



**Minutes of the PRIM ESG Committee Remote Meeting
Tuesday, June 20, 2023**

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even
- Ruth Ellen Fitch, Esq.
- Theresa McGoldrick, Esq.
- Dennis Naughton
- Poonam Patidar
- Marcela Pinilla

The PRIM ESG Committee meeting was called to order at 10:02 a.m. Chair Treasurer Deborah Goldberg announced that the meeting was being held by internet and telephone in accordance with the provisions of Massachusetts Acts of 2022 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 all votes were taken by roll call. 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. Executive Director / Chief Investment Officer Comments

Michael Trotsky, CFA, Executive Director and Chief Investment Officer, made comments to the ESG Committee, including:

Mr. Trotsky welcomed and thanked everyone for attending PRIM's first ESG Committee meeting. PRIM was excited to host this meeting feeling confident the agenda will be both informative and useful to all in attendance. The three main agenda objectives are 1) introduce the ESG Committee members; 2) introduce PRIM's new Director of Stewardship, Veena Ramani, who will provide an overview of PRIM's Stewardship Program Goals & Objectives and workplan; and 3) provide an overview of PRIM's stewardship work to-date.

Mr. Trotsky stated PRIM is a long-term investor and has the responsibility to consider all risks that affect the portfolio's financial performance, irrespective of the source of risk whether financial, environmental, social, governance, or even geopolitical. The Treasurer is fond of using the term "common sense" to describe ESG factor consideration and so does PRIM. PRIM believes it is our responsibility or simply "common sense" to position the Fund for long-term value creation; "common sense" dictates that PRIM evaluate all risks that affect fund performance.

Moving forward, PRIM will address these risk issues in the same manner we have handled all matters of concern. PRIM takes a deeply thoughtful, research grounded, data driven and strategic approach that is anchored to our fiduciary duty. PRIM's work in ESG is consistent with our core belief that every investment must be evaluated on three equally important parameters: risk, return, and cost. This fundamental belief

is the philosophy that guides everything we do. Risk adjusted returns, net of all costs, is our north star for all our decision making.

Mr. Trotsky noted PRIM believes diverse and inclusive organizations make better decisions and generate better long-term returns. PRIM's DEI efforts are focused both internally on our own organization, and externally on our investment managers and vendors. PRIM has launched several initiatives including the FUTURE Initiative, our strategic plan to increase the use of diverse investment managers. PRIM has allocated more than \$9.6B to diverse managers and has been ranked 8th among the 200 largest funds in the country for funds invested with diverse managers, which is significantly higher than our rank in assets under management. PRIM was a founding signatory to the CFA Institute's first Diversity, Equity, and Inclusion Code for the Investment Profession.

Mr. Trotsky stated that internal DEI efforts have resulted in 64% of current PRIM staff being diverse and we continue to make more progress every year. PRIM has developed a Diversity, Equity, and Inclusion Policy to implement best practices, including implementing a hiring playbook to increase the number of diverse candidates applying for our jobs, conducting unconscious bias trainings, and partnering with a leading outside consultant to ensure our policies and trainings are leading edge.

PRIM also believes in the power of engagement, which is a fundamental charter of this committee. We believe that proactively engaging with portfolio companies to position them for long-term performance is a great way to affect fund performance. To that end, PRIM has one of the most progressive proxy voting policies in the country, covering issues from climate change to board diversity, say on pay, and worker rights. PRIM vote approximately 12,000 ballots annually on these and other issues.

Regarding ESG, PRIM is proud to have been ahead of the curve on identifying the inconsistencies of ESG data, which has been widely recognized as being noisy and inconsistent making it more difficult to separate material signals about the companies we have invested in. If the data is unreliable, then our impact will be minimal, making it difficult to impact the portfolio and affect the behavior of the companies we target. This data issue is well understood, with countless articles written about the problem of greenwashing in this space. MIT's Professor Roberto Rigobon identified this problem years ago with his paper entitled, "Aggregate Confusion." Now together with MIT and several partners in the Aggregate Confusion Project, PRIM is working on techniques to make the data more consistent and actionable.

Mr. Trotsky noted that as we begin our work on this Committee and have taken a moment to review our progress, we learned PRIM is still at the early stages of our stewardship journey with so much still left to do. PRIM is excited about this Committee and is very appreciative that the Treasurer and the Board have provided us the resources necessary to build on our program. PRIM looks forward to working with each of you and we are thankful that you have volunteered to join the Committee.

II. ESG Committee Member Introductions

ESG Committee Chair, Treasurer Goldberg expressed her deep gratitude to all Committee members and asked them to take a moment to introduce themselves. All Committee members briefly introduced themselves.

III. PRIM's Stewardship Program Goals & Objectives and Workplan

Veena Ramani, Director of Stewardship, provided an update on PRIM's Stewardship Program. Ms. Ramani briefly introduced herself and noted her career has focused on ESG and climate change.

Ms. Ramani noted although the stewardship position is new, PRIM's work on stewardship is not and already has a strong foundation. PRIM understands our mandate as building on the foundation to develop an infrastructure for stewardship that does three things: (1) translates the organic efforts that exist across the fund already, into somethings that is more systematic, intentional and outcome oriented; (2) informs

and provides value to the investment process at PRIM; and (3) continues and supports PRIM's core mission of delivering strong risk adjusted returns to the PRIT Fund.

