectations that the Board has approved.

Ms. Ramani noted that while PRIM may own many companies, its ownership stake is very small. The most effective way to drive outcomes on Stewardship Priorities is to supplement voting with engagement and to engage in partnership with other investors, either through managers or other asset owners, to leverage a collective voice on Stewardship Priorities.

For Board Climate Accountability, PRIM updated its Guidelines earlier this year to do three things: (i) focus them on high carbon emitting companies where a focus on climate transition planning can be seen as a board priority, (ii) to vote against the whole board when they were not disclosing relevant and sufficient info about their Climate Change approach, and (iii) to vote against relevant directors when PRIM felt their climate transition planning was insufficient given the materiality of the risk faced.

PRIM applied the Guidelines to 79 high emitting companies between March and June of 2024. ISS assessed 18 of these companies as having inadequate disclosure and 61 of these companies as not having operationally and financially credible climate transition plans. These numbers are similar to assessments reported in other external benchmarks covering the same topics, so we are comfortable with both the Guidelines writ large, and the implementation systems have worked.

Ms. Ramani noted on the topic of Fair Pay, there were shareholder proposals calling for pay equity disclosure and proposals asking companies to establish wage policies that would provide workers with a living wage. PRIM supported most of these resolutions. The only resolution PRIM voted against on Living Wage was at a company where the vote took place before the updated guidelines went into effect.

For Biodiversity, there were resolutions relating to water use efficiency in the supply chain, two resolutions calling for a moratorium on using minerals extracted through deep sea mining, resolutions on deforestation risk in the supply chain and a couple of resolutions on biodiversity risk assessment writ large. PRIM supported all the resolutions voted on after the updated Guidelines took effect.

The meeting was adjourned at 10:46am.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Stewardship & Sustainability Committee Meeting on July 17, 2024*
- *PRIM's Stewardship Implementation Presentation*
- *PRIM's Analysis of 2024 Proxy Voting Presentation*