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Investment Policy Statement

for the

Connecticut Retirement Plans and Trust Funds

As approved by the Investment Advisory Council on September 14, 2022 and revised on January 19, 2023 to reflect clarification to project bid notification requirements

DRAFT

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Introduction

This Investment Policy Statement ("IPS") sets forth the general standards that govern the investment of the State of Connecticut Retirement Plans and Trust Funds ("CRPTF"), as established by the Treasurer of the State of Connecticut ("the Treasurer"), and as approved by the Investment Advisory Council ("IAC") in accordance with the provisions of Section 3-13b(c) of the Connecticut General Statutes.

The CRPTF includes multiple plans and trusts ("Trust Funds") as reflected in Appendix B.

These Trust Funds may be collectively referred to as "the CRPTF."

The Treasurer constructs investment portfolios for each of the Trust Funds within the CRPTF using open-end investment portfolios known as Combined Investment Funds ("CIFs").

This IPS generally describes the long-term strategic plans for each of the Trust Funds within the CRPTF, based on analysis of capital markets and the financial condition of each plan and trust. In formulating this IPS, the Treasurer seeks to allow for sufficient flexibility to capture investment opportunities as they occur, while maintaining reasonable parameters to ensure that prudence and care are exercised in the execution of the CRPTF's investment program. Accordingly, the specific categories of permissible investments set forth in this IPS establish parameters but not exclusive types of investments that may be made by the Treasurer or considered by Pension Funds Management ("PFM") staff. In the final analysis, the Treasurer, with the advice of the Chief Investment Officer, staff, consultants, external advisors and review and comment by the IAC, will exercise authority consistent with the principles of fiduciary law.

The Treasurer shall annually review this IPS and shall consult with the IAC regarding revisions thereto in accordance with the provisions of Section 3-13b(c) of the Connecticut General Statutes.

Governance (Authority, Duties, Responsibilities, and Amendments)

Consistent with Connecticut General Statutes, the Treasurer is the principal fiduciary of the CRPTF and as such is responsible for the investment of the CRPTF's assets in accordance with this Investment Policy Statement, fiduciary law and standards, the laws of the State of Connecticut, and subject to the oversight of the Investment Advisory Council ("IAC"). In his/her fiduciary role, the Treasurer:

- Shall act in the interest of participants and beneficiaries
- Shall work for the purposes of providing benefits to participants and beneficiaries and paying reasonable expenses for the management, oversight and administration of the CRPTF
- Shall act with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of like character and purpose
- Shall act impartially, taking into account the differing interests of participants and beneficiaries

- Shall act in accordance with a good-faith interpretation of applicable laws governing the retirement program and the CRPTF
- Shall consider the implications of any particular investment in relation to the foreign policy and national interests of the United States[1]
- May consider the social, economic and environmental implications of investments of trust funds in particular securities or types of securities[2]
- Consult with legal counsel regarding securities monitoring and litigation and other legal matters on behalf of the CRPTF.

In carrying out these responsibilities, and as an elected Constitutional Officer of the State of Connecticut, the Treasurer is supported by a staff of investment professionals led by a Chief Investment Officer who reports to the Treasurer. The Treasurer is responsible for the investment and custody of all CRPTF assets and the selection of and contracting with all investment managers and other service providers. Pursuant to Section 3-13b of the Connecticut General Statutes, the IAC sets investment policy, including asset allocation policy and risk tolerance, through this Investment Policy Statement. The Treasurer will report to the IAC regarding investment policy, strategies and opportunities. The Treasurer will review with the IAC, on an annual basis, the status of the asset allocation plan for the CRPTF and will report at each regularly scheduled meeting of the IAC as to the status of the CRPTF's investments.

The Treasurer may retain investment managers and other service providers to assist in the management of the assets of the CRPTF and will exercise prudence and care in selecting, instructing and supervising such providers of investment and investment-related services. The Treasurer may invest CRPTF assets directly into companies and vehicles, including, but not limited to, investment funds, limited partnerships, limited liability companies, REITs, and operating or holding companies. In addition, the Treasurer and investment staff will conduct due diligence, select, and monitor the management of such investment vehicles. Consistent with Section 3-13i of the Connecticut General Statutes, before the retention of any such investment manager, the Treasurer will present his/her recommendation to the IAC for its review and comment. After such presentation and discussion, the IAC will have up to 45 days to further review and comment upon any proposed contract for investment services prior to the execution of such a contract by the Treasurer, unless the IAC votes to waive the 45-day comment period, thus signifying satisfactory completion of the review and comment requirement. The Treasurer or his/her designee is responsible for negotiating the terms of the contract and subsequent amendments to said contract.

In the event the conditions described in Section 3-13d(e) of the Connecticut General Statutes (governing the period after defeat in a primary or election or the resignation of the Treasurer) are met, any private investments must be approved by the IAC for the balance of the Treasurer's term of office.

[1] *See* Sections 3-13d, 3-13g and 3-21e of the Connecticut General Statutes.
[2] *See* Section 3-13d of the Connecticut General Statutes.

Role of the Investment Advisory Council (IAC)

The IAC acts as an advisory and oversight body to the Treasurer with respect to investments of the CRPTF assets. Pursuant to Conn. Gen. Stat. Sections 3-13a, 3-13b, and 3-13i, the IAC's duties include:

- Review, make recommendations and approve changes to the IPS, including the asset allocation policy.
- Review the Treasurer's recommendation of a provider for services related to the investment of trust funds. ~~all contracts for services related to trust fund investments. Under the circumstances set forth in Section 3-13d(e) of the Connecticut General Statutes, approve private fund investments recommended by the Treasurer.~~
- Consult with the Treasurer on salary ranges established by the Treasurer for PFM staff.
- Advise on and consent to the Treasurer's appointment of the Chief Investment Officer, Deputy Chief Investment Officer, Principal Investment Officers and other PFM personnel.
- Monitor CRPTF performance and promptly report to the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of trust funds or breakdowns in the safekeeping of trust funds or contemplated action to do the same.
- Report to Governor, the General Assembly and beneficiaries on the IAC's investments.
- Consistent with Section 3-13d(e) of the Connecticut General Statutes, ~~A~~affirmatively approve any private investments ~~in private equity or real estate~~ after the defeat in a primary or election or the resignation of the Treasurer.

Amendments to the Investment Policy Statement

The IPS shall be amended in accordance with the provisions of Section 3-13b(c)(1) of the Connecticut General Statutes.

Scope and Purpose

The IPS describes the framework and standards governing investments of the CRPTF. This document provides the primary guidance for the CRPTF's investment activities by outlining the philosophy and structure of the CRPTF investment program, describing the general process by which assets are managed, and defining the key roles and responsibilities for the CRPTF investment program.

With respect to each trust fund that comprises the CRPTF, this IPS describes the following:

- Investment and return objectives
- Asset allocation policy and risk tolerance
- Asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of funds
- Investment performance monitoring
- Guidelines for the selection and termination of providers of investment-related services
- Guidelines for proxy voting

Investment Philosophy

The CRPTF seeks to generate strong risk-adjusted returns and invest with a long-term horizon that is consistent with the perpetual nature of the assets through a disciplined and carefully planned strategic investment process. The primary objective of a defined benefit plan is to generate investment returns to assist the plan sponsor in meeting its obligations to fund the pensions of its workers/plan beneficiaries. For certain Trust Funds, the objective is to provide a secure source of income from a principal amount that will last in perpetuity.

