



MODEL PROVISIONS FOR INCORPORATING SYSTEM- STEWARDSHIP PRINCIPLES INTO ASSET-MANAGEMENT MANDATES

These provisions supplement the portions of an asset management mandate that require a manager to make investment decisions and monitor and steward portfolio companies to improve the relative financial performance of individual companies and actively managed portfolios over both short- and long-term horizons (“alpha”). These model provisions complement that mandate by adding the requirement that an investment manager work together with other institutional investors to protect the social and environmental systems that underpin the performance of all diversified investors and to mitigate risks that cannot be avoided through security selection.

To ensure that alpha does not come at the expense of critical social and environmental resources upon which diversified shareholders rely to support their long-term performance, the principles set forth in these provisions must be given priority whenever they come into conflict with any mandate to pursue alpha or reduce costs.

INVESTMENT BELIEFS AND POLICIES ADOPTION

In performing its duties under this agreement, the Investment Manager will manage the client’s portfolio in line with the [System-Stewardship Investment Beliefs and Proxy-Voting Policy](#).

STEWARDSHIP

The Investment Manager will implement engagement and voting policies aligned with the System-Stewardship Investment Beliefs and Proxy-Voting Policy. These policies will involve collective action with other institutional investors so that both companies and investors can compete for superior financial performance on a level and sustainable playing field. The Investment Manager will agree on engagement priorities with the Client on an annual basis. Where appropriate, the Manager will provide the Client with the opportunity to join company meetings addressing systemic issues.

The Investment Manager will participate in and promote stewardship codes in countries relevant to the investment portfolio that incorporate a systemic perspective.

The Investment Manager will report annually on the systemic outcomes that have resulted from these activities. The Investment Manager will also report on how a systemic perspective has influenced its voting and engagement decisions and how it has worked collectively with other institutional investors to advance a system-stewardship agenda.

PUBLIC-POLICY ENGAGEMENT

The Investment Manager will allocate resources to public-policy engagement on systemic issues.

The Investment Manager will agree on public-policy engagement priorities with the Client on an annual basis and will report annually on progress against these priorities.

INTEGRATION OF SYSTEM STEWARDSHIP INTO INVESTMENT DECISION-MAKING

The Investment Manager will establish a structured process for integrating system stewardship into its investment processes and decision-making. The process will include:

- Use of resources that committed are to system stewardship (including proxy advisory services that are expressly dedicated to such stewardship)
- Application of system-stewardship information to proxy-voting decisions
- Inclusion of system-stewardship concerns into any company engagement
- Express inclusion of system-stewardship criteria in the purchase of newly issued securities
- Consultation with client in extraordinary situations where secondary-market trading may have important systemic implications. Divestment movements that serve as part of a comprehensive strategy to shift social norms—exemplified by the movement to divest from investments in South Africa—are one example of this situation.

The Investment Manager will ensure that its staff apply due care and diligence to following this process and will reflect these principles in its incentive structure and promotion decisions. The Investment Manager will report annually on the implementation of this process and on how system stewardship has influenced investment decisions and systemic performance.

REPORTING

In addition to the specific reporting requirements above, the Investment Manager will report annually on:

- The staff and other resources dedicated to system-stewardship implementation;
- How its compensation structures align with the objectives of the mandate relating to system stewardship—in particular, the Investment Manager must demonstrate that it does not reward alpha or cost reductions that come at the expense of the social and environmental systems upon which diversified shareholders rely;
- The internal and external systemic research it uses in its investment research and decision-making, including information on its chosen research providers and on research expenditures relating to this system-stewardship mandate; and
- How its system-stewardship activities (voting and company engagement, policy engagement, and newly issued-securities purchase) have affected or could affect social and environmental systems.

The Manager will allow access by the Client to its staff and procedures to monitor its system stewardship.

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