

2019 Proxy Voting Review

October 15, 2020



Introduction

- ❖ Proxy Voting is a way for shareholders to influence a company's corporate governance, activities of social responsibility and financial considerations.
- ❖ It is important for shareholders to participate in voting and make their decisions based on a full understanding of the information presented to them in the proxy statement.
- ❖ CTPF exercises Proxy Voting rights with the same care, skill, diligence and prudence that is exercised in managing other Fund assets in accordance with all applicable statutes and consistent with Board policy.

Procedure Overview

- ❖ Staff reviews CTPF's Proxy Voting Policy annually to ensure that current proxy issues are addressed. Any changes deemed necessary are submitted to the Board for approval.
- ❖ Staff implements CTPF's proxy voting process with the Voting Fiduciaries also known as Investment Managers in accordance with CTPF's policy.

CTPF Proxy Themes & Guidelines

CTPF's Board of Trustees adopted the following Proxy Voting Themes and Guidelines that demonstrate the core values of CTPF.

- ❖ Board & Employee Diversity
- ❖ Corporate Governance (Board Elections & Oversight)
- ❖ Director, Executive, and Employee Compensation
- ❖ Political and Charitable Contribution
- ❖ Transparency and Disclosure Compliance

In 2019 Voting Fiduciaries Voted in Accordance with CTPF's Proxy Voting Policy for the following accounts:

Domestic Equity

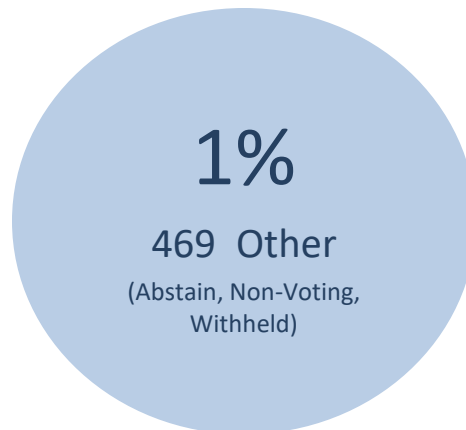
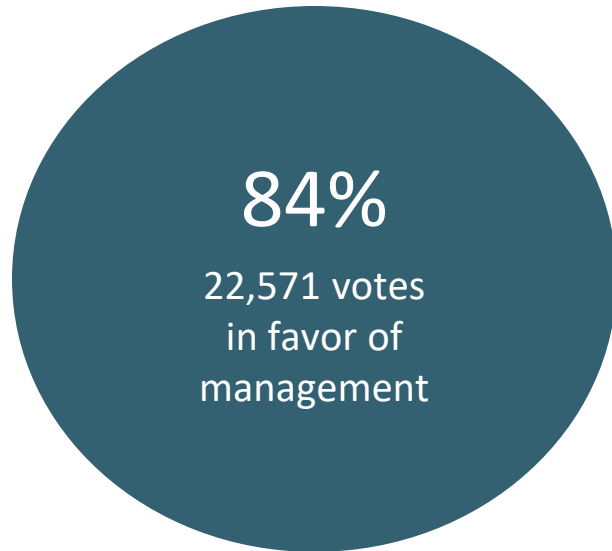
Attucks
BMO
Channing
Conestoga
Northern Trust
Phocas
Rhumblin
Zevenbergen

International Equity

Ariel
DFA
Earnest Partners
Lazard
Leading Edge
Morgan Stanley
Strategic Global
William Blair

2019 Voting Activity

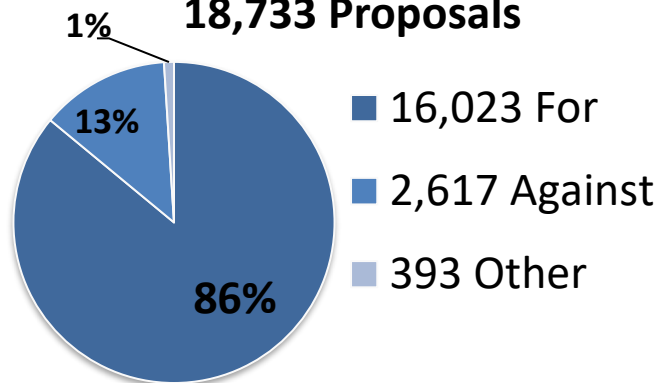
27,104 Proposals



Most Common Management Proposals Voted in 2019

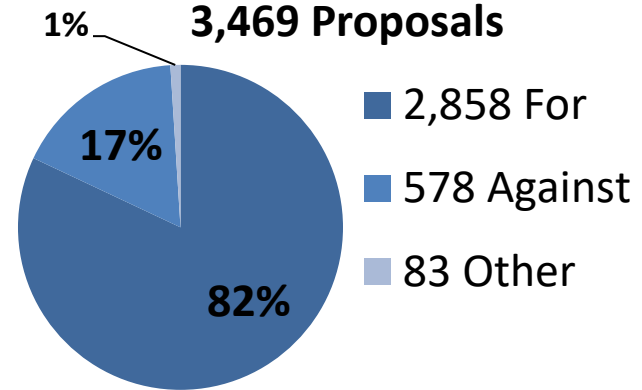
Election of Directors:

