MassPRIM

Stewardship and Sustainability Committee Meeting Agenda

Tuesday, November 25, 2025, 1:00 p.m.*

I. Approval of the Minutes (Voting Item)

II. Proxy Voting Review

A. 2025 Proxy Voting Season Overview

B. Draft Proxy Voting Guidelines

III. Direct Company Engagement Update

IV. Responsible Workforce Management Policy Recommendation (Voting Item)

Appendices

A. Minutes of the PRIM Stewardship and Sustainability Committee Meeting on July 16, 2025
B. PRIM's Direct Engagement: Proxy Voting Presentation
C. Draft Proxy Voting Guidelines
D. PRIM's Direct Engagement: Corporate Dialogue Presentation
E. Segal Marco's Engagement Services Presentation
F. Draft Responsible Workforce Management Policy

*This meeting will be held in accordance with the provisions of Massachusetts Acts of 2022, which was most recently amended on March 28, 2025, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until June 30, 2027, and all members of the Committee will participate remotely via audio/video conferencing, and public access to the deliberations of the Committee will likewise be provided via telephone.

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I. Approval of the Minutes (Voting Item)

The minutes of the July 16, 2025, PRIM Stewardship and Sustainability Committee meeting are attached as **Appendix A**.

II. Proxy Voting Review

A. 2025 Proxy Voting Season Overview

PRIM staff will present a review of PRIM's 2025 proxy voting. PRIM staff's presentation is attached as **Appendix B**.

B. Draft Proxy Voting Guidelines

PRIM staff initiated a comprehensive update to PRIM's Proxy Voting Guidelines, shifting it to a principles-based version for enhanced clarity and effectiveness. This updated Proxy Voting Guidelines allows PRIM to:

- More clearly and succinctly communicate our expectations for how companies position themselves for long-term value;
- Demonstrate our sophisticated, research-based approach to voting decisions, rather than mechanically applying voting policies;
- Make situation specific decisions that are based on value generation, rather than being constrained by pre-determined rules that may conflict with value creation; and
- Adapt to fast evolving ballot resolutions, market circumstances and regulatory changes in a real-time manner;

The updated draft Proxy Voting Guidelines is attached as **Appendix C**, for this Committee to review and provide feedback on. This draft Proxy Voting Guidelines, revised based on Committee feedback, will be finalized and put to a vote at this Committee's next scheduled meeting in January 2026.

III. Direct Company Engagement Update

PRIM staff and representatives from Segal Marco will provide an update on PRIM's direct company engagement. PRIM's Direct Company Engagement presentation is attached as **Appendix D** and Segal Marco's presentation is attached as **Appendix E**.

IV. Responsible Workforce Management Policy Recommendation (Voting Item)

PRIM staff recommends that the Stewardship and Sustainability Committee make a recommendation to the PRIM Board to approve the Draft Responsible Workforce Management Policy attached as **Appendix F**.

PRIM's Stewardship Policy recognizes proactive engagement with investment managers on stewardship issues is part of its fiduciary duty to protect and enhance the long-term sustainability and success of the PRIT Fund. Companies with effective and responsible approaches to managing their workforce perform better than those that manage their workforce poorly. The importance of responsible workforce practices at public companies is recognized in PRIM's Proxy Voting Guidelines. The Draft Responsible Workforce Management Policy is intended to encourage the adoption of Responsible Workforce Principles within private companies, with the goal of enhancing the overall value of investments.

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Appendix A

Minutes of the PRIM Stewardship and Sustainability Committee Meeting on July 16, 2025

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Minutes of the PRIM Stewardship & Sustainability Committee Remote Meeting
Wednesday, July 16, 2025

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Mary Cerulli
- Michael Even
- Ruth Ellen Fitch, Esq.
- Theresa McGoldrick, Esq. (arrived 9:37 am)
- Dennis Naughton
- Poonam Patidar
- Marcela Pinilla

The PRIM Stewardship and Sustainability Committee meeting was called to order at 9:33 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 28, 2025, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until June 30, 2027. 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 April 16, 2025, meeting.

II. PRIM's Stewardship Priorities Implementation Update – Public Markets

David Gurtz, Deputy Chief Investment Officer, introduced the meeting as a continuation of the Stewardship Priorities Implementation plan. The Implementation plan follows a three stage process. Stage 1 involves discussing Stewardship priorities with consultants and investment managers to learn how managers may operationalize these priorities to enhance value either through risk mitigation or investment opportunities. Stage 2 equips PRIM staff with better information to have more insightful conversations with PRIM's managers and ultimately drive informed decisions.

As part of Stage 2, PRIM now seeks better data and analytical tools to understand and navigate climate transition risks and opportunities. With that information, staff will be better positioned to ask questions and collaborate with managers as the investment landscape evolves. PRIM has partner with two firms the help generate this new information.

First, Goldman Sachs is applying their Climate Transitions 2.0 model to the Public Markets portfolio to help PRIM evaluate climate-related risks and opportunities at the company and sector level. Second, Climate & Company, a European think tank with expertise in sustainability and finance, is analyzing PRIM's Public

Markets portfolio through a deforestation lens. PRIM is proud to be the first US public pension plan to partner with them to apply a rigorous and innovative approach to assess the risks that public market companies face from deforestation.

Michael McElroy, Director of Public Markets, presented PRIM's Public Market Portfolios progress working on PRIM's Stewardship & Sustainability priorities. PRIM currently has 74 portfolios across equity and fixed income. Over 50% of assets in public markets are managed passively. Last year, PRIM staff introduced its Stewardship Priorities to our managers and asked them to describe how they considered these Priorities in their decision-making frameworks.

Some of the key ideas discussed from these meetings are as follows:

- All of PRIM's public markets managers employ Sustainability and Stewardship resources within their processes.
- Materiality is an important criterion that many managers use when setting priorities and gathering input.
- Most managers view sustainability as a risk-mitigation measure, which should lead to better risk-adjusted returns.
- Getting the data needed to address these priorities can be challenging in some universes (e.g., emerging markets or small cap stocks).
- All managers were excited to work with PRIM on these priorities, and believe PRIM has a unique approach within the industry

Mr. McElroy highlighted two of PRIM's equity managers which have approached these efforts in novel ways. First, ARGA, one of PRIM's international managers with a value focus, has stated that "not understanding climate risks is a major risk to a value portfolio." Several years ago, ARGA hired a team of engineers to think about climate transition planning. These engineers understand climate technology as well as policy, and interact with fundamental analysts on specific industries - how do these technologies translate into costs or revenue opportunities? They also met with many private companies to understand up-and-coming technologies that will be used by public companies.

Second, Baillie Gifford, one of PRIM's international managers (developed and emerging), with a growth focus, has built a team of 42 people, with analysts embedded in each investment team. They also have a dedicated climate team of five people - doing climate audits (the forward-looking strategy for decarbonization) and scenario work on companies and the portfolios. A large amount of gathering and curating data takes place and engagement with companies is an important part of their process.

Finally, Mr. McElroy noted that from a Bond/Credit perspective, firms that also have equity capabilities will leverage the work done by these analysts, and that analysts will rate companies on sustainability risks, just as they consider financial risks when evaluating opportunities.