Ms. Ramani described PRIM's Stewardship workplan to achieve these goals. The first step is to develop a stewardship policy statement that articulates why we are engaged in these activities and how these efforts align with our fiduciary duty. Next, we plan to identify priorities and goals to focus on and then develop an implementation strategy that is specific and actionable to achieve these goals. A significant part of our implementation strategy will be proxy voting, and developing an engagement strategy that supports our voting. Lastly, we expect to create a transparent stewardship program, which includes an annual stewardship report.

IV. Overview of PRIM's Stewardship Initiatives

David Gurtz, CPA, CFA, Deputy Chief Investment Officer, provided an overview of PRIM's current Stewardship efforts. Mr. Gurtz began by highlighting PRIM's progressive proxy voting policy, which addresses a wide range of ESG issues that include board diversity, climate change, say on pay, equal employment rights, workers' rights and gender pay equity.

Mr. Gurtz noted PRIM's Diversity, Equity, and Inclusion (DEI) efforts comprise both external and internal initiatives. External initiatives include PRIM's proxy voting guidelines, which seek to improve board diversity, and our FUTURE Initiative. Internal initiatives are the efforts PRIM has made to increase the diversity of PRIM staff.

Launched in May 2021, PRIM's FUTURE Initiative is our strategic plan to achieve the goals set forth by legislation, championed by Treasurer Goldberg, that sets 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. The FUTURE Initiative identifies four keys to success: 1. Continue to allocate capital to diverse managers; 2. Enhance DEI reporting; 3. Reduce barriers for diverse managers; and 4. Improve sourcing. For each of these four keys, PRIM has taken specific actions.

Mr. Gurtz noted that since 2021, PRIM has allocated or committed more than \$5.5 billion to diverse managers. As of March 31, more than \$9.6 billion or 10% of the PRIT Fund is managed by diverse managers – nearly doubling the amount from just a few years ago.

To reduce barriers for emerging-diverse managers, PRIM launched the \$1B Emerging-Diverse Manager Program. Under this program, PRIM has allocated more than \$400 million to 19 emerging-diverse managers across all asset classes, with many more in the pipeline. To enhance our DEI reporting we hired the leader in DEI analytics in the investment industry, Lenox Park Solutions, to conduct annual DEI surveys of our investment managers. Lenox Park collects comprehensive DEI metrics including the diversity of a manager's ownership, its leadership, its staff, and board representation. The data from this survey provides PRIM with a single source of DEI data on all of our managers, giving us the data to track and monitor the progress they are making to increase their diversity. Additionally, in March 2022, PRIM became a founding signatory to the CFA Institute's first-ever Diversity, Equity, and Inclusion Code for the Investment Profession. To improve the sourcing of diverse managers, staff routinely speak at conferences to get the word out that PRIM is interested in meeting with diverse investment managers, which has increased our pipeline of diverse investment managers.

Michelle Witkes, Director of Human Resources, discussed internal DEI initiatives, including PRIM's DEI policy, hiring process, partnerships, training program and pay equity. Ms. Witkes stated PRIM's focus and progress in DEI has consistently been prioritized in overall company and individual goal settings.

Ms. Witkes stated PRIM developed a DEI policy as part of our employee handbook, which has also been included in the CFA DEI Code, as part of our reporting. PRIM contracted with an outside consultant,

Interactive Business Inclusion Solutions (IBIS) to help us find ways to advance diversity, equity, and inclusion into our hiring process. PRIM launched required trainings and had IBIS provide additional learning opportunities. PRIM conducts pay equity studies regularly to ensure woman and diverse employees are being paid equitably.

Michael McElroy, CFA, Director of Public Markets, discussed the Aggregate Confusion Project (ACP). In 2020, PRIM was the charter member of ACP, an initiative with MIT to improve ESG data quality and usability. Since joining, four other members have joined: AQR, MFS, Asset Management One, and Qontigo. The importance of this work has been so differentiated that it was recognized by Institutional Investor last year as “Partnership of the Year”. This research has focused on four areas: (1) understanding why the noise exists, and develop ways to improve the signal relative to the noise, (2) developing smarter ways to combine different ESG factors into composite indices, (3) understanding how ESG-driven investment flows impact stock price and firm behavior and (4) seeking to better understand investor preferences, which could help build ESG indices more customized toward these preferences. To date, six research papers have been released which evaluate the “noise” in ESG ratings, and research partners are currently collaborating and developing methodologies to extract signals useful in portfolio construction.

Mr. Gurtz noted that PRIM’s investment process includes gathering ESG data from a number of sources including our investment managers, consultants, and industry participants. PRIM’s due diligence process on investment managers includes seeking to understand how ESG factors are considered and incorporated into a manager’s investment process. He concluded by noting the strong focus on governance at PRIM, including our audits, GIPS compliance, use of separately managed accounts, and focus on controlling our costs.

Prior to adjourning the meeting, Committee members briefly discussed the idea of changing the name of the Committee.

The PRIM ESG Committee meeting adjourned at 11:30 a.m.

List of documents and exhibits used during the meeting:

- *ESG Committee Member Biographies*
- *PRIM’s Stewardship Program: Goals & Objectives and Workplan Presentation*
- *ESG Committee Charter*
- *Overview of PRIM’s Stewardship Initiatives Presentation*