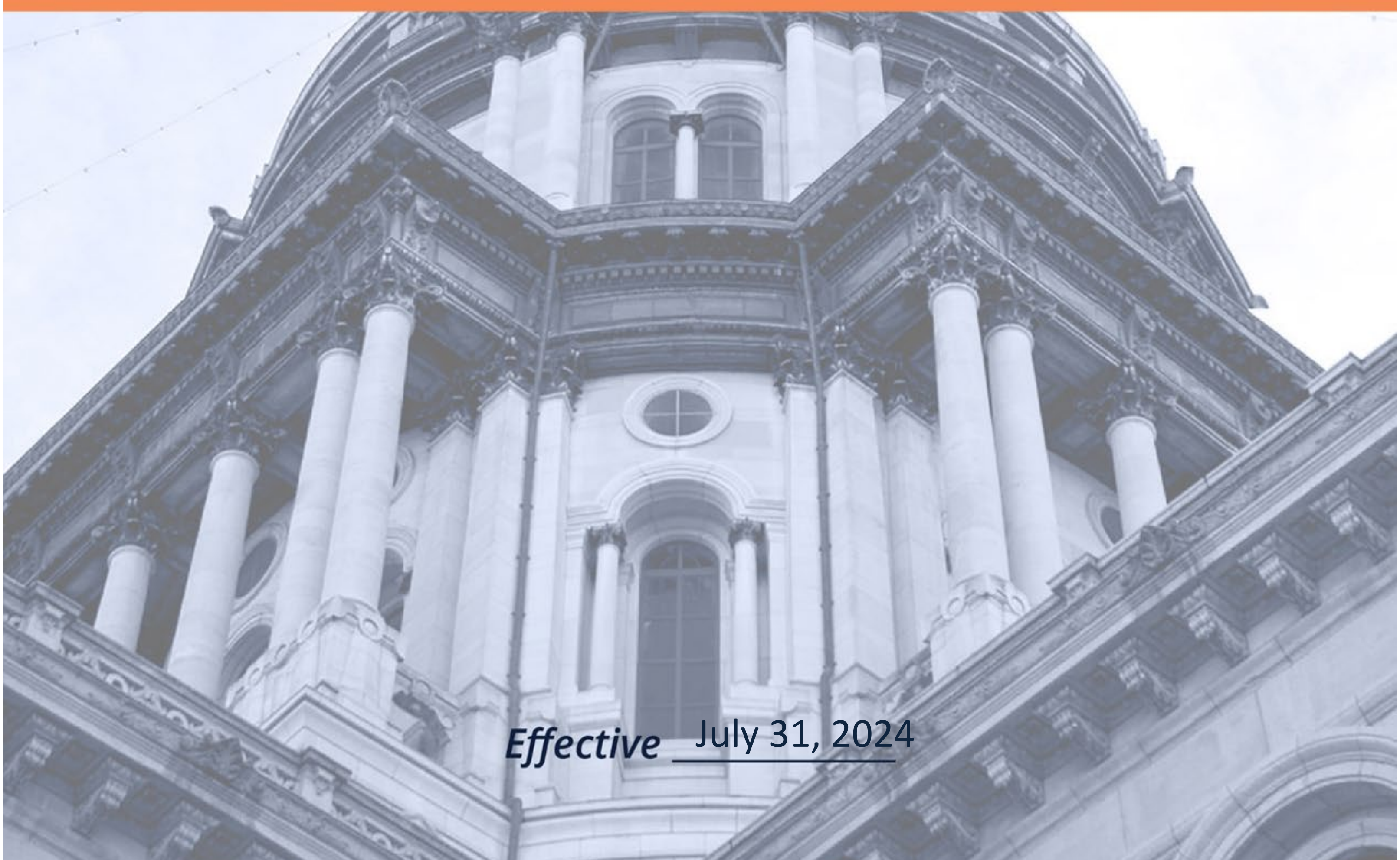
OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

Sustainability Investment Policy Statement



Effective July 31, 2024

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Office of the Illinois State Treasurer
SUSTAINABILITY INVESTMENT POLICY STATEMENT

1.0 PURPOSE

This document sets forth the Sustainability Investment Policy ("Policy") for the Office of the Illinois State Treasurer ("Treasurer").