Investment Objectives

The investment objectives for each of the Trust Funds of the CRPTF, along with related asset allocation guidelines, are set forth in Appendix B of this IPS. These investment objectives are long-term in nature and based on a comprehensive review of capital markets assumptions, as well as the current and projected financial requirements of each Trust Fund.

The Treasurer adheres to the principle that over the long term, prudent investment risk-taking may be rewarded with higher incremental returns.

Return Objective and Risk Tolerance

The CRPTF's long time investment horizon allows it to better withstand a reasonable amount of market volatility. The diversified asset allocation is designed to allow the portfolios to perform across a wide range of market conditions. The Treasurer's investment staff monitors and manages risks across the portfolio and maintains the integrity of the portfolio's asset allocation over a market cycle.

The key objective for the CRPTF is to:

- Meet or exceed the assumed investment rate of return over market cycles by investing in a global portfolio of assets with different risk and return characteristics.
- Affirmatively manage risk through deliberate exposures, use of leverage and management of liquidity across the CRPTF
- Meet or exceed its respective benchmark net of fees within each asset class such that each Trust Fund meets or exceeds its policy benchmark over a market cycle
- Maintain adequate liquidity to prevent the CRPTF from being a forced seller during market downturns
- Rebalance the portfolio to take advantage of market volatility, taking the opportunity to trim assets that have appreciated above the target policy allocation and purchase assets that have fallen below the policy target allocation

Strategic Asset Allocation

The asset mix for the CRPTF is established by the Treasurer and approved by the IAC, with input from the Chief Investment Officer, investment staff and consultants, and based on inputs, including capital market theory, financial and fiduciary requirements, and liquidity needs. The specific asset allocations for each Trust Fund are set forth in Appendix B. Any material changes to these allocations shall be pursuant to the findings of periodic asset allocation studies and/or asset/liability studies, as determined by the Treasurer and with approval of the IAC.

A broad array of asset classes is considered for inclusion in a potential asset allocation structure. The objective is to determine an asset mix that offers a balanced risk/return tradeoff and has a reasonable probability of meeting or exceeding the financial objective of each Fund within CRPTF over multiple time horizons.

Investments will be diversified in order to reduce volatility associated with concentrated portfolios and to limit the probability of large losses on individual investment managers within the portfolio.

Investments will comply with the provisions of Connecticut General Statutes, including without limitation Sections 3-13d, 3-13g and Section 3-21e, and any subsequent modifications or revisions to Connecticut law that affect the management of the CRPTF. This IPS, which describes each of the CIFs, delineates specific investment guidelines and restrictions for each of the CIFs.

Remedies to resolve sustained or material deviations will be implemented in a manner that minimizes negative impact to the performance or risk profile of the CRPTF.

Combined Investment Funds

The Combined Investment Funds are separate pooled investment funds that have been created by the Treasurer pursuant to Section 3-31b of the Connecticut General Statutes. The CIFs were established to provide a means for investing Trust Fund assets entrusted to the Treasurer in a variety of investment asset classes. The CIFs are open-end portfolios that represent individual asset classes or sub-asset classes in the plan.

To realize the asset allocations set forth in Appendix B, for each Trust Fund, the Treasurer administers the CIFs as a series of combined investment funds in which the various Trust Funds may invest through the purchase of ownership interests. The asset mix for each of the Trust Funds may be established by the Treasurer, with approval of the IAC, based upon capital market theory, financial and fiduciary requirements and liquidity needs. There are instances in which the asset mix for a Trust Fund is set by its governing document.

Asset Classes

The following are the permissible asset classes in which the CRPTF portfolio will be invested:

- Global Equity
- Core Fixed Income
- Non-Core Fixed Income
- Absolute Return
- Private Equity
- Private Credit
- Real Estate
- Infrastructure and Natural Resources
- Liquidity (Cash Equivalents)

Policy targets and benchmarks are found in Appendix A. Asset class structure and guidelines are in Appendix C.

Global Equity

Global Equity ("GE") is separated into three CIF's, Domestic Equity ("DE"), Developed Markets ("DM") and Emerging Markets ("EM"). GE will invest primarily in equity instruments to meet the CRPTF asset allocation guidelines for asset classes having the characteristics and categories of equities. In the overall asset allocation, GE's goal is to generate ~~significant~~significant ~~primarily achieve~~ capital appreciation by ~~and, secondarily,~~ achieving~~-~~ a ~~long~~high long-term~~,~~ real rate of return~~, significantly above the inflation rate~~. The inclusion of global equities can provide favorable risk-adjusted returns to a portfolio utilizing both active and passive strategies.

The Domestic Equity CIF will invest primarily in the common stocks of U.S. corporations. These investments will be primarily made through asset managers. DE's assets will be allocated across the U.S. stock market so that there is diversification by both market capitalization and investment style, such as value and growth.

The Developed Markets CIF will invest primarily in the common stocks of non-U.S. corporations in developed countries. These investments will be primarily made through asset managers. DM assets will be allocated across foreign markets such that there is diversification by market, capitalization and style which, in aggregate, are structured to replicate the characteristics of the comparable developed non-U.S. equity markets. Non-U.S. equities are defined as common stocks issued by companies domiciled outside the U.S. Developed Markets are defined as the countries with well-developed economies and capital markets. These tend to be high per capita income countries with efficient market institutions.

The Emerging Markets CIF will invest primarily in the common stocks of non-U.S. corporations in emerging countries. These investments will primarily be made through asset managers. EM assets will be allocated across emerging markets such that there is diversification by market, capitalization and style. Non-U.S. equities are defined as common stocks issued by companies domiciled outside the U.S. Emerging Markets are defined as the countries with developing economies and capital markets. These tend to be lower per capita income countries with less efficient market institutions.

Core Fixed Income

The Core Fixed Income CIF ("CFI") will invest primarily in fixed-income securities in the domestic U.S. markets. In the overall asset allocation, CFI's goal is primarily to preserve capital and secondarily to provide current income to the CRPTF. The inclusion of fixed income will provide a source of diversification to other asset classes within the CRPTF.

The CFI portfolio consists of active and passive managed fixed income mandates. The CFI may invest in debt instruments issued by the U.S. Government and its agencies, inflation protected securities, "quasi-Government" agencies, municipalities and U.S. corporations. In addition, mortgage and asset-back securities, Euro bonds, high quality quasi or sovereign debt and any other public or private U.S. regulated debt securities are permitted. A vast majority of the investments will be in securities issued by investment grade issuers.

Non-Core Fixed Income

The Non-Core Fixed Income CIF ("Public Credit CIF" or "PCC") will invest primarily in those assets and asset classes outside the scope of the CFI which may include, but are not limited to, high yield securities, convertible securities, and emerging market securities. PCC assets are expected to generate higher returns and greater income than CFI assets with a secondary objective of capital preservation.

Private Equity

The Private Equity CIF ("PE") will invest in various private equity strategies and vehicles. The purpose of the PE is to earn returns in excess of the public equity markets and generate attractive risk-adjusted rates of return through investments with managers executing active strategies to increase the strategic and financial value of private companies. The PE investments will generally be made in externally managed limited partnerships or through separate accounts that focus on private equity investments. The PE may also make co-investments. In addition, the PE may acquire and divest fund interests through secondary or other transactions.

Private equity includes both Venture Capital and Corporate Finance investment strategies. Venture Capital typically involves equity capital invested in young or development stage companies, whether start-up, early, mid or late-stage companies. Corporate Finance typically involves equity and debt capital invested in growth, mature or distressed stage companies, often through the financing of acquisitions, spin-offs, mergers or changes in capitalization.