Goldman Sachs Asset Management

Patrick Byrne, John Goldstein, and Chex Yu of Goldman Sachs Asset Management ("GSAM") gave a presentation on its partnership with PRIM, and the landscape, progress, and strategies of climate minded investing.

PRIM and GSAM will work together to examine the question: To what extent are the companies in the PRIM public markets portfolio positioned for long-term resilience through the adoption of climate aware strategic plans and business models? Mr. Goldstein noted that a purely emissions-oriented approach is backwards looking and does not address real world decarbonization and constrains value-oriented approaches to address risk.

The methodology employed by their team will include: forward looking ambition to address emissions; performance; quality of disclosure; decarbonization strategy; and capEx alignment. Key insights that PRIM will obtain include: companies and sectors that are contributing to risk and value creation; questions to ask during manager discussions to improve understanding of how this risk can be/ is being managed; and actions that would help risk mitigation.

Climate & Co.

Malte Hessensius, Senior Analyst of Climate & Co. and Tycho Tax, Advisor on data science as well as a co-founder of Datura, an organization that provides data solutions for organizations trying to deal with nature related risks presented on its partnership with PRIM.

Climate & Co approach includes: collecting data from a range of sources including geo-spatial data; assessing the likelihood of the company's involvement in practices that drive deforestation; evaluating the measures that the company has taken to address impacts; and developing firm level aggregates that can inform engagement, including questions that will further unpack risk exposure, the right action steps for engagement. PRIM will be able to determine which companies that should be targeted for further engagement regarding their risk exposure.

III. Partnership Recommendations: CDP and Human Capital Coalition (Voting Item)

Veena Ramani, Director of Stewardship, recommended partnerships with CDP and the Human Capital Management Coalition ("HCMC"). PRIM's Board-approved Engagement Policy states: "MassPRIM may partner with aligned investors or other groups, who share similar objectives, to amplify engagement and impact on Board-approved stewardship priorities and other material issues relevant to long-term value creation." Joining CDP and HCMC aligns with the PRIM Board-approved Stewardship Priorities of Transparency, Climate Transition Planning, and Sustainable Forestry.

CDP is a well-established and well-regarded global non-profit which provides a platform for companies to report on their environmental performance. In 2024, 7000+ companies disclosed their environmental performance using the CDP platform. The organization's database includes disclosures from close to 25,000 global companies. As a CDP signatory, PRIM would join global investors calling on companies to disclose environmental information to assess financial risks and opportunities. Becoming a CDP signatory would also give PRIM access to the CDP disclosure dataset, which includes detailed current and historical environmental data on PRIM's Stewardship Priorities. Access to this dataset would allow PRIM to better assess and engage portfolio companies on their performance on these topics, as well as inform proxy voting decisions on these topics.

HCMC is a cooperative effort of U.S. investors launched in July 2013 and currently includes 35 investors. HCMC's work calls for more corporate disclosure on human capital management metrics: number of employees; workforce cost; turnover; and demographics. The Coalition functions through opt-in working groups relating to the following streams of work: (i) Regulatory engagement; (ii) Participation in consultations; (iii) Company engagement and (iv) Research on long-term value.

As a member of the HCMC, PRIM would have the opportunity to learn from and work with investors who share similar views about the materiality of human capital to corporate long-term value creation.

The PRIM Stewardship and Sustainability Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve partnerships with CDP and HCMC, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

The meeting was adjourned at 11:00 a.m.

List of documents and exhibits used during the meeting:

A. *Minutes of the PRIM Stewardship and Sustainability Committee Meeting on April 16, 2025*
B. *PRIM's Stewardship Implementation in Public Markets Presentation*
C. *Partnership Recommendations Memorandum*

Appendix B

PRIM’s Direct Engagement: Proxy Voting Presentation

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Presentation to Stewardship and Sustainability Committee

Direct Engagement: Proxy Voting

PRESENTED BY

Veena Ramani, Director of Stewardship

Nov 25, 2025

Stewardship Priorities

In October 2024, the Board approved the following areas of high potential for value creation where we will proactively spend most of our time and resources.

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.

Ambition and Action Steps for Stewardship Priorities

Our Ambitions

Our ambitions reflect the outcome that we aim to achieve:

- **Climate Transition Planning:** Develop a cross-asset class approach focusing on material climate impacts across our investments.
- **Fair Pay:** Engage priority companies and industries through direct dialogue and proxy voting.
- **Sustainable Forestry:** Educate ourselves on the Value at Risk from forest loss.
- **Transparency:** Collaborate with investors and investor groups to advocate for transparency.

Our Actions

Our actions to operationalize these ambitions will include:

- Regularly assessing how these priorities improve the risk/return profile of the PRIT Fund.
- Engaging purposefully with portfolio companies, including through proxy voting.
- Actively involving investment managers and consultants across all asset classes.
- Collaborating strategically with aligned investor groups that share our objectives.
- Systematically tracking and reporting progress.

Engagement Strategies

MassPRIM is looking to purposefully engage Public Market portfolio companies on our Stewardship Priorities in the following ways.

Direct

Proxy Voting

Scope:

Board approved Proxy Voting Guidelines highlights MassPRIM's views on Stewardship Priorities.

Approach:

Votes on ballot measures communicate our views on corporate performance on Stewardship Priorities.

Intended Outcome(s):

Influence corporate behavior to benefit shareholder value.

Direct

Corporate Dialogue

Scope:

Engage portfolio companies on fair pay and transparency.

Approach:

Letters to and meetings with company representatives to express views and build understanding.

Intended Outcome(s):

Grow disclosure; Influence corporate behaviors to benefit shareholder value.

Indirect

Manager Oversight

Scope:

Assess how managers are engaging portfolio companies on climate transition planning and sustainable forestry.

Approach:

Leverage independent assessments of risk exposure to drive detailed dialogue with managers.

Intended Outcome(s):

Obtain better understanding of manager quality; Communicate our views on risk/ value; Influence corporate behaviors to benefit shareholder value.

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Stewardship Through Proxy Voting

A Long-Standing Component of MassPRIM's Active Ownership Approach

Why Proxy Voting Matters

- Proxy voting is an important tool of active ownership and can promote long-term shareholder value.
- Our Custom Guidelines lay out our expectations of behaviors that can position companies for long-term and sustainable value creation.
- Our votes are intended to send a message to companies reinforcing the expectations noted above.

Engagement Policy

"MassPRIM will vote proxies related to its public market securities using a third-party voting consultant and in line with the Board-approved Custom Proxy Voting Guidelines. The MassPRIM Board will regularly review, update, and approve our Custom Proxy Voting Guidelines based on the recommendations of the Stewardship and Sustainability Committee and staff."

Questions We Consider in Our Annual Review:

- Is our voting consistent with the expectations laid out in our guidelines?
- Do we need to update our guidelines to better reflect emerging trends and research?
- What are the opportunities to further build on our approach to drive greater outcomes on our stewardship priorities?

MassPRIM Proxy Votes

Context and Overall Trends

- Our Proxy Voting efforts are wide ranging. Clear guidelines and explicit implementation systems allow for voting in alignment to our guidelines.
- Our ownership stake in the public companies where votes are cast is relatively small. Engagements and investor partnerships are key to driving stewardship outcomes.