The purpose of the Policy is to outline the sustainability factors that shall be applied to the Treasurer's internally and externally managed investment holdings in evaluating investment decisions and ongoing business relationships.

This Policy is designed to allow for sufficient flexibility in the execution of sustainable investment responsibilities while setting forth specific sustainability factors and industry-recognized best practices that are relevant to the Treasurer's investment portfolio and the evolving marketplace.

The Treasurer establishes and executes this Policy in accordance with law.

2.0 AUTHORITY

Pursuant to the State Treasurer Act (15 ILCS 505), Deposit of State Moneys Act (15 ILCS 520), and the Public Fund Investment Act (30 ILCS 235), the Treasurer is authorized to serve as the fiscal agent for public agencies and specific program participants for the purpose of holding and investing assets.

Pursuant to the Illinois Sustainable Investing Act (30 ILCS 238), the Treasurer shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership in order to maximize anticipated financial returns, minimize projected risks, and more effectively execute its fiduciary duties.

3.0 PHILOSOPHY

The Treasurer seeks to invest all funds under its control in a manner that provides the highest risk-adjusted investment return for beneficiaries using authorized instruments. To achieve this objective, the Treasurer has a responsibility to evaluate risk and value factors that may have a material and relevant financial impact on the safety and/or performance of our investments.

Consistent with achieving the investment objectives set forth herein, the Treasurer and its agents shall prudently integrate financially material sustainability factors into its investment decision-making processes to obtain a more complete view of risks and value prospects that may materially impact an investment's long-term value. Therefore, as a complement to traditional financial analysis, the integration of sustainability factors provides an additional layer of decision-useful information and rigor which can be useful in better assessing the risk and return prospects of portfolio companies, investment funds, and other investment vehicles. Such sustainability factors are indicative of the overall performance of an investment and can be strong indicators of its long-term value.

Sustainability factors shall be implemented within a framework predicated on the following:

- **Materiality** – The Treasurer considers whether and to what extent a sustainability risk or opportunity exists that is reasonably likely to have a material impact on the financial condition or operating performance of a company, investment fund, or other investment vehicle.

- **Industry-Specific Information** – The Treasurer considers whether and to what extent the financially material sustainability risk or opportunity in question is relevant and applicable to individual industries.

- **Integration of Material Sustainability Factors in Internally and Externally Managed Investment Programs** – The Treasurer prudently integrates material and relevant sustainability factors, including, but not limited to, (1) corporate governance, financial incentives and quality of leadership, (2) environmental factors, (3) social capital factors, (4) human capital, and (5) business model and innovation, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership in internally and externally managed investment programs.

- **Active Ownership** – The Treasurer attentively oversees investment holdings to address sustainability risks and opportunities through the exercise of proxy voting rights and direct engagement with entities, such as investment funds, portfolio companies, government bodies, and other organizations.

- **Regular Evaluation of Sustainability Factors** – The Treasurer performs a recurring annual evaluation, at a minimum, of sustainability factors to ensure the factors are relevant to the evolving marketplace.

- **Additional Relevant and Financially Material Factors** – The Treasurer considers other relevant factors such as legal, regulatory, and reputational risks that contribute to an optimal risk management framework and are necessary to protect and create long-term investment value.

4.0 GOVERNANCE

The Chief Investment Officer shall be responsible for the oversight and administration of sustainable investment activities on behalf of the Treasurer, working to ensure compliance with the Illinois Sustainable Investing Act (P.A. 101-473) and this Policy, and to advance the Treasurer's core investment objectives to maximize anticipated financial returns, minimize projected risk, and effectuate the Treasurer's fiduciary duties.

