



## 2023 Proxy Voting

### Background

Since 1982, the Minnesota State Board of Investment (MSBI) has relied on the Proxy Committee to carry out the MSBI's proxy voting responsibilities. The Proxy Committee is comprised of a representative selected by each member of the MSBI and chaired by the designee of the Governor. The Committee has formulated guidelines by which it votes on a wide range of corporate governance, social and environmental issues. In effect, as a shareholder, the MSBI is a part owner of many companies and has the right to participate in shaping corporate policies and practices through proxy voting.

The MSBI currently uses the proxy advisory services firm Glass Lewis to compile large amounts of disparate data and make researching ballot items more efficient. MSBI staff and the Proxy Committee use research material provided by Glass Lewis to gain a better understanding of the many proposals but do not necessarily rely on the voting recommendations provided. Proxy advisory services are integral to the MSBI's ability to conduct due diligence on companies and proxy ballot items.

*The 2023 Proxy Voting Season is underway!*

### Proxy Voting Highlights

During the period from April 1 - June 30 each year, close to 2000 public companies in the U.S. hold annual meetings for shareholders and the MSBI votes by proxy on thousands of items at these meetings. While every proposal is unique, the MSBI votes for a significant number of shareholder proposals that request the disclosure of environmental, social, or governance information.



#### For example:

- A shareholder proposal at IBM's April 25 annual meeting requested a report on the effectiveness of efforts to prevent harassment and discrimination.

In some cases, the MSBI votes in favor of proposals that encourage a company to adopt policies that it believes would benefit the company and the MSBI's portfolio.

#### For example:

- A shareholder proposal at Lockheed Martin's April 27 annual meeting requested information on how the company intends to reduce its greenhouse gas (GHG) emissions to be in alignment with the Paris Agreement. In light of the U.S. government's proposed rules related to GHG for federal suppliers, and the fact that the U.S. government is an important client for the company, the company's future sales could be impacted by how well it plans for compliance with these potential rules.

The MSBI also votes on many corporate governance items proposed by company management. In general, the MSBI evaluates management proposals based on their impact to shareholder rights, and votes accordingly.

#### For example:

- This year, the Proxy Committee established a precedent to vote against management proposals to exculpate corporate officers for breaches of the duty of care. This was necessary because in August 2022, the Delaware General Assembly amended Section 102(b)(7) of the Delaware General Corporation Law ("DGCL") to authorize corporations to adopt this type of provision in their certificate of incorporation, and many companies have proposed amendments to do so. Previously, the DGCL only allowed exculpation of corporate directors from breach of fiduciary duty of care.

## Public Company Highlight

In many cases, the environmental, social, and governance information provided by companies related to their business activities is robust and includes commitments to improving environmental practices.

*For example:*

- Apple has achieved carbon neutrality for its direct operations and has committed to achieve carbon neutrality for its entire footprint by 2030, including in its supply chain and customers' use of its products. Apple plans to reduce emissions by 75% compared to 2015 and invest in carbon removal for the remaining emissions. In the last year alone, Apple and its suppliers brought online over 10 GW of renewable energy. The Company reported that these environmental initiatives avoided over 23 million metric tons of emissions across all scopes, which is a 40% reduction since 2015. As of March 31, 2023, the MSBI's equity investment in Apple was worth \$1.8 billion. Overall, close to 50% of the value of MSBI's public equity portfolio is invested in companies that, like Apple, have set targets to reduce GHG emissions.

## Coalition Highlight

### Council of Institutional Investors (CII)

**We are pleased to announce that the SBI's Director of Legal and Policy Services, John Mulé, was appointed Chair of the U.S. Asset Owners Advisory Council 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.

CII is a leading voice for effective corporate governance, strong shareowner rights and sensible financial regulations that foster fair, vibrant capital markets. 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.

The SBI has been a member of CII since it was founded in 1985. This year, three SBI staff members attended the 2023 Spring Conference titled "Governance as the Linchpin: The "G" is Key." Speakers included SEC Chair Gary Gensler, Jeffrey Smith, Bob Prince and directors from several major public companies. Topics ranged from updates on key SEC rulemaking activities to the future of China as an investible market.

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