7,331
Securities in our public equity portfolio
(2,562 in the U.S.)

0-1.2%
Range of ownership stake
(value: 0.02%)

8,148
Meetings voted*
(2,758 in the U.S.)

12,033
Ballots voted
(3,248 in the U.S.)

85,878
Items voted
(24,661 in the U.S.)

79.3%
% of votes with management**
(62.5% in the US)

Noted: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025.
**For: 67,210 (15,529 in the US); Against: 12,844 (4,062 in the US); Abstain/Withold: 5,558 (4,829 in the US); Advisory vote on Frequency of Say on Pay measures: 266 (241 in the US) votes cast in favor of one-year frequency.*
***% of votes supporting board director nominations: 73.2% (44.2% in the US).*

Climate Transition Planning (Director votes)

The Proxy Voting Guidelines call on companies that are materially at-risk from climate change to maintain a business model that is financially sound under a low-carbon economy and provide investor-oriented disclosure.

Voting Summary

We vote against/abstain from the elections of directors at companies that fail to meet the guidelines.

- Number of companies to whom the guidelines were applied: **113 (53 US companies)**
- Number of companies where we voted against directors for not meeting the expectations: **107 (47 US companies)**

Against Votes Summary

- Number of companies where we voted against relevant directors for inadequate/non-transparent climate transition planning: **68 (23 US companies)**
- Number of companies where we voted against the entire board for inadequate climate change disclosure: **39 (24 US companies)**

Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025.

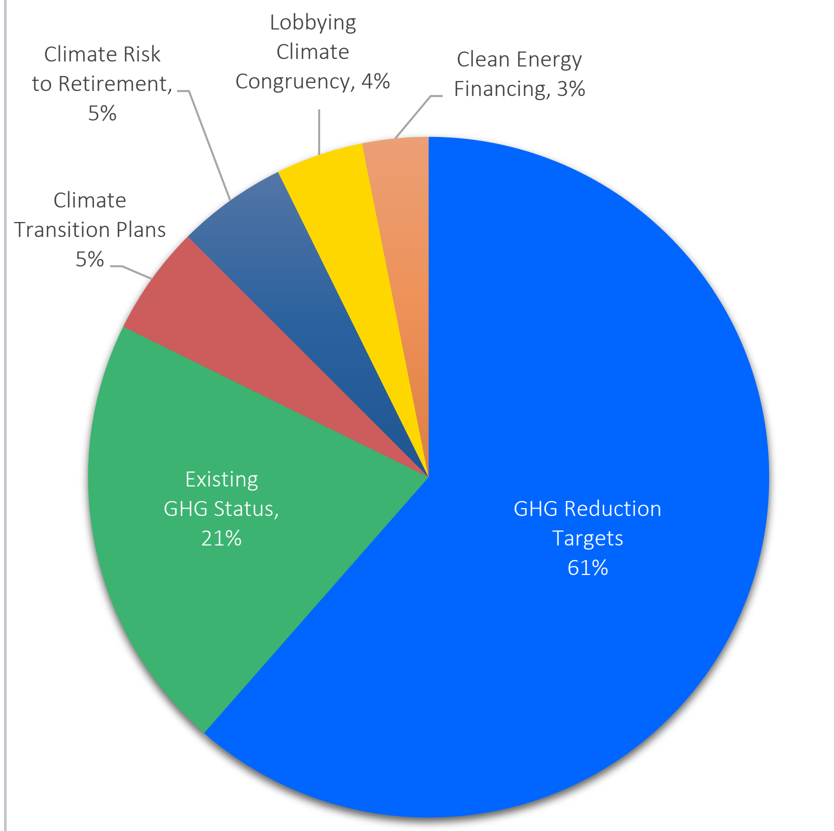
MassPRIM

Climate Transition Planning (Shareholder Proposals)

The Proxy Voting Guidelines calls on companies to operate in a manner that recognizes the financial and material risks that climate change poses to their operations, supply chain and markets.

Resolutions supported:

- Adopt/ Report on GHG reduction targets: **59/66 (US: 41/41)**
- Disclose climate transition plans: **5/5 (US: 5/5)**
- Report on status of existing GHG reduction targets: **20/20 (US: 19/19)**
- Report clean energy financing ratio: **3/3 (US: 3/3)**
- Report on climate risk to retirement accounts: **5/5 (US: 5/5)**
- Report on congruency between lobbying and climate change goals: **4/4 (US: 4/4)**
- Rolling back climate change targets, climate change efforts: **0/52 (US: 0/52)**
- Eliminate climate change goals from exec pay: **0/1 (US: 0/1)**



Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025.

Executive Compensation and Fair Pay

Executive Compensation

The Proxy Voting Guidelines call on companies to adopt executive compensation structures that meaningfully link pay and performance, and avoid elements that encourage short-term thinking, excessive risk-taking, or shareholder value destruction.

Supported for Management Say on Pay proposals:	**3,701/5,406 (US: 1,475/2,311)**
# of U.S. companies that did not pass the "pay for performance" test:	**283**

Fair Pay

The Proxy Voting Guidelines call on companies to promote equal opportunity, prevent discrimination, and ensure pay equity across all demographic groups

Provide additional racial and gender pay gap disclosure:	**9/9 (US: 7/7)**
Conduct audit on risk related to race-based incentives:	**0/2 (US: 0/2)**
Roll back corporate efforts on pay equity:	**0/4 (US: 0/4)**

Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025.

Sustainable Forestry

The Proxy Voting Guidelines calls on companies to implement comprehensive management practices that address their dependencies and impacts on natural capital, such as water, forests and land.

Resolutions supported:

Disclosure of supply chain impacts/ dependencies on biodiversity: **3/3 (US: 3/3)**

Disclosure of deforestation related of supply chain risks: **2/2 (US: 2/2)**

Disclosure of Supply chain water risks: **1/1 (US: 1/1)**

Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025.

Transparency

The Proxy Voting Guidelines calls on companies to provide comprehensive disclosure on their approach to and performance on material risks as transparency facilitates informed investor decision making.

Resolutions supported:

Issuing a sustainability report: **4/4 (US: 1/1)**

Enhancing human capital disclosure: **9/9 (US: 8/8)**

Rolling back human capital disclosure: **0/5 (US: 0/5)**

Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025.

Board Composition

The Proxy Voting Guidelines calls on corporate boards to reflect a range of experiential and demographic diversity and disclose a board qualifications matrix.

2,197

Number of US companies where we voted against Directors for inadequate Board Diversity

171

Number of companies identified as having no demographic diversity

Important Context Changes

- Overall board diversity levels remain stable.
- First year seeing a drop in new women directors (46% → 42%) and underrepresented minorities (36% → 26%).
- Drop in disclosure on board composition noted.

Note: All numbers were provided by ISS and reflect voting between July 1, 2024, and June 30, 2025. The 2025 Custom Proxy Voting Guidelines took effect on March 1, 2025. Source: Freshfields.

MassPRIM

Recommendations for 2026 Proxy Season

We recommend shifting to Proxy Voting Guidelines that are principles-based to continue to clearly communicate that our voting decisions are anchored to our fiduciary duty to position the fund for long-term performance.