The Chief Investment Officer and Chief Banking Officer shall supervise and task pertinent divisions, including but not limited to the Division of Public Market Investments, the Division of Alternative Investments, and the Division of Portfolio Risk & Analytics, to execute sustainable investment duties and prudently integrate sustainability factors into investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership.

The Treasurer may utilize the Investment Policy Committee and its subcommittees, including but not limited to the Corporate Governance & Sustainable Investment Subcommittee, Financial Analysis Subcommittee, and Investment Review Subcommittee, to assist in the review, development, and implementation of sustainable investment objectives and activities.

5.0 CORPORATE GOVERNANCE AND LEADERSHIP FACTORS

The Treasurer supports board accountability, transparency, sensible executive compensation programs, robust shareholder rights, and ethical conduct as key governance factors. The Treasurer advocates for policies and practices in support of these factors. Corporate governance and leadership factors involve the management of issues that are inherent to the business model or industry common practice. As such, they are in potential conflict with the interest of broader stakeholder groups (e.g., government, community, customers, and employees) and create a potential liability or, in a worst-case scenario, a limitation or removal of a license to operate. This includes factors such as regulatory compliance and political influence.

a) **Board Accountability**

The board of directors is elected by the company's shareholders and is accountable to them. The role of the board is to represent shareholders' interests in their oversight of corporate management.

The board of directors should maintain a level of independence from management to exercise proper oversight. The Treasurer considers an independent director to be one who is not an executive or former employee of the company; does not have direct familial ties with executive management; has not had business ties to the company for the past five years; and is not a long-tenured director of more than 10 years.

b) **Board Diversity**

Research demonstrates that a diverse board of directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism. Diversity is inclusive of gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ+ status.

c) **Transparency**

With due respect to proprietary information, companies should strive to be transparent in their business operations. Disclosure concerning matters of shareholder or public interest, such as those items outlined in this Policy, provides decision-useful information and mitigates risks inherent with undisclosed matters.

Transparency and accuracy in the reporting of fees to the Treasurer from service providers is also essential to secure competitive rates.

d) Sensible Executive Compensation Programs

Excessive executive compensation programs may signal board entrenchment and exacerbate income inequality. Executive compensation should be reflective of company performance and within a reasonable range of compensation levels at industry leading companies.

The Treasurer believes an annual vote on executive compensation is a better option than a biennial or triennial vote because it affords shareholders the opportunity to provide the company's compensation committees more timely feedback about the appropriateness of executive pay levels, a portion of which is typically decided on an annual basis.

e) Robust Shareholder Rights

Shareholders should be given tools to convey their perspectives to the board of directors, which serve as their representative body. Tools that provide shareholders with the appropriate mechanisms for communication include, but are not limited to, the ability to (1) call a special meeting; (2) act by written consent; (3) have access to the proxy to nominate their own candidate(s) for the board assuming appropriate ownership threshold requirements are met; and (4) file shareholder proposals in accordance with established regulatory processes.

In addition, boards of directors should maintain a majority voting standard for the election of directors and should be declassified in their structure. These practices ensure that directors have the confidence of their shareholders, while also providing an opportunity for those shareholders to weigh in on each director on an annual basis.

Multi-class share structures can limit shareholder voices and lead to board entrenchment, particularly when board members own a large percentage of the higher voting power shares. Companies that maintain multi-class share structures risk alienating their shareholders and make it more difficult for outside perspectives to be fully considered, which could hurt long-term value.

f) Ethical Conduct and Business Practices

Companies conducting business with or in receipt of investments from the Treasurer must comply with all laws and regulations under which they are governed. Further, the Treasurer expects companies to meet (if not exceed) all applicable ethical and professional standards of conduct.