Private Credit

Private Credit ("PVC") will predominately invest in direct debt investments. The purpose of the PVC is to generate attractive, risk-adjusted returns in excess of public debt strategies, with the expected benefit of decreased volatility of the CRPTF's overall portfolio through lower correlations with other asset classes. The PVC will invest primarily in credit-related strategies not available through other CIFs and may include senior, mezzanine, special situations debt and co-investments in these strategies. The PVC investments will generally be made in externally managed limited partnerships or through separate accounts that focus on private debt investments. The PVC may also make co-investments.

Absolute Return

The Absolute Return CIF ("AR") will invest CRPTF assets in investment strategies that offer the potential to reduce risk, enhance overall portfolio expected returns, or a combination of both in a variety of market conditions. The AR serves as a vehicle for strategies that provide diversification benefits and are not easily classified, categorized, or described in the other CIFs. Hybrid strategies that cut across multiple asset classes will also be considered part of the opportunity set.

AR strategies represent a broad set of investment styles, mandates and products that focus primarily on the liquid equity, fixed income, commodity, currency and derivatives markets, and illiquid securities and investments. AR strategies may target absolute returns without reference to a traditional benchmark since managers may use a wide range of investment tools such as short-selling, leverage, derivatives and complex securities to achieve their investment objectives.

The AR may invest in strategies that do not fit the constraints of existing CIFs and other strategies including absolute return strategies and other alternative asset strategies. The AR mandate may be executed through investment managers who actively manage a fund of funds ("FoF") portfolio or through direct investments in separately managed accounts ("SMA").

Real Estate

Real estate includes long-lived physical assets, typically land and buildings, that derive their value from claims on current and future cash flows. The Real Estate ("RE") asset class strategic objectives provide diversification to the overall CRPTF investment program, preserve investment capital and generate attractive risk-adjusted rates of return. In addition to providing current income and the potential for capital appreciation, real estate assets provide at least two primary benefits to a diversified plan. First, real estate assets have low correlation to equities and fixed income markets and should thereby provide diversification benefits to the CRPTF. Second, real estate is also designed to yield an inflation-adjusted or positive "real" return.

Investments within the real estate asset class include the development or acquisition and management of properties to generate income and with the potential for capital appreciation through strong operations, releasing, and/or repositioning, as needed.

The investments may consist of a number of different investment strategies through varying investment vehicles, primarily with active managers, including externally managed commingled funds, separate accounts, publicly traded real estate investment trusts ("REIT"), limited liability companies, limited partnerships, direct investments, and co-investments.

Infrastructure and Natural Resources

Infrastructure includes long-lived physical assets, essential to the economy, that derive value from claims on current and future cash flow. Some examples include, but are not limited to, assets supporting transportation, utilities, communications, and energy operations. The Infrastructure and Natural Resources CIF's ("INR") strategic objectives are to provide diversification to the overall CRPTF investment program, preserve investment capital and generate attractive risk-adjusted rates of return. Similar to real estate, investments in Infrastructure provide current income and the potential for capital appreciation. INR assets have low correlation to equities and fixed income

markets and also have revenue streams that are tied to inflation and therefore typically yield an inflation-adjusted or positive "real" return.

Infrastructure investments include the building or acquisition of assets that generate a long stream of cash flows that increase over time and are less sensitive to price fluctuations in markets generally. In the case of natural resources, investments include the acquisition of land or physical assets to extract, grow, collect, distribute, process, and/or refine raw materials to generate income and for the realization of their economic value.

The investments may consist of a number of different investment strategies, through varying investment vehicles, primarily with active managers, including externally managed commingled funds, separate accounts, publicly traded infrastructure companies, limited liability companies, limited partnerships, direct investments, co-investments and master limited partnerships ("MLPs").

Liquidity (Cash Equivalents)

The Liquidity Fund consists of short-term U.S. assets that include cash and cash equivalents that are routinely used to make benefits payments and meet other cash needs. The Liquidity Fund assets will be managed similarly to U.S. money market guidelines with maturities not to exceed ~~one year~~thirteen months. The Liquidity Fund's ~~written guidelines~~investment criteria are available in the Liquidity Fund's Investment ~~Policy Statement~~Guidelines as approved by the Treasurer.~~.~~

Investment Process

Asset Class Framework

Following an asset allocation study, the Treasurer and investment staff review the implementation of each asset class. As noted in the *Strategic Asset Allocation* section, each asset class has defined goals and role within the overall portfolio along with performance benchmarks and objectives.

Approval of Investment Mandates

A. Investment Manager Guidelines

Investment manager guidelines specific to each mandate are set forth in each contract or agreement. These guidelines will be consistent with the requirements of this IPS, including its Appendices, and will describe the investment objective and strategy, permissible and prohibited investments, diversification guidelines and reporting requirements.

B. Guidelines for the Selection of Investment Managers

The Treasurer will select investment managers based on their respective expertise relative to the investment mandate they seek to fulfill or the investment service they seek to provide. In general, the selection process will entail the following processes:

- Conduct a competitive bidding process (Request for Proposals or "RFP"), review of a private placement memorandum ("PPM") or similar offering material, or, where appropriate and practicable, a pre-determined uniform system for identifying and otherwise determining the merits of preferred vendors consistent with industry and state best practices in procurement. The procedures for evaluating proposals may include the development of evaluation criteria and minimum qualifications by Treasury investment staff, with support from consultants as needed. Evaluation criteria and minimum qualifications may consider, but not be limited to, the particular investment mandate or services required, the requirements of the Treasurer's asset allocation plan and this Investment Policy Statement, the investment manager's capabilities, organization, track record, institutional expertise and investment philosophy.

- Undertake a due diligence process that evaluates a firm's capabilities, organization, track record, institutional expertise and investment philosophy.

- Consider the firm's policies and practices, including those that support diversity in the firm's industry.

- Integrate the potential risk and value impact that environmental, social, and governance ("ESG") factors may have on the CRPTF's investments.

- The records pertaining to the evaluation and selection of investment managers shall be made available to the public in accordance with the provisions of the Freedom of Information Act, as defined in Section 1-200 of the Conn. Gen. Stat.

Investment service providers must disclose and certify to any third-party fees paid, as defined in Section 3-13j of the Connecticut General Statutes, gifts, consultants, conflicts of interests, campaign contributions and other required disclosures in effect at the time of the selection process.

In the selection of investment managers, due consideration shall be given to a firm's demonstrated commitment to supporting diversity of its workforce, its vendors and to the diversity of its industry's future workforce and to affording opportunities for emerging, minority and women-owned and Connecticut-based investment managers, who can provide services consistent with the CRPTF's investment strategy and fiduciary standards, to compete for investment contracts.

Before the retention of any investment manager, or making a direct investment with an investment manager, the Treasurer will present the proposed action to the IAC for review and comment consistent with Sec. 3-13i of the Connecticut General Statutes.[3]

The number of investment managers retained will be subject to considerations regarding reasonable and prudent levels of risk and diversification.

The criteria for the selection of investment managers and direct investments in each CIF will vary according to mandate and asset type. Those criteria are described more fully within Appendix C of this IPS.

C. Investment Performance Evaluation Guidelines

The Treasurer will regularly monitor investment performance of the Trust Funds, CIFs, direct investments and individual investment managers. The CRPTF's custodian will confirm or reconcile its performance data with the investment managers.

For the CIFs and individual investment managers, the Treasurer will use designated benchmarks and the investment guidelines as essential parts of the criteria to monitor investment performance. The investment guidelines, unique to each investment manager, will be incorporated into the investment management contract executed between the Treasurer and such investment manager and may subsequently be amended as mutually agreed upon by both parties.