Principles-based guidelines allow us to:

- More clearly – and succinctly – communicate our expectations for how companies position themselves for long-term value.
- Demonstrate our sophisticated, research-based approach to voting decisions, rather than mechanically applying voting policies.
- Make situation specific decisions that are based on value generation, rather than being constrained by pre-determined rules that may conflict with value creation.
- Adapt to fast evolving ballot resolutions, market circumstances and regulatory changes in a real-time manner.

Draft guidelines are in Appendix C.

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Appendix C

Draft Proxy Voting Guidelines

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MassPRIM Custom Proxy Voting Guidelines

Context

The PRIT Fund is comprised of pension assets set aside to fund current and future retirement benefit obligations for participants in Massachusetts state retirement systems, including the systems of state employees, state teachers and participating municipalities. The Board and Staff of MassPRIM are charged with the administration and general supervision of the PRIT Fund.

MassPRIM believes that engaged ownership, including purposeful proxy voting, is key to its fiduciary obligation to position the PRIT Fund for long-term value creation. This document establishes a framework that MassPRIM will use to guide decision making on ballot items of publicly listed companies. Ballot items that fall outside the scope of these guidelines will be voted on in accordance with the process as outlined in MassPRIM's Proxy Voting Decision Making Policy.

The principles in this document guide decisions on specific ballot measures based on the merits of each proposal, relevant information, and company specific circumstances with a view towards the long-term value creation. The Guidelines will be regularly reviewed and updated to ensure alignment with emerging practices and the latest research on long-term value creation.

MassPRIM will engage with an independent proxy advisor to provide vote execution services in accordance with these Guidelines as well as relevant research and analysis. In addition, MassPRIM may confer with the company, other investors, and additional research sources as needed.

The Guidelines below shall apply to MassPRIM's U.S. and global securities. All international securities shall be voted with additional consideration to relevant market listing rules and regulations and local market best practices.

Guidelines

1. **Board of Directors:** MassPRIM recognizes that well-functioning corporate boards are essential for providing thoughtful oversight of a company's strategic direction and long-term value creation plan, as well as management's performance in executing this plan. Effective boards serve as fiduciaries to shareholders and must maintain the independence, competence, and accountability necessary to fulfill their oversight responsibilities.

   To promote effective board governance, MassPRIM generally supports the following practices:

   a. *Director Accountability*: Boards shall maintain structures and practices that promote accountability to shareholders. This includes holding annual director elections, allowing for proxy access and demonstrating transparent governance practices. Directors in uncontested elections should be elected by a majority of votes cast, with appropriate resignation policies to address situations where directors fail to receive majority support. Classified board structures and other defensive mechanisms that insulate directors from shareholder oversight should be avoided. Companies should preserve the rights of shareholders to remove directors who breach their fiduciary duty, fail their duties of oversight and accountability and otherwise contribute to poor boardroom behavior and dynamics.

   b. *Director Independence*: Board independence from management is fundamental to effective oversight and strategic decision-making. At least two-thirds of the board shall be independent directors, with key committees (audit, compensation, nominating) composed entirely of independent directors. Boards should be chaired by an independent director and the role of Chair and CEO should be separated. In circumstances where the CEO also serves as Board Chair, companies should appoint a Lead Independent Director with substantial powers, such as approving meeting schedules and agendas, presiding over meetings and acting as a direct conduit to shareholders. Inside directors (such as current executives) and those with material relationships to the company (such as former executives, family members of executives or those with significant financial relationships with the company) shall not serve on specialized oversight committees where objective judgment is critical.

c. *Director Competence and Commitment*: Directors must possess the skills, experience, and commitment necessary to serve shareholders effectively. This includes regularly attending board and committee meetings (minimum 75% attendance) and dedicating sufficient time to understand company operations and industry dynamics. Directors should not serve on more than four public company boards, and CEOs should not serve on more than one other public board besides their own company.

d. *Board Composition*: Boards that draw on a wide range of viewpoints, skills, and experiences demonstrate considered and informed decision-making. Boards should reflect a range of experiential, cognitive and demographic diversity. Companies should disclose a board qualifications matrix that highlights relevant skills and experiences. While age and term limits should not artificially constrain the selection of qualified directors, companies should establish processes to regularly refresh Board Directors. Support may be withheld for Nominating Committee members and other relevant Board Directors at boards that lack meaningful breadth.

e. *Oversight of Material Risks and Opportunities:* Boards are responsible for overseeing corporate strategy in the interest of long-term shareholders, including systematically ensuring that management identifies, assesses, and manages material risks and opportunities that could significantly impact long-term value creation. Where material issues present significant financial or operational risks, boards should ensure that management provides comprehensive and relevant disclosure using recognized standards and frameworks to enable informed investor decision-making.

   Boards should be responsive to shareholder interest in formalizing oversight over material topics where a forum for ongoing dialogue promotes risk mitigation. Such oversight should include implementing appropriate committee structures and director expertise to provide effective governance. Executive compensation should appropriately reflect factors material to long-term value creation.

   In particular, boards of carbon-intensive companies should be responsive to the material impact of climate change on corporate bottom lines, with shareholders expecting oversight of comprehensive disclosure of financially relevant climate information using well-recognized standards and financially and operationally credible climate transition plans. Support may be withheld from relevant directors at companies that fail to meet these standards.

f. *Shareholder Rights Protection and Responsiveness:* Given the role of boards as fiduciaries to shareholders, board structures and practices should preserve and enhance legitimate shareholder rights rather than diminish them. This includes maintaining shareholders' ability to act by written consent, call special meetings, amend bylaws, and pursue legal recourse. Boards should avoid taking unilateral actions that materially impair shareholder rights without proper justification and disclosure. Poison pills and similar defensive measures require appropriate limitations and shareholder approval. Boards should be responsive to majority-supported shareholder proposals and demonstrate meaningful engagement with shareholders on all material matters.

2. **Auditors and Audit related issues:** MassPRIM recognizes the importance of financial statements that provide a complete and accurate portrayal of a company's financial condition. Reliable and effective

financial reporting requires that auditors maintain complete independence from the companies they audit, free from conflicts of interest that compromise their professional judgement.

To maintain auditor independence, MassPRIM generally supports the following practices:

a. *Governance and Oversight*: Audit committees should regularly evaluate auditor relationships, quality and competitive positioning. Transparent processes should be put in place to ensure that the auditors follow sound accounting practices. Audit Committee members will be held accountable when there are material restatements of financial statements, persistent late filings, or other audit-related failures that indicate inadequate oversight.

   The Audit Committee shall be comprised entirely of independent directors with the necessary financial skills and experience to perform its oversight duties. They shall operate under a formal written charter that clearly defines their responsibilities and provide disclosure of charter compliance in proxy statements.

b. *Financial independence*: Non-audit services shall remain limited to preserve auditor objectivity. Financial relationships between the auditor and the company shall not create dependency or bias. Fee structures should support uncompromised professional judgement.

c. *Auditor indemnity*: Shareholders will be provided with full transparency about agreements with auditors. Such agreements should not include provisions that undermine shareholder rights to legitimate legal recourse against audit firms. They shall not require companies to use alternative dispute resolution procedures as these can limit shareholder access to legal remedies.

d. *Tenure, rotation and ratification*: The Audit Committee should regularly review the tenure of external auditors, disclose their considerations regarding auditor rotation for long-tenured auditors, and implement policies that promote periodic change to ensure fresh perspective and independence. Shareholders shall retain the ability to annually ratify the selection of the company's external auditor.