Companies that seek short-term profits by taking disreputable or unlawful actions may risk long-term sustainability and face adverse regulatory, legal and/or reputational repercussions. Prior corporate scandals have clearly demonstrated that profiting from harm caused to others impacts a company's reputation and bottom line. The Treasurer expects companies to operate within the bounds of the law and ethical norms, particularly when it comes to responsible drug pricing, safe working conditions, and the sale and distribution of drugs, weapons, and other products and services that may cause harm. Companies should espouse a high ethical standard particularly when operating in markets and countries with lax regulatory oversight.

g) **Systemic Risk Management**
The increased globalization and interconnectedness of the marketplace has become a central concern of state, federal, and international regulators. This is particularly relevant to companies in the financial sector and insurance industry, with many designated or at risk of being designated as systemically important institutions. This designation can subject firms to stricter regulatory standards, credit limitations, and increased oversight by government officials. To demonstrate how these risks are being managed, companies should enhance their disclosures of key metrics, risk exposures, and additional aspects of systemic risk management.

h) **Management of the Legal and Regulatory Environment**
A company's approach to engaging with regulators and lawmakers may have the potential for long-term adverse or opportunistic impacts on investors. While lobbying and political contributions can benefit the strategic interests of a company, board-level policies and processes should exist to ensure that such activities are aligned with shareholders' long-term interests, especially in cases where conflicts may exist between corporate and public interests. Lobbying and corporate political giving have the potential to cause reputational harm and can be viewed negatively by employees and customers. Companies should have appropriate internal controls in place to monitor, manage, and disclose political contributions and related risks, as well as to ensure that corporate participation in lobbying, trade associations, and political activities effectively aligns with the long-term strategy and shareholders' interests.

i) **Critical Incident Risk Management**
A company's use of risk management systems, scenario-planning, and business continuity planning can help to identify, minimize, and/or prevent the occurrence of high-impact incidents that may affect shareholder value. Companies should develop and disclose critical incident risk management plans, including relevant safety systems, technology controls, and workforce protections, to better inform investors of the implications of such events and the potential long-term impacts to the company and its shareholders.

6.0 ENVIRONMENTAL FACTORS

Environmental and climate-related factors may have adverse financial impacts on the Treasurer's investment portfolio. The Treasurer recognizes that a company's impact on the environment is a key factor for consideration in identifying its value proposition and risk exposures. Negative impacts include, but are not limited to, use of non-renewable natural resources in energy production, harmful chemical releases into the environment, biodiversity loss, and/or poor water stewardship Routine assessment of environmental and climate impacts, associated risk exposures, and management practices may be communicated to investors through financial filings and/or sustainability reports. Quantitative reporting on environmental risks, policies, performance, and goals assures investors that companies are aware of potential opportunities and/or risks and are seeking to act upon them appropriately.

a) **Climate Competence**

Climate change may pose a source of systemic risk for investors and the businesses in which they invest as well as the financial system. Shifts in temperature, weather patterns, and rising sea levels impact supply chain, consumer demand, physical capital, and communities represent risks that can disrupt proper functioning of financial markets and institutions. Extreme weather events are occurring on a more frequent basis and with increasing intensity. Events such as droughts, floods, and storms may lead to scarce resources and disruptions in operations and workforce availability. A company's awareness of environmental risks and opportunities may have a significant impact on its operational capacity, financial position, and long-term value creation. With new environmental technologies, regulations, and business strategies rapidly developing (e.g., carbon pollution regulations and energy efficiency opportunities), it is important that companies adapt and capitalize on these evolving changes. This may include, among other strategies, maintaining a board member or senior executive with expertise or ample experience with environmental science, technology, and/or regulation.

