



Proxy Voting Guidelines

Board Approved February 26, 2026

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:

- 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.
- 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.