3. **Executive Compensation and Incentive Plans:** MassPRIM believes that effective executive compensation programs are essential for attracting, retaining, and motivating leadership to drive sustainable long-term shareholder value creation. When compensation programs lack meaningful performance linkage, feature excessive quantum or problematic structural elements, or demonstrate poor board stewardship, they can encourage short-term thinking, excessive risk-taking, or value destruction that undermines shareholder interests.

   MassPRIM generally supports the following approaches:

   a. *Governance and Oversight:* Compensation decisions should be made by independent directors with appropriate expertise and supported by rigorous processes that include access to independent advisors when necessary. Compensation committees should demonstrate clear accountability to shareholders through comprehensive disclosure of compensation philosophy, performance metrics, peer group selection, and decision-making rationale. Companies should implement annual advisory votes on executive compensation. Boards must engage meaningfully with shareholders and implement appropriate modifications when say-on-pay proposals receive low support. CEO involvement in compensation decisions should be appropriately limited, particularly regarding their own compensation, and conflicts of interest should be identified and managed effectively. Retirement plans for non-employee directors are generally inappropriate as they compromise independence. Support may be withheld from Compensation Committee members for poor compensation stewardship practices.

b. *Pay-for-Performance Alignment:* Executive compensation should demonstrate clear and meaningful linkage between pay outcomes and company performance, considering CEO pay rankings at peer firms relative to both Total Shareholder Return and financial performance. Compensation programs should emphasize long-term performance metrics that correlate with shareholder value creation, using a balanced mix of financial and operational measures that reflect the company's strategic priorities and business model. Performance targets should be sufficiently rigorous to differentiate between varying levels of achievement, with payout ranges that appropriately reward superior performance while avoiding windfalls for mediocre results. Total compensation levels should be reasonable relative to peer companies of similar size, complexity, and performance, with scrutiny applied to situations where pay significantly exceeds peer medians without corresponding performance justification.

c. *Problematic Practice Avoidance:* Compensation programs should avoid structural features that create inappropriate risk incentives, provide rewards for failure, or otherwise misalign executive and shareholder interests. Severance arrangements should be reasonable in scope, with cash severance exceeding 2.99 times base salary and bonus considered excessive. Tax gross-ups, liberal change-in-control definitions, and repricing of underwater equity without shareholder approval are particularly problematic as these are misaligned with shareholder interests. Other concerning practices include guaranteed bonuses without performance conditions, excessive perquisites, significant hedging or pledging of company stock, and circumventing established performance criteria through mid-cycle changes or make-whole payments. Companies should maintain robust clawback policies enabling recovery of unearned compensation based on restatements or misconduct.

d. *Equity Plan Design and Administration:* Equity-based compensation plans should be designed to provide appropriate incentives while minimizing excessive dilution and costs to shareholders. Plan features should include reasonable share usage relative to company size and peer practices, appropriate vesting periods that encourage retention and long-term focus, performance conditions that meaningfully differentiate between achievement levels and limits on discretionary authority that could circumvent established criteria. Equity plans should avoid problematic structural features including automatic single-trigger acceleration upon change-in-control, liberal share recycling provisions that effectively increase plan costs, and restrictive features such as dead-hand provisions that limit future board flexibility in plan administration. The total cost of equity compensation, measured through appropriate valuation methodologies, should be reasonable relative to the value provided to shareholders and competitive practices within relevant peer groups. Special attention should be paid to plans that could facilitate repricing of underwater options without shareholder approval or that lack adequate performance requirements for equity awards.

e. *Special Situations and Emerging Practices:* Compensation programs should adapt appropriately to unique company circumstances while maintaining adherence to core principles of performance alignment, risk management, and shareholder value creation. This includes appropriate consideration of company size, lifecycle stage, industry dynamics, and strategic priorities in designing compensation arrangements. Emerging compensation practices should be evaluated based on their contribution to long-term value creation, potential for misuse, and consistency with shareholder interests rather than automatically adopted based on prevalence or novelty. Compensation committees should also consider the broader context of employee compensation, retention challenges, and market dynamics in making executive compensation decisions.

f. *Transparency and Shareholder Communication:* Companies should provide clear, comprehensive disclosure that enables shareholders to understand compensation programs, evaluate their effectiveness, and assess the relationship between pay and performance. This includes detailed explanations of performance metrics and targets, peer group composition and rationale, the relationship between realized pay and company performance over relevant time periods, and the board's responsiveness to previous shareholder feedback. Disclosure should be sufficiently detailed to allow informed evaluation while avoiding unnecessarily complex presentations that obscure key information. Companies should engage proactively with shareholders on compensation matters and demonstrate consideration of investor perspectives in program design and implementation.

4. **Shareholder rights:** MassPRIM believes in the importance of preserving the ability of shareholders to exercise ownership rights, engage with management, and hold boards accountable for long-term value creation. When companies limit shareholder participation, they insulate management from market discipline and reduce responsiveness to investor concerns. Corporate structures should therefore preserve shareholders' abilities to submit proposals, nominate directors, call meetings, pursue legal remedies, and participate meaningfully in corporate governance processes.

   To protect and preserve shareholder rights, MassPRIM generally supports the following practices:

   a. *Shareholder Proposal and Nomination Rights*: Shareholders should retain their right and reasonable opportunities to submit proposals and director nominations within practical timeframes that balance adequate notice requirements with accessibility. Advance notice requirements should allow shareholders to submit proposals as close to meeting dates as reasonably possible.

   b. *Meeting Governance and Participation*: Shareholder meetings should allow for meaningful participation and dialogue between shareholders and management. Management should not possess broad authority to adjourn meetings without compelling justification, and quorum requirements should remain as close to a majority of shares outstanding as achievable. When quorum reductions are necessary due to company-specific circumstances, they should be evaluated based on factors including ownership structure, historical participation, and commitments to restore higher thresholds when feasible. Shareholders should retain the ability to call special meetings and act by written consent to address urgent matters without waiting for annual meetings. Companies should use hybrid shareholder meetings as a measure that supplements rather than restricts shareholder participation.

   c. *Voting Rights and Standards*: Voting rights should be preserved and enhanced to ensure fair representation and a level playing field for both management and shareholder proponents. This includes supporting majority vote standards over supermajority requirements, maintaining confidential voting procedures that eliminate management pressure on investors, and ensuring transparent and consistent vote tabulation processes. Cumulative voting arrangements may be appropriate to enhance minority shareholder representation, particularly in controlled company situations.

   d. *Legal Rights and Remedial Access*: Shareholders must retain meaningful legal recourse to address governance failures and protect their investments. Fee-shifting bylaws that discourage legitimate shareholder litigation by requiring unsuccessful plaintiffs to pay all defendant costs should be avoided, particularly when shareholders achieve partial success. Exclusive venue provisions should be evaluated based on demonstrated harm from out-of-jurisdiction litigation and the presence of strong governance safeguards.

