



**Minutes of the PRIM ESG Committee Remote Meeting  
Thursday October 12, 2023**

**Committee members present:**

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even
- Ruth Ellen Fitch, Esq.
- Theresa McGoldrick (arrived at 10:38 a.m.)
- Dennis Naughton
- Poonam Patidar
- Marcela Pinilla

The PRIM ESG Committee meeting was called to order at 10:03 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](http://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 ESG Committee approved by roll call vote the minutes of its June 20, 2023, meeting.

**II. Executive Director / Chief Investment Officer Report**

Michael G. Trotsky, CFA, Executive Director, and Chief Investment Officer began the meeting by sharing positive news regarding PRIM's current investments.

The PRIT Fund ended the year on June 30 with a record balance of \$96.6 billion for the fiscal year, surpassing the previous record of \$95.7 billion set in fiscal year 2021. Of that amount, \$9.9 billion is invested with diverse investment managers, more than 10% of the PRIT Fund, ranking PRIM eighth among the largest 200 funds in the U.S. for allocation to diverse managers, above its ranking in total assets under management.

Additionally, the Private Equity team received a prestigious award from PE-WIN, the Private Equity Women Investor Network, which is the preeminent organization for senior-level women investment professionals in private equity. PE-WIN recognized PRIM as "Limited Partner of the Year" for "empowering women in private equity."

Finally, PRIM received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the 18th consecutive year. This award represents the highest form of recognition in government accounting and financial reporting. This award reflects PRIM's steadfast commitment to accuracy and transparency.

David Gurtz, Deputy Chief Investment Officer, was then introduced and gave a brief overview of the meeting agenda.

The agenda included the Stewardship Framework, a review of the draft Stewardship Policy Statement, a presentation by Institutional Shareholder Services (“ISS”), PRIM’s proxy voting consultant, a review of PRIM’s 2023 proxy voting season results, and lastly an opportunity to discuss changing the name of the Committee.

### **III. Overview of PRIM’s Stewardship Framework**

Veena Ramani, Director of Stewardship presented PRIM’s Stewardship Framework. As a first step, MassPRIM intends to establish a shared foundation for its stewardship efforts. This will be articulated through a Stewardship Policy Statement that: 1) Defines what stewardship means to PRIM; 2) Underscores that the rationale for decision making is anchored in materiality and fiduciary duty; 3) Identifies examples of actions that the Committee could take as a part of its Stewardship efforts and principles that will guide these actions; and 4) Prescribes objectives or standards of success that the Committee intends to hold itself to.

The draft policy Statement also identifies objectives or standards of success. These included (i) Enhancing the risk/return expectations of the PRIT Fund; (ii) Creating tangible impact through focused efforts; and (iii) Being innovative and thought leaders. Ms. Ramani welcomed feedback from Committee members on the draft Stewardship Policy Statement and expected the Committee to vote to approve this Statement at its next Committee meeting.

Ms. Ramani noted the next step is to identify clear priorities based on a materiality analysis of MassPRIM’s investments. This will help to anchor decisions on risk/return and long-term value creation. The prioritization process would identify the most material environmental and social factors to the fund; and obtain insights on the factors using KPIs. The intention is to use what is learned as the foundation to then have a discussion with the ESG Committee on potential ambitions and goals.

Ms. Ramani noted the importance of transparency and the need for the Stewardship efforts to hold itself accountable to beneficiaries and other stakeholders. MassPRIM plans to release an annual stewardship report which details our strategy and progress. MassPRIM will also launch a section on its website dedicated to Stewardship efforts.

Mr. Gurtz provided an overview of how the Future Initiative, PRIM’s strategic effort to increase the use of diverse investment managers, and meet the goals set forth in the Investment Equity legislation that was championed by Treasurer Goldberg, was an illustration of MassPRIM’s Stewardship Program in practice, one that achieves the three objectives outlined in the draft Stewardship Policy Statement.

Theresa McGoldrick joined at 10:38 a.m.

### **IV. Proxy Voting**

Valerie Sullivan, Kevin Kurtz, and Adam Lee from ISS presented on the role that ISS plays in supporting MassPRIM’s proxy voting efforts. Ms. Sullivan provided an overview of proxy voting, how it works, its fiduciary value, and ISS’s role in supporting the creation of MassPRIM’s custom policies and executing its votes. Mr. Kurtz and Mr. Lee provided additional details on how MassPRIM voted its proxies on a range of issues, including climate change, board diversity and executive compensation.

Ms. Ramani proposed recommendations on how MassPRIM’s proxy efforts could be further enhanced. In the short term, language could be added across MassPRIM’s Custom Guidelines clarifying the performance rationale for the voting recommendations. In the medium term, MassPRIM proposes shifting from the detailed rules-based guidelines to an approach that is more principles based. Finally, dedicating

additional effort on proxy engagement could drive focused impact, including on the stewardship priorities and goals. This could also lay the foundation for more innovative approaches in the future.

The focus for the 2024 proxy season would be (i) to update the Guidelines, including clarifying the performance rationale for the Committee's expectations, and (ii) to enhance the proxy approach on topics that have been priorities of PRIM and its Trustees, specifically Board Diversity and Board Accountability on Climate Change.

Ms. Ramani noted MassPRIM's Custom Guidelines call on companies to have boards that are at least 35% diverse in terms of gender and 35% diverse in terms of race. The Guidelines currently have PRIM voting against all incumbent board directors where a company does not meet this threshold. To amplify this leadership expectation on board diversity, PRIM proposes updating the Guidelines to focus PRIM's votes on board diversity on Nominating Committee incumbent members and update Guidelines to allow PRIM to vote in favor of women or minority candidates when they are nominated to public company boards. MassPRIM will also look for opportunities to support the development of a pipeline of diverse directors. This message can also be amplified by supplementing voting with engagement.

On Boards' Accountability on Climate Change, MassPRIM recommends updating the Custom Guidelines to focus on high emitting companies where the materiality case is robust, and where major investors have been pushing this issue for a long time. The Guidelines could also be updated to reserve the option of voting against the whole board only when the high emitting companies do not adequately provide financially relevant climate change disclosure. This is also aligned with the position that PRIM has taken for a long time that we need better information for smarter decision making.

Finally, Ms. Ramani noted it is important to maintain the flexibility to vote against key directors in high emitting companies the board chair or the chair of a relevant committee where the company has demonstrated inaction on climate transition planning in the face of sustained investor pressure.

## **V. Committee Name Change**

The Committee then discussed the possibility of changing its name to better reflect its mission and purpose. Several key terms were considered, including "Stewardship," "Enterprise Risk," and "Sustainability." Several members were concerned about the connotation and preconceptions some of the terms might elicit. Unnecessary politization and use of jargon were also factors involved in the discussion, as the Committee was mindful that its goals were to go beyond the current issues and remain relevant in the long term.

The Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve changing the name of this Committee to the Stewardship and Sustainability Committee, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

The meeting was adjourned at 11:48 a.m.

### List of documents and exhibits used during the meeting:

- *Minutes of the PRIM ESG Committee Meeting on June 20, 2023*
- *PRIM's Stewardship Framework Presentation*
- *PRIM's Draft Stewardship Policy Statement*
- *ISS' Proxy Voting Presentation*
- *PRIM's Custom Proxy Voting Guidelines*
- *PRIM's Custom Proxy Voting Guidelines Enhancements Presentation*