18,733 Proposals



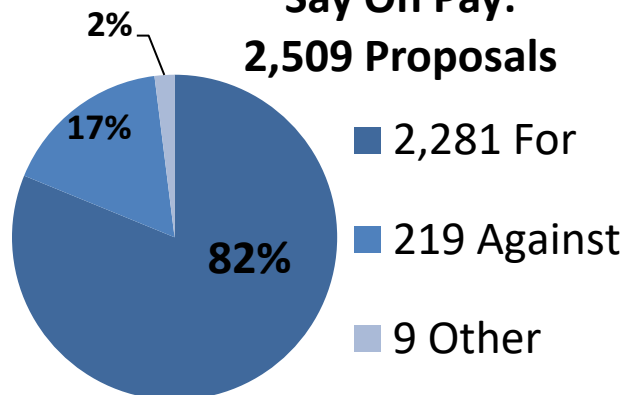
Ratification of Auditor:

3,469 Proposals



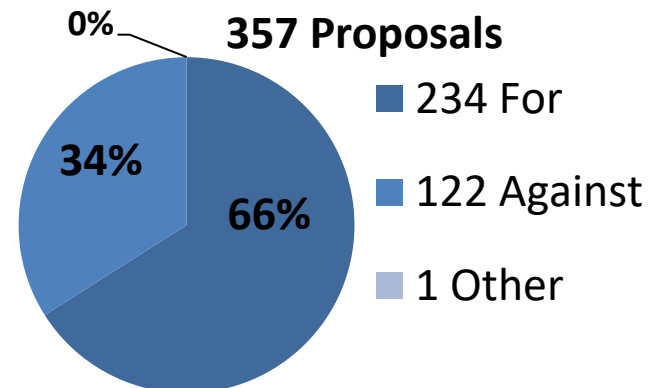
Say On Pay:

2,509 Proposals



Say When On Pay:

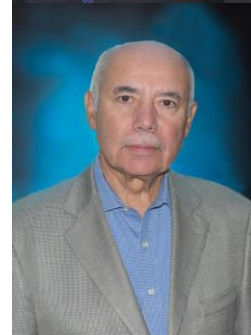
357 Proposals



2019 Corporate Governance Highlights

Board Composition and Diversity

- ❖ Investors continue to pressure boards to demonstrate that they are taking a strategic and proactive approach to board refreshment.
- ❖ Investors are looking for indicators that boards are adding directors with the skills necessary to complement to company's strategic direction and ensuring diversity of backgrounds and perspectives to guide that strategy.



Executive Compensation and Say on Pay

- ❖ Executive Compensation remains a focus for shareholders, management teams and boards alike. Many investors believe there needs to be a better alignment of compensation with individual and company performance.
- ❖ Current SEC rules require most public companies begin disclosing the CEO pay ratio in their proxy statements starting in 2018.



Proxy Access

- ❖ Proxy access is a mechanism that allows shareholders to nominate directors and have those nominees listed in the company's proxy statement and on the company's proxy card.
- ❖ In 2015, proxy access was just starting to become widespread on a company-by-company basis. In 2016 CTPF voiced its support for proxy access by adding factors to consider to the proxy policy.
- ❖ In 2018, 90 companies adopted proxy access.
- ❖ At least 17 companies that have been targeted for inadequate board diversity over the past three years have added a minimum of one female and/or minority director.



Shareholder Engagement

- ❖ Boards have become more comfortable with direct investor communication around corporate governance issues and are making significant strides in establishing protocols and practices to structure their communication with investors.
- ❖ Shareholders are exerting more influence on how boards and management teams operate. Institutional investors and shareholder activists demand greater transparency, including more engagement with independent directors.



Board Composition and Diversity – Recent News

- ❖ June 1, 2019, the Illinois General Assembly passed the “**Diversity Disclosure Bill**” requiring most publicly held companies headquartered in Illinois to include detailed demographic diversity information in their annual reports required to be filed with the Illinois Secretary of State.
The Bill is expected to be signed by Governor J.B. Pritzker.
- ❖ In October of 2019, The New York City Comptroller’s Office launched its **Board Accountability Project 3.0 campaign**. The campaign sent letters to 56 companies seeking the implementation of policies requiring consideration of qualified women and racially/ethnically candidates for external CEO searches and director positions. The Comptroller's policy is commonly referred to as the Rooney Rule, borrowed from the NFL, which requires teams to interview minority candidates for front office positions.



Proxy Advisory Firms

- ❖ On August 21, 2019 , the US Securities and Exchange Commission (the “SEC”) issued two new releases regarding the role of proxy advisors such as ISS and Glass Lewis in the proxy voting process.
 - Proxy advisor recommendations constituted solicitations under the SEC’s proxy rules.
 - Investment advisors and their retention and use of proxy advisory firms.
- ❖ On November 5, 2019, the SEC, led by chairman Jay Clayton, voted 3-2 to propose additional rules for the regulation of the proxy voting process.
- ❖ These proposed rules were, in the words of the SEC, intended to “improve [the] accuracy and transparency of proxy voting advice.”

An Early Look into the 2020 Proxy Season

- ❖ Proxy Access
- ❖ Annual General Meetings- Virtual or Hybrid Format
- ❖ COVID-19
- ❖ The SEC & Proxy Advisory Firms
- ❖ Environmental, Social, & Governance Investing (ESG)