b) **Greenhouse Gas Emissions**

Greenhouse gas emissions contribute to climate change and create additional regulatory compliance costs and risks due to climate change mitigation policies. This includes greenhouse gas emissions from stationary (e.g., factories and power plants) and mobile sources (e.g., trucks, delivery vehicles, and planes), whether a result of combustion of fuel or non-combusted direct releases during activities such as natural resource extraction, power generation, land use, or biogenic processes. Companies that cost-effectively reduce greenhouse gas emissions from their operations by implementing industry-leading technologies and processes can create operational efficiency. They can mitigate the impact on value from increased fuel costs and regulations that limit or put a price on carbon emissions, which could increase as regulatory and public concerns about climate change are increasing in the U.S. and globally. The Kyoto Protocol covers the following seven greenhouse gases: carbon dioxide (CO2), methane (CH4), nitrous oxide (N20), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6), and nitrogen trifluoride (NF3).

c) **Air Quality**

Companies should consider the management of air quality impacts resulting from stationary (e.g., factories and power plants) and mobile sources (e.g., trucks, delivery vehicles, and planes) as well as industrial emissions. Relevant airborne pollutants include, but are not limited to, oxides of nitrogen (NOx), oxides of sulfur (SOx), volatile organic compounds (VOCs), heavy metals, particulate matter, and chlorofluorocarbons. This factor does not include GHG emissions, which are considered in a separate category.

d) **Energy Management**

This factor addresses environmental impacts associated with energy consumption. It includes the management of energy in manufacturing and/or for provision of products and services derived from utility providers (grid energy) not owned or controlled by the entity. It specifically comprises management of energy efficiency and intensity, energy mix, as well as grid resilience.

e) **Water & Wastewater Management**
Factors related to water use, water consumption, wastewater generation, and other impacts of operations on water resources may have a material effect on companies, including higher costs, liabilities, and lost revenues due to curtailment or suspension of operations. Similarly, companies that efficiently manage their water resources and wastewater streams lower their regulatory and litigation risks, remediation liabilities, and operating costs. Note that these factors may be influenced by regional differences in the availability, quality, and competition for water resources.

f) **Waste and Hazardous Materials Management**
Environmental issues associated with hazardous and non-hazardous waste generated by companies can have a material financial impact on performance. A company's management of solid wastes in manufacturing, agriculture, and other industrial processes, as well as activities related to waste treatment (including handling, storage, disposal, and regulatory compliance), warrant consideration when assessing risk exposure and risk management. Improper waste and hazardous materials management may disproportionately impact nearby communities who are marginalized due to historical and systemic socioeconomic inequities, which exacerbates issues of environmental justice that has the potential to impact companies' licenses to operate.

g) **Biodiversity and Ecological Impacts**
This factor addresses management of ecosystems and biodiversity through activities including, but not limited to, land use for exploration, natural resource extraction, and cultivation, as well as project development and construction. The impacts include, but are not limited to, biodiversity loss, habitat destruction, and deforestation at all stages – planning, land acquisition, permitting, development, operations, and site remediation. Investors can benefit from corporate disclosure that demonstrates how portfolio companies rely on and utilize natural capital, including disclosure of a company's oversight processes for nature-related risks and opportunities, particularly when a company's business strategy is heavily reliant on the availability of natural resources or when a company's supply chains are exposed to locations with material nature-related risks.

h) **Just Transition**
The global transition to a low-carbon energy system is likely to create major changes in the business models and operations of many companies, particularly those in the energy and utilities sectors. Companies that consider the impact of transition activities on key stakeholders, including but not limited to their workers and the communities in which they operate, will better manage potential financial risks and will be better positioned to capitalize on related opportunities. Companies that neglect to consider these issues may face community opposition and experience worker disillusionment, strikes, and reduced productivity, potentially making them less competitive. The Treasurer generally supports corporate disclosure of Just Transition considerations and corporate strategies to manage human capital and community relations risks and opportunities related to the energy transition consistent with companies' fiduciary duties to shareholders.

