

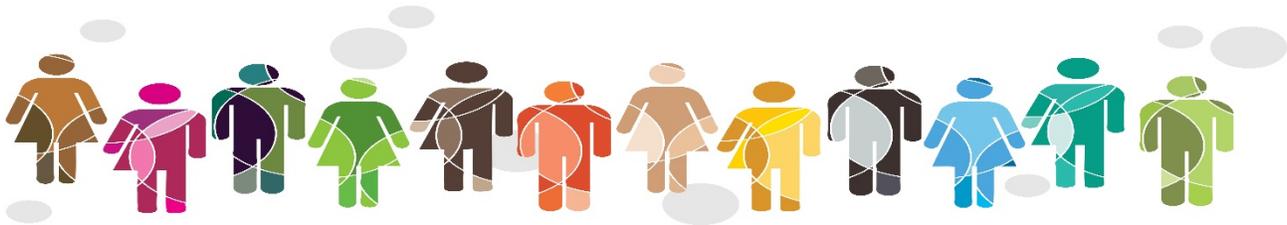
2021 Proxy Voting

The proxy voting season is in full swing!

At a recent meeting, the SBI Proxy Committee established a precedent to vote for shareholder proposals requesting that a company conduct a Racial Equity Audit to analyze a company's impact of its products, services and practices on nonwhite stakeholders and communities of color. Failure to address issues of racial injustice resulting from company activities could result in significant reputational risks and harm to shareholder interests, especially for consumer-facing companies. Controversies related to racial injustice at a company can result in customer and employee attrition, negative press, significant fines and regulatory inquiries.

While every proposal is unique, the SBI continues to vote for a significant number of proposals geared towards improving environmental sustainability and diversity.

The SBI also continues to vote against a significant number of proposals related to unsatisfactory executive compensation proposals.



Coalition Highlight

Council of Institutional Investors (CII)

In March 2021, the SBI's Executive Director and CIO, Mansco Perry III, was elected Treasurer of the Board of Directors for the CII.

CII promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries. CII believes the involvement of defined benefit plans, particularly state and local government and union pension systems, in corporate governance issues has benefited investors at large in the U.S. capital markets and contributed to the vitality of the U.S. economy and U.S. corporations.

Pension fund advocacy has resulted in regulatory and legislative reforms to strengthen rights for shareowners, improved corporate governance standards for U.S. companies and boards, increased accountability of corporate directors and executives and enhanced transparency of governance activities and financial accounting.

As a highly respected leader among institutional investors, Mr. Perry is contributing to this important governance work by volunteering to serve on the CII Board of Directors as Treasurer.

Coalition Highlight

United Nations Principles for Responsible Investment (PRI)

Reporting on ESG Investment Risks

In May 2021 the SBI will be submitting its PRI report; and by August 2021, most of the SBI's responses will be available on the PRI website and linked from the SBI's website. The SBI will also receive an assessment based on its responses. Much of the report is focused on ESG incorporation into the investment process and the stewardship activities of asset owners.

PRI defines ESG incorporation as having three parts: **Integration**, **Screening** and **Thematic**.

- ❖ **Integration** is systematically including ESG issues in investment decisions to manage risks and improve returns.
- ❖ **Screening** is not investing in something for ethical reasons.
- ❖ **Thematic** is seeking investments that combine attractive risk return profiles with social outcomes.

PRI defines stewardship as having two parts: **Engagement** and **Voting**.

- ❖ **Engagement** is interactions between investors and managers/companies in order to improve practices on an ESG issue.
- ❖ **Voting** is primarily proxy voting.

Because all of the SBI's Combined Funds assets are externally managed, the SBI primarily relies on its external investment managers to make decisions about ESG incorporation at the investment level. By having discussions with managers on issues such as diversity and voting proxy ballots with respect to U.S. companies, the SBI is directly involved in stewardship activities on a regular basis.

More details on the SBI's responses to the PRI reporting will be provided in future ESG reports.



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