



Coalition Highlights

Fair Proxy Voting Rights

As mentioned in last quarter's report, the SBI recently participated in the launch of the Investor Coalition for Equal Votes (ICEV).

In July 2022, the SBI supported ICEV's letter in response to the Financial Conduct Authority's Primary Markets Effectiveness Review (published in May 2022). The goal of the letter was to encourage the adoption of "one share, one vote" structures or reasonable sunset periods as a requirement under the United Kingdom's listing regime.

In October 2022, ICEV sent out letters to companies and their advisors in the United States, sharing the concern that dual-class share structures dampen the ability of investors to act as effective stewards and encouraging companies to adopt single-class share structures or reasonable sunset periods when going public.

Diversity

Through its involvement in the Midwest Investors Diversity Initiative (MIDI), the SBI is planning to lead several diversity related engagements in the fall of 2022 with target companies in the Midwest region.

The SBI will ask companies to voluntarily report board diversity, EEO-1 data and adopt board candidate recruitment best practices. If a company is unresponsive, the SBI will sponsor or co-sponsor a shareholder proposal at the company's next annual meeting related to improving diversity disclosure to investors.

UPDATE ON ESG INTEGRATION AT THE SBI

The SBI continues to improve how it integrates ESG information into its investment process. ESG integration as defined by the CFA Institute is *"the explicit and systematic inclusion of Environmental, Social and Governance factors in investment analysis and investment decisions."* While the materiality of a specific ESG factor depends on entity, asset class, geography and strategy, in general, organizations that do not take ESG factors into consideration, may jeopardize their financial viability and fail to maximize their potential.

As a primarily externally managed plan, the SBI relies heavily on its managers to implement investment best practices, including ESG integration. For both public and private investments, SBI staff reviews ESG information as part of its due diligence and monitoring practices for its external investment managers. There are several reasons why the SBI pays attention to ESG information:

1. **Enterprise Level Materiality** – ESG information can influence company level financials or valuations and the SBI's returns depend on the value of the individual assets it owns.
2. **Systemic Risk** – ESG information can indicate changes in global systems. As a large, long-term and diversified investor, the SBI effectively owns a slice of the overall market and the SBI's investment returns depend on the continuing good health of the overall economy.

At both the enterprise level and at the systemic level, the SBI has focused on information gathering. In doing so, the SBI has requested ESG information from all of its managers through RFIs, DDQs, and during meetings. In fiscal year 2022, the SBI's consultants and data providers conducted several portfolio wide surveys to gather ESG information from managers with a particular focus on climate change risk management and diversity. The intention of these data gathering efforts is to establish a baseline so that the SBI can better monitor changes to its long-term risk exposures.