

PROXY VOTING POLICIES THAT PROPERLY ACCOUNT FOR BETA

Proposed text for Investment Beliefs or similar preamble material:

Portfolio-wide threats. Economy-wide costs imposed on the environment and society create systemic costs and risks that are undiversifiable and unavoidable in our portfolio. Therefore, the actions of companies that directly or indirectly increase these risks and costs threaten our entire portfolio.

Systems first approach. Our fiduciary responsibility to our beneficiaries includes taking advantage, when practicable, of opportunities to prevent companies from pursuing financial value through behavior that externalizes systemic costs and risks that harm our beneficiaries more than the isolated financial gains at a single company might benefit them.

Level playing field. In a market environment, competition can drive companies to externalize costs unless there is a level playing field for companies. Therefore, where there are reasonable opportunities to do so, we use our power as shareholders to create such a level playing field if it will redound to the benefit of our beneficiaries.

Proposed text to be inserted in director elections voting policy:

Our systems first approach means that, where practicable, we hold boards accountable at portfolio companies when they fail to adequately balance the imposition of system-wide costs and risks by failing to adhere to investor-mediated limits on activities that externalize social and environmental costs. Among other matters, we may vote against directors at companies that have failed to implement such guardrails in the areas of:

- disclosure
- compensation
- lobbying and political spending
- performance

Proposed text to be inserted in shareholder proposal voting policy:

In order to implement our systems first approach, we will, where practicable, vote in favor of shareholder proposals at portfolio companies that will promote the proper balance of those system-wide costs and risks by promoting consensus-based limits on activities that externalize social and environmental costs. Among other matters, such proposals may address:

- disclosure of the external costs of company activity
- compensation that fails to address such risks and costs
- the systemic effects of political spending
- adoption of a corporate form, such as the benefit corporation, that accounts for interests beyond company financial return that can affect diversified shareholders

Proposed text to create voting policy on certificate amendment to become a benefit corporation:

Conversion to a benefit corporation form gives companies a clear pathway to protect the systemic interests that may come into conflict with company-specific financial returns. However, the increased discretion may create a risk that directors fail to protect shareholder interests, so should be adopted only at companies that have strong corporate governance, including annually elected boards, a single class of stock and effective majority voting.

To protect the value of our portfolio as a whole, we will, where practicable, vote in favor of certificate amendments to convert to benefit corporations at portfolio companies with strong corporate governance if we determine that the conversion will promote the proper balance of system-wide costs and risks.

Proposed text for Mergers

In order to implement our systems first approach, we will, where practicable, consider available information indicating whether mergers and similar transactions impose significant costs on critical systems that impose undue burdens on diversified portfolios, and take such information into account in determining whether to support such transactions.