Investment manager guideline deviations may occur from time to time as a result of market movements or other unanticipated events. Actions will be taken to assess the situation and develop a remedy to resolve the deviation, recognizing that resolution may take time and should be implemented in a manner that limits negative impact on the performance or risk profile of the CRPTF.

Any decision to terminate an investment manager will be consistent with the terms and conditions set forth in contract.

[3] See also p. 4.

Execution of Investment Policy

It is the Treasurer's obligation and responsibility to direct the day-to-day administration of the CRPTF's investment program. Consequently, the Treasurer may establish written procedures for the CRPTF's operations consistent with this IPS. Such procedures shall include a system of internal controls, which will be documented in writing.

Public Markets Investment Managers

For public markets, investments will be made and monitored within the following framework.

- Development of strategic asset allocation targets for public market asset classes
- Development of a strategic plan, which will establish goals and objectives to achieve the CRPTF asset allocation guidelines and strategic objectives for the asset class
- Development of criteria and procedures for the selection of new public market allocations
- Following the Investment Process on pages 12-13 of this IPS
- Review by the IAC of any proposal to enter into an investment management agreement
- Review of terms and conditions with negotiated agreements satisfactory to the Treasurer, including a demonstrated alignment of interest between the manager and the CRPTF
- Monitoring and evaluation of fund managers' performance on an on-going basis, including the application of performance measurement standards for public markets
- Monitoring of manager's compliance with applicable policies as set forth in the appendices to this IPS and/or other requirements under contract

Asset-class structures for public markets are in Appendix C of this IPS.

Private Markets Investment Managers

For private markets, investments will be made and monitored within the following framework.

- Development of strategic asset allocation targets for private market asset classes
- Development of a strategic plan, which will establish goals and objectives to achieve the CRPTF asset allocation guidelines and strategic objectives for the asset class
- Development of criteria and procedures for the selection of new private market commitments
- Following the Investment Process on pages 12-13 of this IPS
- Review by the IAC of any proposal to enter into a limited partnership agreement or separately managed account
- Review of terms and conditions with negotiated agreements satisfactory to the Treasurer, including a demonstrated alignment of interest between the manager and the CRPTF
- Monitoring and evaluation of fund managers' performance on an on-going basis, including the application of performance measurement standards for private markets
- Management of any securities distributions to optimize realized proceeds in a timely manner, while considering prevailing market conditions

- Monitoring of manager's compliance with applicable policies as set forth in the appendices to this IPS and/or other requirements under contract

Asset-class structures for private markets are in Appendix C of this IPS.

Performance Reporting and Monitoring Oversight

The CRPTF's staff may use the custodian bank and asset class consultants in the preparation of monthly and quarterly reports of the asset class performance, investment manager performance, and total CRPTF performance for the Treasurer and IAC.

The Chief Investment Officer shall review and approve, on a monthly and quarterly basis, the investment reports for submission to the Treasurer and the IAC.

Risk Management

The Treasurer, with input from the Chief Investment Officer and investment staff, is responsible for devising and implementing the CRPTF's risk frameworks, measuring and monitoring investment risks, providing investment risk control, monitoring compliance with the CRPTF's risk appetite, and otherwise mitigating investment and investment-related risks.

Risks measured and monitored include, but are not limited to, capital market risk, investment style risk, concentration risk, volatility risk, liquidity risk, correlation risk, and funding risk. The primary risk to the CRPTF is failing to meet investment objectives over time. This can result either from taking on too much risk and suffering large, unexpected losses or from taking on too little risk and failing to meet the target rate of return objectives.

Risk management strives to achieve a balance between risk and return. The Treasurer recognizes that the CRPTF must assume risk to achieve desired rates of return. The objective of the CRPTF's risk management program is to ensure that risks taken are evaluated, determined to be appropriate in light of CRPTF's investment objectives, and properly managed.

Goals

The risk management program has the following goals:

- Seek to achieve the desired rate of total return within appropriate levels of risk and liquidity
- Seek to maintain sufficient diversification to reduce the potential for large losses, minimize exposure to unintended risk, and preserve capital
- Provide an integrated process for overall investment risk management on both a consolidated and disaggregated basis
- Select, implement, and maintain risk management tools to provide analyses that inform and support the investment process across portfolios and strategies
- Confirm that external managers have established and will maintain appropriate risk management programs to reduce risks potentially affecting their portfolios.

Risk Framework

To achieve these goals, this policy includes a risk framework, as described in Appendix D, that articulates the risk management approach for the CRPTF. The risk framework outlines the dynamic process by which the Treasurer and CRPTF staff manage risk. The framework may be modified as deemed appropriate to reflect the changing nature of economic conditions and capital markets.

Watch List Monitoring

The Treasurer or a designee will periodically meet with individual investment managers to review performance. Investment managers may make presentations before the IAC.

Periodically, it may be necessary and in the best interests of the CRPTF to place an investment manager on the Treasurer's "Watch List." The events triggering such placement are generally defined within the relevant contract or agreement, and may include, but not be limited to, significant underperformance relative to its benchmark, turnover of key members of the investment professional staff, and a significant event affecting the investment manager.

Ultimately, the Treasurer will determine whether to (a) continue to monitor performance; (b) remove the manager or partner from the Watch List; (c) invoke various remedies under the applicable contract, which may include, but not be limited to, terminating the manager consistent with their contract, removal of a general partner, and/or sell the CRPTF's interest in the investment.

Other Considerations

This IPS is intended to provide a framework for the investment of the CRPTF, which may be supplemented by additional policies and procedures for each asset class and other investment-related initiatives including, but not limited to securities lending, emerging managers program, and securities litigation.

- Use of Investment Vehicles**:** Investment is permitted in individual securities, and through other investment vehicles such as, but not limited to, commingled trusts, separate accounts, mutual funds and other pooled asset portfolios, provided each conforms to the applicable guidelines and restrictions set forth in the individual investment manager contracts.

- Deviations from investment policy become advisable in consideration of new or unique investment opportunities, which are not specifically addressed in this IPS, as may become available from time to time. The Treasurer may deviate from this policy from time to time, after approval by the IAC, provided that any and all such deviations will enhance the CRPTF's long-term performance and not jeopardize the standards of prudence for the CRPTF as a whole.

Third party vendors are used for the safekeeping of the CRPTF assets, holding the CRPTF assets in custody, valuing plan investments, engaging in securities lending activities and maintaining accurate records of all investments and transactions. All such third-party vendors will take direction from the Treasurer or a designee.

Liquidity & Cash Management

Based on such factors as investment strategy, cash flow and benefit payments, the Treasurer will determine the appropriate allocation to cash equivalents in order to meet the Trust Funds' liquidity needs in the near term. Liquidity requirements will be reviewed regularly to ensure that each of the CRPTF's policies and practices are structured so as to accommodate changing liquidity needs.

Rebalancing Policy

The CRPTF may deviate from the asset allocation targets from time to time, by virtue of capital markets activity, other unanticipated events, as well as cash flow requirements of individual Trust Funds. Consequently, the Treasurer will monitor asset allocation on at least a quarterly basis to determine and ensure rebalancing is appropriately implemented.