7.0 SOCIAL CAPITAL FACTORS

Social capital factors address the management of relationships with key outside parties, such as customers, local communities, the public, and the government. They may impact investment returns, particularly if companies become involved in controversies that pose risks to their reputation. Human rights, access and affordability, customer welfare, cyber security and data privacy, fair disclosure and labeling, fair marketing and advertising, and community reinvestment are key social capital factors that warrant attention.

a) Human Rights

Companies have a legal duty to adhere to internationally recognized labor and human rights standards. Beyond the legal requirements, companies risk losing their social license to operate if they contribute to human rights abuses directly or throughout their supply chain. The United Nations' "Guiding Principles on Business and Human Rights" sets out the corporate responsibility to respect human rights. Companies should regularly assess and seek to minimize any negative impact caused by their operations.

b) Product Quality & Safety

Companies have a material interest in ensuring the safety, proper labeling, and quality of their products. Companies that limit the incidence of safety, deceptive marketing, or other product claims will be better positioned to reduce regulatory, legal, and reputation-related expenses and protect shareholder value as well as limiting the exposure that customers have to physical or mental harm or unlawful conduct. This can expose companies to material legal, regulatory, reputational, or other financial risks that jeopardize shareholder value. Conversely, companies that employ socially responsible business practices may enjoy reputational benefits that enhance financial performance and create long-term shareholder value. Companies utilizing or considering the use of Artificial Intelligence (AI) should also consider associated risks to data integrity, responsible use, and the impact on workers.

c) Data Privacy

Companies have a material interest in managing risks related to the use of personally identifiable information and other customer or user data for secondary purposes including, but not limited to, marketing through affiliates and non-affiliates. This factor includes legal, regulatory, and reputational issues that may arise from a company's approach to collecting data, obtaining consent (e.g., opt-in policies), managing user and customer expectations regarding how their data is used, and managing evolving regulation.

d) Cyber Security

Consumers trust companies with their personal and financial data. Preventing data breaches and effectively managing data security and consumer privacy help companies protect their brand value, reduce contingent liabilities, and maintain market share. Furthermore, companies that address data security threats and vulnerabilities through policies and practices related to IT infrastructure, staff training, record keeping, cooperation with law enforcement, and other mechanisms are better positioned for customer acquisition and retention and may reduce their exposure to extraordinary expenses from breaches of data security.

e) **Community Relations and Community Reinvestment**
Community relations are a fundamental, strategic aspect of business for public and private corporations. They are a barometer of image and market presence across the world. A good community relations policy helps a company attract and retain top employees. It also helps a company gain favor with customers and, increasingly, improves its position in the market. Positive, proactive community relations can translate into improved financial performance. As such, companies have an interest in managing socio-economic community impacts, the cultivation of local workforces, and impacts on local businesses.

The Treasurer encourages an open and effective banking system that grows local communities and boosts Illinois' economy. Pursuant to the Deposit of State Moneys Act (15 ILCS 520/16.3), the Treasurer shall consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit State funds in that financial institution. As such, the Treasurer shall consider applicable firms' level of community reinvestment when making investment decisions.

Furthermore, all banking and financial firms seeking to transact in investment activity with the Treasurer shall possess a minimum Community Reinvestment Act (CRA) rating of Satisfactory, 15 ILCS 520/16.3 (a-5).

f) **Access and Affordability**
A company's ability to ensure broad access to its products and services, specifically in the context of underserved markets and/or population groups, can contribute to long-term value creation or expose the company to adverse reputational, regulatory, or legal impacts. This includes the management of issues related to universal needs, such as the accessibility and affordability of health care, financial services, utilities, education, and telecommunications.

8.0 HUMAN CAPITAL FACTORS

Companies that consider their workforce to be an important asset should manage their human capital with as much care and analytical insight as they manage their tangible and financial capital. Effective human capital management includes issues that affect the productivity of employees, such as employee engagement, diversity, incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. To better assess company practices, the Treasurer encourages companies to disclose measures on the Company's total workforce headcount, total cost of the workforce, workforce hiring and retention metrics, and workforce diversity data. Employers should also respect the right of their workers to organize under collective bargaining agreements and should provide a working environment that upholds health and safety standards.