e. *General business*: Companies have the right to adopt reasonable corporate housekeeping measures that enhance operational efficiency without impairing shareholder rights. This includes routine bylaw amendments, name changes, and meeting logistics adjustments that serve legitimate business purposes. However, proposals involving vague "other business" provisions that could enable management overreach should be avoided. Reincorporation decisions should be evaluated based on the balance of economic benefits against any governance changes, with preference for moves that enhance rather than diminish shareholder protections.

f. *Anti-Takeover Defenses and Market Access*: Corporate defensive mechanisms should be structured to protect long-term shareholder value rather than entrench management. Poison pills require appropriate limitations, reasonable trigger thresholds, limited terms, and shareholder approval or ratification processes. Companies should opt out of restrictive state anti-takeover statutes including control share acquisition provisions, disgorgement requirements, and freeze-out provisions that impede legitimate market activity. Fair price provisions with excessive vote requirements beyond majority approval should be avoided. Anti-greenmail provisions should not benefit hostile parties at the expense of other shareholders. Net Operating Loss (NOL) protective amendments, while serving the legitimate purpose of preserving valuable tax assets, should be limited in duration, with appropriate ownership thresholds and sunset provisions that prevent their misuse as permanent anti-takeover devices.

5. **Capital Structure and Corporate Restructuring:** MassPRIM recognizes that companies require flexible access to capital markets to finance growth, operations, and strategic initiatives that create long-term shareholder value. Capital structure decisions must balance legitimate corporate financing needs with protection of existing shareholders from excessive dilution, conflicts of interest, and governance impairments.

   To promote sound capital structure and restructuring decisions, MassPRIM generally supports the following practices:

   a. *Share Authorizations and Anti-Dilution Protections:* Companies should maintain reasonable share authorization levels that provide operational flexibility without enabling excessive dilution. Share increases should be proportionate to demonstrated business needs and conducted on fair terms that protect existing shareholders from discriminatory treatment. Special attention should be provided to transactions involving related parties, below-market pricing, or structures that could improperly benefit insiders or shift control without appropriate shareholder input.

   b. *Financial Restructuring and Distressed Situations:* Companies in financial distress should pursue restructuring alternatives that maximize recovery for shareholders while ensuring business continuity. Debt restructuring, conversion proposals, and bankruptcy reorganization plans should be evaluated based on their ability to preserve shareholder value relative to available alternatives. Emergency financing should be structured to minimize dilution while providing necessary capital to address immediate business needs, though in situations involving imminent bankruptcy or liquidation, more dilutive financing may be acceptable if it prevents greater overall shareholder losses.

   c. Strategic Transactions and Corporate Combinations: Mergers, acquisitions, joint ventures, and other strategic transactions should be structured and negotiated to maximize shareholder value through fair processes, appropriate valuations, and sound governance structures. Transaction terms should reflect arm’s-length negotiations and careful attention to conflicts of interest. The strategic rationale should be compelling and achievable, with realistic integration plans and synergy expectations.

d. *Complex Capital Structures:* Specialized corporate structures including tracking stocks, holding company formations, and special purpose acquisition vehicles should serve legitimate business purposes rather than management entrenchment or avoiding governance oversight. These arrangements should maintain appropriate transparency, preserve shareholder rights, and provide clear economic benefits that justify their complexity. Special attention should be paid to ensuring that such structures do not unfairly benefit insiders or impair minority shareholder protections.

e. *Market Access and Liquidity Considerations:* Capital structure decisions should consider the impact on share liquidity, market access, and ongoing governance requirements. Companies should maintain structures that support efficient capital markets participation while meeting regulatory requirements. Transactions that take companies private or reduce their public reporting obligations should be carefully evaluated to ensure that remaining shareholders retain appropriate protections and that the decisions serve legitimate business purposes rather than management convenience.

6. **Systemic and company-specific risk issues:** MassPRIM recognizes that environmental and social factors can present material risks and opportunities that significantly impact long-term investment returns. When companies fail to adequately address these risks, implement appropriate stakeholder management practices, or provide sufficient transparency, they may face regulatory enforcement, reputational damage, operational disruptions, and reduced access to capital that undermine sustainable value creation.

   To support effective risk oversight that enhances long-term value creation, MassPRIM generally supports the following approaches:

   a. *Governance, Accountability and Transparency*: Companies should provide comprehensive, accurate, and timely disclosure of their environmental and social performance, risks, and management strategies on material topics to enable informed investor decision-making and accountability. Environmental and social reporting should align with recognized standards and frameworks, include quantitative metrics and qualitative assessments, and demonstrate progress toward stated goals and commitments on material issues. Companies should engage constructively with investors on material environmental and social matters.

   b. *Climate Change Risk and Transition Planning*: Companies should operate in a manner that recognizes the material financial risks that climate change poses to their operations, supply chain and markets. Corporate goals, risk assessments and long-term strategic plans should factor in the physical and transition impacts of climate change. Companies materially at risk from climate change should disclose operationally and financially credible climate transition strategies that incorporate "Just Transition" principles to ensure equitable treatment of workers and communities. Climate lobbying activities and capital expenditures should align with stated climate strategies and the latest scientific consensus on climate change. Disclosures should be aligned with widely recognized international frameworks.

   c. *Natural Capital Management*: Companies should implement comprehensive management practices that address their dependencies and impacts on natural capital, such as water, forests and land. Water stewardship should address corporate impacts in water-stressed regions and include reporting on usage metrics. Natural capital management should extend to supply chain partners, with particular attention to operations in ecologically sensitive or protected areas, and activities involving toxic or hazardous materials that could create material regulatory or reputational risks.

d. *Human Capital Management*: Companies that foster inclusive and safe workplaces that promote equal opportunity, prevent discrimination, and ensure pay equity across all demographic groups strengthen employee productivity and morale and improve retention. Anti-harassment policies and robust workplace safety programs create positive work environments that reduce legal and other risks. Companies that implement parental protections including comprehensive healthcare and paid leave meet evolving workforce needs. Comprehensive disclosure of human capital metrics including workforce composition, compensation and conditions enable investor assessment of how this critical asset is being managed.

e. *Stakeholder Engagement and Community Relations*: Companies should maintain constructive relationships with communities, customers, suppliers, and other stakeholders to support their long-term operational success and social license to operate. Product safety and quality management systems should protect consumers, with particular attention to toxic or hazardous materials that could create liability or regulatory compliance issues. Supply chain management should incorporate appropriate labor and human rights standards and environmental protections. Community engagement should include proactive identification of community concerns, transparent reporting of material social and environmental impacts, and implementation of mitigation measures that preserve the company's social license to operate.

f. *Political and Lobbying Activities*: Companies should mitigate business and reputational risks by maintaining transparency and strategic alignment regarding their political contributions, lobbying activities, and trade association memberships. Political engagement should be conducted through appropriate governance processes that include board oversight and disclosure of significant expenditures. Companies should periodically assess whether their direct and indirect political engagement is congruent with their stated environmental and social commitments and business strategies, with particular attention to climate change, human rights, and other material issues where public positions could create material reputational or business risks.

g. *Industry-Specific and Emerging Issues:* Companies should assess specific environmental and social risk factors that affect long-term financial performance in their industry. Technology companies should consider data privacy and protection, cybersecurity, artificial intelligence governance, and digital rights as performance on these measures affects customer trust and regulatory compliance. Financial services companies should consider responsible lending practices, systemic risk implications, and access to financial services in underserved communities. Healthcare and pharmaceutical companies should consider access to medicines and responsible pricing practices. Food and agriculture companies should consider product labeling and safety concerns, implement appropriate animal welfare standards, and ensure humane treatment throughout their operations and supply chains.