The Chief Investment Officer may initiate a discretionary rebalancing at any time. Remedies to resolve such deviations will be implemented in a manner that minimizes negative impact to the performance or risk profile of the CRPTF. State law prohibits the investment of more than sixty percent of the market value of any Trust Fund in common stock, except in the event of a stock market fluctuation that causes the common stock percentage to increase and the Treasurer deems it to be in the best interest of such Trust Fund to maintain such higher percentage of equities. In such cases, the Treasurer shall nevertheless not allow the combined market value of common stock in any Trust Fund to exceed sixty-five percent of the total market value of such Trust Fund for more than six months after such fluctuation occurs.[4] Not less than annually, the IAC will review the CRPTF's current asset allocation. If rebalancing is initiated, a plan will be developed whereby specific dollar amounts will be considered for movement based on the degree of the over/underweight in the various asset classes, liquidity characteristics and current market conditions.

The CRPTF's rebalancing procedures reflect the following considerations:

1. Trading costs directly affect overall performance. The CRPTF therefore controls the frequency of rebalancing and employs methods that keep trading costs to a minimum.

2. Rebalancing on a periodic basis, towards the target asset allocation in Appendix B.

Environmental, Social and Governance Factors

The Treasurer and the CRPTF's investment team consider environmental, social and governance factors in its investment processes because they can materially influence both risk and return, and can impact the sustainability, value and performance of the CRPTF's investments over the long term. The relevance of ESG may differ and vary in degree across companies, sectors, regions, asset classes and over time.

Accordingly, consistent with the Treasurer's fiduciary responsibilities to act in the best interests of the members, retirees and beneficiaries of the CRPTF, the Treasurer will: (1) maintain an active corporate governance program for the CRPTF's publicly traded equity investments, with due

[4] See Section 3-13d of the Connecticut General Statutes.

consideration to ESG issues; and (2) incorporate relevant ESG issues into the investment analyses and decision-making processes in investment programs.

Investment recommendations in all asset classes will include information on and consideration of a manager's ESG policies and practices, focusing on the risks and standards relevant to the investment under consideration.

CRPTF's Guidelines for Restricted Investments and Proxy Voting Policies

Restricted Investments:

The Treasurer may prohibit investment of CRPTF assets in particular securities, types of securities, or companies pursuant to statutory investment restriction authority (see below) and/or based on the following determination:

- One or more risk factors that may impact profitability and long-term shareholder value
- Risks run counter to the goals and objectives of the CRPTF to provide investment income and appreciation in line with the long-term liabilities that the CRPTF is designed to support; and
- Prohibition will not adversely or materially impact the CRPTF's risk/return profile.

Statutory Investment Restrictions, Foreign Policy and National Interests of the United States:

Certain Connecticut statutes that provide guidance or direction to the Treasurer when making investment decisions have been incorporated into the investment process and are reflected in all contracts under which CRPTF funds are invested.

In addition, the Treasurer may exercise discretion to impose investment restrictions consistent with applicable law and based on assessment of risks informed by relevant guidance from the United States Government, including but not limited to the Office of Foreign Asset Control and other sources of information about risks to CRPTF investments. Appendix F, *Policy for Implementation of Investment Restrictions*, sets forth the process by which the Treasurer implements investment restrictions.

CRPTF's Policy on Proxy Voting

Shareholder activity is among the fiduciary duties of the Treasurer as principal fiduciary of the CRPTF. Consequently, the Treasurer may vote proxies on issues that could affect the value of the shares held in a portfolio. Proxies are considered plan assets and have economic value.

The Treasurer may determine, where appropriate, that certain shareholder activities, such as the active monitoring and communication with corporate management, should be undertaken to enhance the economic value of plan assets. Such circumstances for shareholder activity should be considered appropriate when investments are expected to be held on a long-term basis.

Proxy voting policies are set forth in Appendix G of this IPS. Any delegation of proxy voting by the Treasurer, either to external asset managers or a proxy voting service, shall be consistent with said policies.

Appendix A – Policy Target and Benchmarks for the CRPTF

Asset allocations reflected below represent long term policy targets for the retirement plans. Trust Funds' allocations may be established by either statute or their respective governing authorities, and may contain specific allocations based on individual profiles, risk tolerance and return expectations. Trust Funds' specific policy targets, are found in Appendix B of this IPS.

Composite / Asset Class	Long-Term Policy Target
Global Equity	~~37~~43%
Core Fixed Income	~~13~~11%
Non-Core Fixed Income ~~(Public Credit)~~	~~2~~4%
Private Equity	15%
Private Credit	~~10~~9%
Absolute Return ~~(Risk Mitigating)~~	~~5~~2%
Real Estate	~~10~~8%
Infrastructure and Natural Resources	7%
Liquidity (Cash Equivalents)	1%
Total	**100%**

Composite / Asset Class	Benchmark
Global Equity	MSCI All Country World IMI Net Index
Core Fixed Income	Blend: Bloomberg Barclays U.S. Aggregate Bond and Bloomberg Barclays U.S. Treasuries Index
Non-Core Fixed Income	Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index
Private Equity	Russell 3000 + 250 basis points*
Private Credit	S&P / LSTA Leveraged Loan Index + 150 basis points*
Absolute Return	Blend: Dynamic weighted strategy (HFRX)
Real Estate	Open End Diversified Core Equity (NFI-ODCE Index)*
Infrastructure and Natural Resources	CPI-U[1] + 400[6]
Liquidity (Cash Equivalents)	U.S. 3-Month T-Bill Index

** Performance comparisons are typically evaluated one quarter in arrears*

[5]Consumer Price Index, All Urban Consumers, All Items, Not Seasonally Adjusted as reported by the U.S. Bureau of Labor Statistics

Appendix B – Detailed Asset Allocations for Plans and Trust Funds

Currently, the CRPTF includes the following plans and trusts:

1. State Employees' Retirement Fund
2. Teachers' Retirement Fund
3. Connecticut Municipal Employees' Retirement Fund
4. Probate Judges' and Employees' Retirement Fund
5. State Judges' Retirement Fund
6. State's Attorneys' Retirement Fund
7. Soldiers' Sailors' and Marines' Fund
8. Arts Endowment Fund
9. Agricultural College Fund
10. Ida Eaton Cotton Fund
11. Andrew C. Clark Fund
12. School Fund
13. Hopemead Fund
14. Police and Firemen Survivors' Benefit Fund
15. Other Post-Employment Benefits Trust Fund
16. Teachers' Retirement Health Insurance Fund
17. Municipal Investment Trust[6]
18. Connecticut Baby Bond Trust[7]
19. Early Childhood Education Endowment

Investment Objectives

The primary objective of CRPTF investment portfolio is to provide a secure source of income for its beneficiaries. The CRPTF's investment objectives are long-term in nature and have been established based on comprehensive reviews of the capital markets and its underlying current and projected financial requirements, as determined through periodic asset/liability studies.

For certain Trust Funds, the primary objective of the investment portfolio is to provide a secure source of income from a principal amount.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance for certain Trust Funds, the Treasurer regards prudent risk-taking as justifiable.

In those instances, the investment objectives are as follows:

1. To maximize returns within reasonable and prudent levels of risk
2. To provide a satisfactory current stream of income given current dollars invested
3. To maintain the CRPTF corpus by minimizing erosion of principal due to inflation
4. To maintain adequate cash levels to meet the Trust Funds' distribution requirements.