a) **Labor Practices and Relations**
Companies benefit from taking a long-term perspective on managing human capital. This relates to practices involving fair compensation, workers' rights, worker health and safety, and workforce productivity enhancements through skills and capacity building, research and development, and capital investments. Companies that adopt responsible contractor

policies may also position themselves to be more competitive and attract and retain a greater share of high-quality workers, especially in industries that rely heavily on contracted labor. Companies that subvert the law or widely adopted international standards for labor practices are exposed to operational, legal, regulatory, and reputational risks that may create roadblocks for both its existing operations as well as efforts to expand to other markets. Conversely, companies with fair labor policies and practices may be at a competitive advantage in attracting and employing an effective workforce, which can lead to a healthy company culture, stronger customer loyalty, increased revenue, and reduced costs.

b) **Employee Health and Safety**
This factor includes a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). It is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of internal practices as well as those of contractors and vendors. This category further considers how companies ensure physical and mental health of workers through technology, training, corporate culture, regulatory compliance, monitoring and testing, and personal protective equipment.

c) **Employee Engagement, Equity, Diversity and Inclusion**
As the U.S. population continues to undergo a demographic shift, with an increase in minority populations, Companies can benefit from ensuring that their company culture and hiring, promotion, and retention practices embrace building a diverse, equitable, and inclusive workforce. Companies that respond to this demographic trend and recognize the needs of these populations may be better able to capture demand from these segments, which can provide companies a competitive advantage. Further, as key contributors to value creation, skilled workers are highly sought after, forcing many companies to face recruitment and retention challenges of acquiring and maintaining highly skilled employees, as evidenced by high employee turnover rates. Companies that improve employee compensation, benefits, training, and engagement are likely to improve retention and productivity, which can lead to profitability and long-term value creation.

9.0 BUSINESS MODEL & INNOVATION FACTORS

The impact of sustainability issues on innovation and business models including corporate strategy and other innovations in the production process are integral to a company's financial and operating performance. The ability of a company to plan and forecast viable opportunities and risks to its business model is critically important to its ability to create long-term shareholder value.

a) **Lifecycle Impacts of Products and Services**
Companies face increasing challenges associated with environmental and social externalities related to product manufacturing, transport, use, and disposal. Rapid obsolescence of products exacerbates the externalities. Addressing product lifecycle concerns such as hazardous material inputs, forever chemicals, plastics and microplastics, anti-microbial resistance, energy efficiency, and waste – particularly through product

design and end-of-life management – may contribute to increased shareholder value through improved competitive positioning and greater market share. Addressing lifecycle risks could also help reduce potential regulatory risks as well as issues related to demand and supply chain.

b) **Business Model Resilience**
A company or industry's capacity to manage risks and opportunities related to social, environmental, and political transitions can positively or adversely impact long-term investors. Long-term business model planning ensures that companies are responsive to evolving environmental, social, and political conditions that may fundamentally alter business models and shareholder value. This includes, for example, responsiveness and disclosure related to the transition to a low-carbon economy and the growth of new markets among underserved populations.

c) **Supply Chain Management**
Supply chain management is crucial for companies to prevent operational disruptions, avoid legal or regulatory action, protect brand value, and improve revenues. Sourcing from suppliers that have high quality business standards, employ environmentally sustainable methods, honor labor rights, and avoid socially damaging practices better positions companies to protect themselves from supply disruptions and maintain shareholder value. In addition, appropriate supplier screening, monitoring, and engagement is necessary to ensure continued future supply and to minimize potential lifecycle impacts on company operations.

d) **Materials Sourcing and Efficiency**
The impacts of climate change and other external environmental and social factors on the operational activity of suppliers can affect the availability and pricing of key resources. The resiliency, or lack thereof, of materials supply chains to weather such impacts may have material financial impacts. It is important to assess a company's ability to manage these risks through product design, manufacturing, and end-of-life management, such as using recycled and renewable materials, reducing the use of key materials, maximizing resource efficiency in manufacturing, and making research and development investments in substitute materials. Companies can manage these issues by screening, selecting, monitoring, and engaging with suppliers to ensure their resilience to external risks.