Appendix D

PRIM’s Direct Engagement: Corporate Dialogue Presentation

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Presentation to Stewardship and Sustainability Committee

Direct Engagement: Corporate Dialogue

PRESENTED BY
Veena Ramani, Director of Stewardship

Nov 25, 2025

Stewardship Priorities

In October 2024, the Board approved the following areas of high potential for value creation where we will proactively spend most of our time and resources.

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.

Ambition and Action Steps for Stewardship Priorities

Our Ambitions

Our ambitions reflect the outcome that we aim to achieve:

- **Climate Transition Planning:** Develop a cross-asset class approach focusing on material climate impacts across our investments.
- **Fair Pay:** Engage priority companies and industries through direct dialogue and proxy voting.
- **Sustainable Forestry:** Educate ourselves on the Value at Risk from forest loss.
- **Transparency:** Collaborate with investors and investor groups to advocate for transparency.

Our Actions

Our actions to operationalize these ambitions will include:

- Regularly assessing how these priorities improve the risk/return profile of the PRIT Fund.
- Engaging purposefully with portfolio companies, including through proxy voting.
- Actively involving investment managers and consultants across all asset classes.
- Collaborating strategically with aligned investor groups that share our objectives.
- Systematically tracking and reporting progress.

Engagement Strategies

MassPRIM is looking to purposefully engage Public Market portfolio companies on our Stewardship Priorities in the following ways.

Direct

Proxy Voting

Scope:

Board approved Proxy Voting Guidelines highlights MassPRIM's views on Stewardship Priorities.

Approach:

Votes on ballot measures communicate our views on corporate performance on Stewardship Priorities.

Intended Outcome(s):

Influence corporate behavior to benefit shareholder value.

Direct

Corporate Dialogue

Scope:

Engage portfolio companies on fair pay and transparency.

Approach:

Letters to and meetings with company representatives to express views and build understanding.

Intended Outcome(s):

Grow disclosure; Influence corporate behaviors to benefit shareholder value.

Indirect

Manager Oversight

Scope:

Assess how managers are engaging portfolio companies on climate transition planning and sustainable forestry.

Approach:

Leverage independent assessments of risk exposure to drive detailed dialogue with managers.

Intended Outcome(s):

Obtain better understanding of manager quality; Communicate our views on risk/ value; Influence corporate behaviors to benefit shareholder value.

Direct Dialogue with Companies Better Communicates Our Long-Term Vision

The goal of all our engagement efforts – direct, through managers, and through proxy voting – is to mitigate risk and position our companies for long-term value creation.

Our direct company engagement efforts will focus on areas where we have higher conviction on the nature of the risk faced; our proposed areas of intervention are straightforward, and we have higher confidence that our efforts will generate an outcome.

We intend to focus on "fair pay" and "transparency" as a part of our direct engagement efforts because:

- Our stewardship materiality exercise demonstrated that "workforce retention" was a material issue for sectors that we heavily are invested in.
- US companies are rolling back their disclosure on human capital related issues. In the absence of decision-useful information, we are not in a position to assess risk and make appropriate decisions.
- Shareholder resolutions on these topics – including human capital disclosure and gender pay gap disclosure – have yielded majority votes in recent proxy seasons, signaling materiality to investment considerations.

2025 – 2026 Direct Company Dialogue Strategy

- Launched an effort with Segal Marco to engage companies on the following topics:
  - Human Capital Management Disclosure
  - Gender Pay Gap Disclosure
  - CEO-Median Employee Pay Ratio Disclosure

- Our strategy with each engagement topic is varied and reflects our interest to seek a variety of approaches and assess effectiveness.

- The goal of the engagements will be collaborative rather than combative.
  - Our approach will be to build positive long-term relationships that will deepen our understanding of each company's attributes and context.
  - Yet, the choice of companies will include those where we have a reasonable likelihood of generating successful outcomes in the short-term.

- Companies will be engaged based on the following criteria:
  - Failure to meet our expectations on these topics
  - Materiality of issue to the company and sector
  - Company size, MassPRIM holdings

Direct Company Dialogue Workstreams

Workforce Disclosure

- **Approach**: Call on companies to disclose decision useful Workforce/ Human Capital metrics, such as (i) Headcount (ii) Turnover and (iii) Composition.
- **Rationale**: These metrics provide investor useful insight into how companies manage their workforce.
- **Anticipated outcome**: Targeted companies will improve their disclosures on at least one of the metrics above in their proxies or annual reports.

Pay Equity Disclosure

- **Approach**: Call on companies to disclose adjusted and unadjusted gender pay gap metrics.
- **Rationale**: Allegations of gender discrimination poses reputational and legal risks to companies. Transparent and equitable pay practices are shown to be linked to workforce retention.
- **Anticipated outcome**: Targeted companies will commit to conduct a gender pay equity study in the short term and disclose pay gap metrics in the medium term.

CEO-Employee Pay Gap

- **Approach**: Engage with companies to better understand their approach to calculating CEO-Median Employee pay ratios– and the reason for their widening pay gaps.
- **Rationale**: Stakeholders and beneficiaries are increasingly concerned about widening CEO-Employee Pay gaps. Yet, the research is not clear that widening pay gaps affects corporate value in every industry.
- **Anticipated outcome**: Obtain insights that can be applied to proxy votes on executive compensation and related policy guidelines.

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Appendix E

Segal Marco's Engagement Services Presentation

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Massachusetts Pension Reserve Investment Management

Engagement Services

Maureen O'Brien, SVP of Corporate Governance, Engagement and Proxy Voting
Max Dulberger, Director, Corporate Governance and Engagement

November 25, 2025

Segal

About Segal Marco

- Active practice since 1989
- Serve as the corporate governance consultant for approximately 160 multiemployer plans and public funds
- Vote proxies for +11,000 global companies annually
- Provide corporate engagement services to public pension and multiemployer clients that encompass a variety of engagement strategies and topics
- Serve as an advisor and educational resource for clients on proxy voting policies and practices, corporate engagement program implementation and execution, investor groups and industry initiatives, and regulatory developments
- Develop proxy voting policies for AFL-CIO and National Conference on Public Employees Retirement System (NCPERS)

Agenda

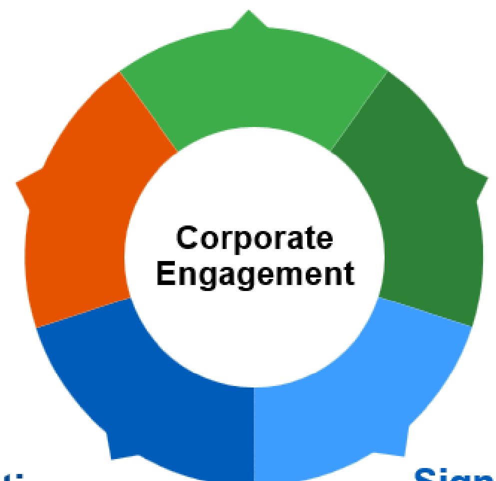
- Value proposition of engagement
- Engagement in action
- Anticipated outcomes

Why Should Investors Engage Companies

- Alignment with fiduciary obligations to safeguard assets and promote value creation
- For many institutional investors, corporate engagement is an important part of their overall investment strategy, as it provides a practical mechanism for investors to learn more about their holdings, address risk exposures, and contribute to better investment outcomes.