[6] Invested through the Participants' Retirement Investment Fund
[7] Invested through the Participants' Investment Fund

Asset Allocation

The asset allocation composition for each Trust Fund of the CRPTF, as approved by the IAC, is set forth in this Appendix B of the IPS and posted on the website of the Office of the State Treasurer. The CRPTF's asset mix is established by the Treasurer and the IAC based on capital market theory, the CRPTF's financial requirements and the CRPTF's liquidity needs. The CRPTF's investment portfolio is overseen by the Treasurer as principal fiduciary of the CRPTF and is invested in accordance with applicable statutory requirements, including IAC review, and fiduciary standards.[8]

Asset Allocation Target Policy – Table I

Set forth below are the target policies for each of the following Trust Funds:

1. State Employees' Retirement Fund
2. Teachers' Retirement Fund
3. Connecticut Municipal Employees' Retirement Fund
4. Probate Judges' and Employees' Retirement Fund
5. State Judges' Retirement Fund
6. State's Attorneys' Retirement Fund
7. Soldiers' Sailors' and Marines' Fund
8. Arts Endowment Fund
9. Ida Eaton Cotton Fund
10. Andrew C. Clark Fund
11. School Fund
12. Hopemead Fund
13. Police and Firemen Survivors' Benefit Fund
14. Other Post-Employment Benefits Trust Fund
15. Teachers' Retirement Health Insurance Fund
16. Municipal Investment Trust[9]
17. Connecticut Baby Bond Trust[10]

~~Police and Firemen Survivors' Benefit Fund~~
~~7. Other Post-Employment Benefits Trust Fund~~
~~8. Teachers' Retirement Health Insurance Fund~~
~~9. Municipal Investment Trust[11]~~
~~10.~~18. Early Childhood Education Endowment ~~Connecticut Baby Bond Trust[12]~~

COMBINED INVESTMENT FUND (CIF)*	TARGET POLICY
GLOBAL EQUITY:	
~~DOMESTIC EQUITY (22%)~~	~~37~~43%

[8] See Sections 3-13c, 3-13d, and 45a-541 through 45a-541*l* of the Connecticut General Statutes.
[9] Invested through the Participants' Retirement Investment Fund
[10] Invested through the Participants' Investment Fund
[11] ~~Invested through the Participants' Retirement Investment Fund~~
[12] ~~Invested through the Participants' Investment Fund~~

~~DEVELOPED MARKETS EQUITY (11%)~~ ~~EMERGING MARKETS EQUITY (4%)~~	
CORE FIXED INCOME	~~13~~11%
NON-CORE FIXED INCOME	~~2~~4%
PRIVATE EQUITY	15%
PRIVATE CREDIT	~~10~~9%
ABSOLUTE RETURN	~~5~~2%
REAL ESTATE	~~10~~8%
INFRASTRUCTURE AND NATURAL RESOURCES	7%
LIQUIDITY (CASH EQUIVALENTS)	1%

~~**Asset Allocation Target Policy – Table II**~~

~~Set forth below are the target policies and for each of the following Trust Funds:~~

~~1. Andrew C. Clark Fund~~
~~2. Hopemead Fund~~
~~3. Ida Eaton Cotton Fund~~
~~4. School Fund~~
~~5. Soldiers' Sailors' and Marines' Fund~~

~~COMBINED INVESTMENT FUND:~~	~~TARGET POLICY~~
~~GLOBAL EQUITY:~~ ~~DOMESTIC EQUITY (22%)~~ ~~DEVELOPED MARKETS EQUITY (11%)~~ ~~EMERGING MARKETS EQUITY (4%)~~	~~37%~~
~~CORE FIXED INCOME~~	~~62%~~
~~LIQUIDITY (CASH EQUIVALENTS)~~	~~1%~~

Asset Allocation Target Policy– Table II~~I~~

Set forth below is the target policy for the Agricultural College Fund:

**Fractional liquidity fund allocation for operational purposes only.*

~~**Asset Allocation Target Policy – Table IV**~~

~~Set forth below is the target policy for the Arts Endowment Fund:~~

COMBINED INVESTMENT FUND*	TARGET POLICY
CORE FIXED INCOME	100%

~~COMBINED INVESTMENT FUND:~~	~~TARGET POLICY~~
~~GLOBAL EQUITY:~~ ~~DOMESTIC EQUITY (32%)~~ ~~DEVELOPED MARKETS EQUITY (16%)~~ ~~EMERGING MARKETS EQUITY (6%)~~	~~54%~~
~~CORE FIXED INCOME~~	~~33%~~
~~NON-CORE FIXED INCOME~~	~~2%~~
~~PRIVATE CREDIT~~	~~10%~~
~~LIQUIDITY (CASH EQUIVALENTS)~~	~~1%~~

Commented [JW2]: Table is moving up to Table II Agriculture Fund section above

Teachers' Retirement Fund

Investment Authority

The Teachers' Retirement Fund ("TRF") was established by Public Act 78-208. Fund administration is overseen by The Teachers' Retirement Board, which is within the Office of the State Comptroller for administrative purposes only.

Statement of Purpose

Public Act 78-208 established the TRF for the purpose of providing retirement and other benefits to teachers, their survivors and beneficiaries that have fulfilled the requirements as set forth in the TRF guidelines and Sections 10-183b to 10-183h of the Connecticut General Statutes.

State Employees' Retirement Fund

Investment Authority

The State Employees' Retirement Fund ("SERF") was authorized by Public Act 234 of the 1961 General Assembly and is codified in Section 5-156 et seq. of the Connecticut General Statutes. Beginning in 1981, the SERF's terms and conditions have been the subject of collective bargaining between the State and a coalition of bargaining units representing state employees, commonly known as the State Employees' Bargaining Coalition (SEBAC). Fund administration is overseen by the Office of the State Comptroller and the State Employees Retirement Commission.

Statement of Purpose

Public Act 61-234 re-stated the State Employees Retirement Act and reaffirmed the SERF as the entity that would provide retirement and other benefits to State employees, their survivors and beneficiaries who have fulfilled the requirements as set forth in the SERF guidelines, and as negotiated with SEBAC.

Connecticut Municipal Employees' Retirement Fund

Investment Authority

The Connecticut Municipal Employees' Retirement Fund ("CMERF") was established by Public Act 191(s. 2) of the 1969 General Assembly. Fund administration is overseen by the Office of the State Comptroller.

Statement of Purpose

Public Act 69-191(s. 2) established the CMERF for the purpose of providing retirement and other benefits to employees and their beneficiaries of participating municipal and local governmental units. The retirement plan permits municipalities with a small number of employees to get the benefit of the so-called "law of averages" by pooling their contributions with those of other municipalities. This pooling of retirement assets by participating municipalities reduces the risk of excessive cost to an individual municipality because of actuarial vagaries in that municipality. CMERF also takes advantage of economies of scale in its investment strategies and assures that the benefits will be uniform among the participating municipalities.

Probate Judges' and Employees' Retirement Fund

Investment Authority

The Probate Court Retirement Fund ("PROB") was established by Public Act 558(s. 40) of the 1967 General Assembly. Fund administration is through the State Employees' Retirement Commission and the Office of the State Comptroller.

Statement of Purpose

Public Act 67-558(s. 40) established the PROB for the purpose of providing retirement and other benefits to Judges of Probate and Probate Court employees and their beneficiaries.

State Judges' Retirement Fund

Investment Authority

The State Judges' Retirement Fund ("JURF") was established by Public Act 81-456(S, 5). Fund administration is through the State Employees' Retirement Commission and the Office of the State Comptroller.

Statement of Purpose

The JURF was established for the purpose of providing retirement and other benefits to state judges, family support magistrates, and workers compensation commissioners and their beneficiaries who have fulfilled the requirements set forth in the JURF guidelines.