e) **Physical Impacts of Climate Change**
This factor includes a company's ability to manage risks and opportunities associated with direct exposure of its owned or controlled assets and operations to actual or potential physical impacts of climate change. It relates to a company's ability to adapt to increased frequency and severity of extreme weather, shifting climate, sea level risk, and other physical disruptions related to climate change. Management of such issues may involve enhancing resiliency of physical assets and/or surrounding infrastructure, as well as incorporating climate considerations into key business activities (e.g., mortgage and insurance underwriting, planning and development of real estate projects).

10.0 DIVESTMENT

The Treasurer opposes any policy or strategy that would direct the Treasurer to sell an individual security or group of securities in order to achieve a goal that is not primarily investment-related. The Treasurer may consider divesting only in cases where the financial or reputational risks from a company's policies or activities are so great that maintaining the investment security is no longer prudent.

The Treasurer firmly believes that active and direct engagement is the best way to resolve issues and risk factors. The Treasurer's policy of engagement over divestment is based on several key considerations: (1) divestment would eliminate our standing and rights as a shareholder and foreclose further engagement; (2) divestment would likely have a negligible impact on portfolio companies or the market; (3) divestment could result in increased costs and short-term losses; and (4) divestment could compromise the Treasurer's investment strategies and negatively affect performance. For these reasons, we believe that divestment does not offer the Treasurer an optimal strategy for changing the policies and practices of portfolio companies, nor is it the best means to produce long-term value.

11.0 POTENTIAL ACTIONS

It is necessary to remain informed about issues that are likely to be of interest to other investors, including the Treasurer, during the review process. When assessing financially material sustainability factors, the Treasurer and its agents may consider: (1) direct financial impacts and risk; (2) legal, regulatory, and policy drivers; (3) industry norms, best practices, and competitive drivers; (4) stakeholder concerns that could lead to financial impact; and (5) opportunities for innovation.

Analyzing the three primary drivers of a Company's financial impact – revenues and costs, assets and liabilities, and cost of capital driven by risk profile – will help identify issues that can or do affect operational and financial performance. Revenue in market size or pricing power of a company will be tracked to identify trends. Costs that can impact a company's profitability include recurring costs such as cost of goods sold, research and development, or any other capital expenditures. Sustainability risks, such as climate change, that can impair tangible (ex: property, plant and equipment) and intangible assets (ex: brand value), are considered for their implications financial returns, as well as any issues that have the potential to create contingencies and provisions on future assets or liabilities.

The Treasurer may undertake various activities to escalate the aforementioned sustainability factors, including, but not limited to:

1. **Internal and External Investment Management –** Prudently integrating sustainability criteria into portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership for internally-managed and externally-managed investment programs;

2. **Proxy Voting –** Casting proxy votes in accordance with fiduciary duty and within policy guidelines;

3. **Engagements –** Engaging corporate decision-makers directly on sustainability risks and opportunities to advocate for disclosure on material operational processes, encourage value-enhancing governance practices, and protect shareholder financial interests;

4. **Shareholder Proposals** – Submitting shareholder proposals to companies for inclusion in the annual stockholders' general meeting;

5. **Policy Advocacy –** Weighing in on the public policymaking process as it pertains to the investment landscape generally and sustainability issues specifically; and

6. **Coalitions** – Working in coalition with other institutional investors and with thought-leadership organizations.

12.0 REPORTING

One report per month may be presented to the Corporate Governance & Sustainable Investment Subcommittee for its review. The report is intended to contain sufficient information to enable the Corporate Governance & Sustainable Investment Subcommittee to review the sustainable investment activities of the Treasurer and the outcomes of those activities in advancing the Treasurer's sustainable investment responsibilities.

The Treasurer shall issue a report on its sustainable investment activities at least annually. The report shall be published on the Treasurer's official website.