Execute Fiduciary Duty
To act in the best interests of your beneficiaries to protect and grow their assets

Obtain Information
Remedies information asymmetry and enables investors to gain a deeper understanding of a company's strategy, leadership acumen, performance against peers, resilience to risks, and growth opportunities



Demonstrate Leadership
Enhance your reputation with key stakeholder groups as an active and engaged institutional investor

Recommend Best Practices
For companies to adopt stronger governance structures, risk management processes, and disclosure practices.

Signal Risks and Opportunities
Communicate your investment concerns and areas of opportunity that could have a material impact on company performance

Research on the Value of Engagement

A large body of evidence demonstrates that engagement can positively influence corporate governance and add value to an investment portfolio.

- Companies experience **improved operating performance, profitability, governance, and increased institutional ownership** after successful engagement on risk areas and governance topics.[1]
- Successful engagements produce multiple observable effects at target companies, including **improvements in share price, corporate sales, and external ratings** compared to peers.[2]
- Engagement on sustainability topics can lead to **lower downside risk**, particularly when addressing environmental issues, like climate-related risks.[3]

[1] Elroy Dimson, Oğuzhan Karakaş, and Xi Li, "Active ownership," *Review of Financial Studies* (RFS), 2015, available at https://ssrn.com/abstract=2154724

[2] Tamas Barko, Martjin K. J. Cremers, and Luc Renneboog, "Shareholder engagement on environmental, social, and governance performance," *Journal of Business Ethics*, 2022, available at https://ssrn.com/abstract=2977219.

[3] Andreas G. F. Hoepner, Joannis Oikonomou, Zacharias Sautner, Laura T. Starks, and Xiaoyan Zhou, "ESG Shareholder Engagement and Downside Risk," *Review of Finance*, 2023, available at https://ssrn.com/abstract=2874252.

Agenda

- Value proposition of engagement
- Engagement in action
- Anticipated outcomes

What Engagement Typically Looks Like

- Engagement prioritizes an issue, catalyzing focus
- Various methods are available dependent on preferred approaches, resource availability, desired outcomes, and situational factors
  - **Letter to the company** – From an individual institutional investor or a group.
  - **Direct dialogue** – One-on-one or investor group meetings with company representatives
  - **Shareholder proposals** – Rule 14a-8 of the Securities Exchange Act provides a framework for shareholders to formally request that a proposal be included in a company's proxy statement and voted on at the company's annual shareholder meeting.
  - **Engagement linked to proxy voting** – Engagement before a proxy vote to discuss a either a management proposal or shareholder proposal, or engagement after a proxy vote to explain the investors position/concern/recommendations
  - **Investor coalitions or networks** – Coalitions provide opportunities for investors to engage as a larger group.
  - **Attend annual shareholder meetings** – Present proposals, pose questions directly to the board, and interact with company staff and fellow shareholders.

What Engagement Typically Looks Like

- **Participants on the corporate side**
  - Key personnel may include corporate secretary, investor relations, head of sustainability, senior management, and/or board directors
- **Strike a collaborative tone**
  - Investors and companies have a shared interest in the operational excellence and the financial success of the company.
  - Sets the foundation for respectful, candid, and results-oriented conversations on governance, disclosure, and risk management practices that benefit both the company and its investors.
  - Give credit where credit is due
- **First Step: Obtain a meeting**
  - A conversation reveals nuance and allow parties to more quickly find a shared outcome
  - A meeting can be an important opportunity to build relationships and dispel bias
- **Next Step(s): Identify barriers to ask and points of persuasion**
  - Company may be motivated by peer comparisons, industry standards, public actions, new research, reputation, relationships and/or new research
  - Investor relations staff may be a helpful intermediary if armed with quality arguments
- **Final Step: Agreement on action or extended timeline**
  - Agreements are documented to ensure accountability
  - Dialogue is ongoing by asking for future meetings at key moments

Agenda

- Value proposition of engagement
- Engagement in action
- Anticipated outcomes

Anticipated Outcomes from Engagements

- The process is incremental, the goals are long-term
- Public reporting on a particular change raised by the engagement.
- Measurable shifts in governance, disclosure and risk management practices, such as stronger board oversight, enhanced disclosures in public filings or reports, enhanced shareholder rights, and demonstratable improvements in managing risks.
- Additional data to inform success measurement
  - Secured meetings with key personnel
  - Access to and responsiveness from key personnel
  - Acknowledgement of investor concerns
  - Commitment to revisit key issues
  - Investor clarity on position privately and/or publicly

Thank You

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Appendix F

Draft Responsible Workforce Management Policy

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Responsible Workforce Management Policy and Approach

Context

MassPRIM's Stewardship Policy recognizes proactive engagement with investment managers on stewardship issues (as defined in the Stewardship Policy) is a part of its fiduciary duty to protect and enhance the long-term value creation of the PRIT Fund.

Companies with effective and responsible approaches to manage their workforce perform better than those that manage their workforce poorly. Practices such as safe and humane working conditions, fair pay and workplace practices and respect for human rights and labor rights create an engaged and stable workforce that can create a long-term competitive advantage.

The importance of these responsible workforce practices are recognized in MassPRIM's Proxy Voting Guidelines. The Responsible Workforce Management Policy (the Policy) is intended to encourage the adoption of Responsible Workforce Principles within private companies, with the goal of enhancing the overall value of investments, subject to the investment objectives of the fund.

Principles

- **Elimination of forced and compulsory labor and child labor.** MassPRIM respects the human rights of those affected by their investment activities and does not support investment in companies that use forced or compulsory labor or child labor.
- **Non-Discrimination**. MassPRIM encourages the adoption of systems that reduce discrimination in recruitment, retention and other workplace practices.
- **Fair Pay**. MassPRIM supports the payment of industry standard wages and customary benefits to all portfolio company workers and contracted workers.
- **Health and Safety.** MassPRIM encourages practices that prioritize a healthy and safe work environment in portfolio companies.
- **Freedom of association.** MassPRIM recognizes the right to collective bargaining and encourages the adoption of a position of neutrality in the event of attempts to organize by workers in a portfolio company.

Approach

- MassPRIM will provide a copy of the Policy to all existing Private Market managers and require that they attest to the related receipt.
- The due diligence phase of private market investments will include consideration of manager systems and track record relating to the issues captured by the Policy. New investments will include reference to the Policy in the associated legal contract.
- Existing managers will be regularly engaged on their alignment with the principles laid out in the Policy. Patterns of consistent non-compliance will be considered in future capital allocations.
- The principles will be applicable to MassPRIM's review of direct investments into funds with investment strategies that focus on the control of portfolio companies.