State's Attorneys' Retirement Fund

Investment Authority

The State's Attorneys' Retirement Fund ("SARF") was established by Public Act 84-399(S.9.17) Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

Statement of Purpose

The SARF was established for the purpose of providing retirement and other benefits to certain states attorneys and certain public defenders and their beneficiaries who have fulfilled the requirements set forth in the SARF guidelines.

Policemen and Firemen Survivors' Benefit Fund

Investment Authority

The Policemen and Firemen Survivors' Benefit Fund ("POFI") was established by Public Act 390 of the 1963 General Assembly. Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

Statement of Purpose

The POFI was established for the purpose of providing retirement and other benefits to participants and their beneficiaries who have fulfilled the requirements set forth in the POFI guidelines.

Agricultural College Fund

Investment Authority

The Agricultural College Fund ("AGRI") is described in Section 10a-115 and 3-40 of the Connecticut General Statutes.

Statement of Purpose

The AGRI dates back to 1862 when funds were received as proceeds from the sale of federal land granted to the States from the federal government. The beneficiary of the congressional grant became the University of Connecticut School of Agriculture, with the income from the assets "inviolably appropriated for teaching; principally, the science of agriculture and the mechanical arts." The Treasurer annually transfers a distribution to the University of Connecticut.

Andrew C. Clark Fund

Investment Authority

The Andrew C. Clark Fund ("ACCF") was established by Public Act 261 of the Connecticut General Assembly, May 3, 1917.

Statement of Purpose

The Treasurer was authorized by an act of the Connecticut General Assembly in 1917 to enter into an agreement with the executors of the will of Andrew C. Clark of New Milford, wherein certain proceeds of his estate would be shared equally by the State and the Congregational Home Missionary Society of New York. In his will, Andrew C. Clark bequeathed that one half of his entire estate be held and invested for the same objects and purposes for which the School Fund was established (as described in Article XIII of this Part.)

Arts Endowment Fund

Investment Authority

The Connecticut Arts Endowment Fund ("AEF") is established in Section 10-406 of the Connecticut General Statutes.

Statement of Purpose

The AEF was established under the provisions of Public Act 88-355 with the purpose of providing income to support nonprofit arts organizations in Connecticut. In 2017, the General Assembly enacted a spending policy which requires an annual distribution equivalent to four (4) percent of the average market value of the AEF over the preceding three years.

The Treasurer annually advises the Department of Economic and Community Development and the Connecticut Arts Council of the amounts available for distribution to organizations for participation in, promotion, development, acceptance and appreciation of artistic and cultural activities.

Hopemead State Park Fund

Investment Authority

The Hopemead State Park Fund ("HOPE") is established in Section 3-13c of the Connecticut General Statutes.

Statement of Purpose

The HOPE was created pursuant to the August 14, 1964 Last Will and Testament of Charlotte Fuller Eastman of Norwich, Connecticut. Upon the death of H. Louise Fuller in 1975, Mrs. Eastman's last surviving heir, the bequeathed Hopemead Fund ($143,288.18) was paid to the Department of Environmental Protection, as the successor of the Connecticut State Park and Forest Commission. As mandated, these assets were designated for the development of the Hopemead State Park. On March 22, 1976, by mutual agreement of the parties these assets were transferred to the Office of the State Treasurer in order to invest the principal.

Ida Eaton Cotton Fund

Investment Authority

The Ida Eaton Cotton Fund ("IECF") is established under the provisions of Section 3-31a of the Connecticut General Statutes.

Statement of Purpose

The New Haven County Cotton Fund as originally established in 1963, mandated that interest income from the principal of the IECF bequest be used to sponsor and encourage industry among the adult blind community. Thus, on behalf of IECF, a distribution is transferred annually to the General Fund for use by the Board of Education Services for the Blind.

School Fund

Investment Authority

The School Fund ("SCOL") is established under the provisions of Section 3-40 of the Connecticut General Statutes.

Statement of Purpose

The SCOL was established through an Act of Congress on July 2, 1862 (as was the Agricultural College Fund) from the proceeds of the sale of federal land and was approved by a Special Session of the Connecticut General Assembly in December 1862. The SCOL was originally under the jurisdiction of the Agricultural College of the University of Connecticut but is now within the Department of Education. A distribution is transferred to the Department of Education for general use through the Office of Policy and Management's budget allocation process.

Soldiers' Sailors' and Marines' Fund

Description

The Soldiers' Sailors' and Marines' Fund ("SSMF") is established under the provisions of Section 27-140 of the Connecticut General Statutes.

Statement of Purpose

The SSMF was established by an Act of the General Assembly in 1917 and, through numerous revisions, remains obligated to serve the interest of military personnel who were engaged in any of the wars waged by the United States, as specified by statute, who were honorably discharged, or to their spouses, survivors and dependents. The distribution is controlled and accounted for by the American Legion for the purposes of providing food, shelter, clothing and other subsistence payments to applicants under the provisions of Sections 27-138 and 27-140 of the Connecticut General Statutes.

State of Connecticut Other Post-Employment Benefits Plan

Investment Authority

A Retiree Health Care Trust Fund (also known as Other Post-Employment Benefits Trust Fund or "OPEB Trust Fund") was established by Public Act 07-1 and was later defined in 2008 by gubernatorial authority as an irrevocable trust. Subsequent agreements in 2009 and 2011 between the State of Connecticut and the State Employees Bargaining Agent Coalition (SEBAC) further addressed the funding for and contractual obligations concerning the OPEB Trust Fund. Administration of other post-employment benefits is through the Office of the State Comptroller.

Statement of Purpose

The OPEB Trust was established for the purpose of supplementing the payment of the costs of health care and other post-employment benefits for retirees of the State of Connecticut retiring after the effective date of SEBAC 2011 and its subsequent revisions.

Teachers' Retirement Health Insurance Fund

Investment Authority

Teachers' Retirement Health Insurance Fund (also known as "TRHIF" Trust Fund) was established through a series of legislative actions starting with 1978 Public Act 78-208. Fund administration is overseen by The Teachers' Retirement Board, which is within the Office of the State Comptroller for administrative purposes only.

Statement of Purpose

Public Act 78-208 established the TRHIF for the purpose of providing retirement and other benefits to teachers, their survivors and beneficiaries. Series of legislative actions were undertaken in response to the dramatically rising cost of health insurance during the 1970's and retired members sought assistance from the state to meet the cost of their health insurance premiums.

Municipal Investment Trust

The Municipal Investment Trust uses the Participants Retirement Investment Fund as a means to invest trust assets.

The Participants' Retirement Investment Fund is a unitized vehicle established to realize the asset allocation set forth in the IPS for the trust and uses a series of combined investment funds (CIF's) enabling investment of trust assets entrusted to the Treasurer through the purchase of ownership interests. The units of the CIF are owned by each respective trust.

Investment Authority

The Participants' Retirement Investment Fund was established under authority of the Office of the Treasurer pursuant to Article Four, Section 22 of the Connecticut State Constitution and Title 3 of the Connecticut General Statutes. In general, the Treasurer is responsible for the safe custody of the property and money belonging to the State.

Statement of Purpose

Special Session Public Act 21-2 allowed municipalities to invest the assets of their pension, retirement or other postemployment health and life benefit systems in any trust fund administered, held or invested by the Treasurer. Pursuant to such authorization, the Participants' Retirement Investment Trust Fund was established.

Connecticut Baby Bond Trust

The Connecticut Baby Bond Trust uses the Participants Investment Fund as a means to invest trust assets.

The Participants' Investment Fund is a unitized vehicle established to realize the asset allocation set forth in the IPS for the trust and uses a series of combined investment funds (CIF's) enabling investment of trust assets entrusted to the Treasurer through the purchase of ownership interests. The units of the CIF are owned by each respective trust. The Trust has been created to accommodate other non-retirement investment needs of the state and other organizations as designated by state statute.

Investment Authority

The Participants' Investment Fund was established under authority of the Office of the Treasurer pursuant to Article Four, Section 22 of the Connecticut State Constitution and Title 3 of the Connecticut General Statutes. In general, the Treasurer is responsible for the safe custody of the property and money belonging to the State.

Statement of Purpose

Public Act 21-111 established the Connecticut Baby Bond Trust, and Public Act 22-118 delayed its effective date to July 1, 2023. The Trust is authorized to receive and invest funds, the corpus and earnings of which may be distributed on behalf of eligible classes of individuals born on or after July 1, 2023, for statutorily prescribed expenditures that are proven to build wealth and reduce inequality. The Trust has been created to accommodate other non-retirement investment needs of the state and other organizations as designated by state statute.

Early Childhood Education Endowment Fund

Investment Authority

The Early Childhood Education Endowment Fund was established under authority of the Office of the Treasurer pursuant to Article Four, Section 22 of the Connecticut State Constitution, Title 3 of the Connecticut General Statutes, and Public Act No. 25-93. In general, the Treasurer is responsible for the safe custody of the property and money belonging to the State.

Statement of Purpose

The Early Childhood Education Endowment Fund was established to provide funds to the Office of Early Childhood (OEC) for early care and education programs providing child care services, as described in section 19a-77 of the general statutes, or preschool programs operated by local or regional boards of education, that meet the requirements of Public Act No. 25-93. In addition, Public Act. No. 25-93 provides that funds from the Endowment may be used by the Connecticut Health Insurance Exchange and OEC to establish a health insurance subsidy program for employees of early care and education programs.

Appendix C – Detailed Asset Class Structure

Global Equity

Global Equity's goal is to primarily achieve capital appreciation and, secondarily, achieve a long-term, real rate of return significantly above the inflation rate.

Asset Class Strategy

To meet the benchmark and fund objectives of each Global Equity sub-asset classes, the Treasurer will use a combination of investment styles and strategies. The size, number and styles retained will be determined by the creation of an optimal portfolio that achieves its desired return target, while maintaining acceptable levels of risk and diversification. Asset classes included in Global Equity are Domestic Equity, Developed Markets (ex U.S.) and Emerging Markets. Strategies include, but are not limited to:

- **Passive** – investment strategy that attempts to match the index in terms of performance and risk characteristics.
- **Enhanced Index** – a proprietary investment strategy designed to add incremental return with minimal increase in risk and modest tracking error.
- **Active Core** – investment strategy acutely aware of benchmark-relative exposures (capitalization, style, industries, etc.) and actively seeks performance above that of its benchmark with a normalized tracking error.
- **Active Specialist** – investment strategy acutely aware of benchmark-relative exposures within a Sub-Asset Class (ex: within a particular capitalization, style, or industry) and actively seeks performance above that of its benchmark.
- **Opportunistic** – new, innovative, or proprietary strategies which may not be easily classifiable within traditional categories (e.g. cross-over, activist, hybrid) and could not be currently widely available in the institutional marketplace.

The benchmark for Global Equity is the MSCI All-Country World Investable Market Index (IMI) which captures large-cap, mid-cap and small-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. This index covers approximately 99% of the global equity investment opportunity set.[13]

Asset Class Characteristics

The following are some of the most-commonly referenced characteristics of Global Equity: market capitalization, geographic regions, sectors, active/passive strategies and liquidity.

- Market capitalization: Dissection could occur across any of the market capitalization segments, for example, large-cap, mid-cap, small-cap and micro-cap.

- Geographic regions: Dissection could occur via investing in regions in the US markets, Developed Markets (ex. US), and Emerging Markets. More detailed information at the country level is also used. Asset class-level regional and country allocations are the result of the bottom-up allocations of managers in the portfolio.

[13] MSCI.

- Sectors: Global Industry Classification Standards ("GICS") define sectors, industry groups and sub-industries into which MSCI/S&P categorizes major public companies. These sectors are used in the US, developed and emerging markets. Asset-class sector and industry allocations are the result of the bottom-up allocations of managers in the portfolio.

- Active/passive strategies: Passive strategies are used in investments considered to be more "efficient", where the "information edge" is noticeably smaller than it is in other investment areas. Active strategies are used for less efficient investments.

- Liquidity: Public equity asset classes tend to consist of publicly traded securities that have higher liquidity than other asset classes. As such, there are liquidity variations within public equities depending on, for example, region/country and market capitalization.

Portfolio Construction Considerations

The number of investment managers retained will be minimized subject to considerations regarding reasonable and prudent levels of risk and diversification.

As noted in the Risk Framework section in this IPS, general diversification and concentration limits for "liquid" asset classes include the size of each sub-manager portfolio and the number of sub-manager portfolios used within the CRPTF.

Investment vehicles tend to be separately managed accounts ("SMAs") within a fund-of-funds structure, which provides the desired level of control for CRPTF.

Risk Considerations

Measures such as liquidity, tracking error, active shares and correlations are considered. Passive manager allocations are considered a source for reducing active risk. Diversification restrictions are implemented where security size could be limited based on security type (e.g. short-term, depository receipts), percentage of the total fund, or total outstanding equity capital.

Core Fixed Income

Core Fixed Income's goal is primarily to preserve capital and secondarily to provide current income to the CRPTF. The inclusion of fixed income will provide a source of diversification to other asset classes within the CRPTF.

Asset Class Strategy

To meet the benchmark and fund objectives, the Core Fixed Income asset class will use a combination of investment styles and strategies. These strategies will primarily incorporate investment-grade characteristics. The size, number and styles retained will be determined by the creation of an optimal portfolio that achieves its desired return target, while maintaining acceptable levels of risk and diversification.

- **Passive** – investment strategy that attempts to match the index in terms of performance and risk characteristics. Passive strategies may be used across all styles of fixed income portfolios.
- **Active Core** – investment strategy aware of benchmark-relative exposures (*sector, sub-sector, duration, convexity and yield curve positioning, etc*.) and actively seeks performance above that of its benchmark with an acceptable tracking error.
- **Active Sector** – investment strategy acutely aware of benchmark-relative exposures within a Sub-Asset Class (*sector, sub-sector, duration, convexity and yield curve positioning, etc*.) and actively seeks performance above that of its benchmark.

The benchmark for Core Fixed Income is a blend of the Bloomberg Barclays U.S. Aggregate Bond and the Bloomberg Barclays U.S. Treasuries Indices.

Core Fixed Income has many characteristics with the following being those characteristics that are given the most attention:

- Sector – fixed income sectors include, but are not limited to, the following types of securities: US Government, corporate, securitized, municipal, and foreign government.
- Subsector – fixed income subsectors further define the industry, collateral, structure, and degree of government guarantee.
- Duration – the interest rate sensitivity of the portfolio. This is often represented by a singular sensitivity number and may include where the portfolio is invested across maturity ranges.
- Rating – credit ratings within core fixed income are those considered investment grade, or higher quality and having default and loss characteristics of higher quality investments.
- Liquidity – liquidity is determined by the ability to buy and sell securities within a sector or subsector. Liquidity ranges from illiquid to extremely liquid and varies from sector to sector.

Portfolio Construction Considerations

The following factors will be considered when creating or rebalancing the Core Fixed Income Fund:

- Number of Managers - The number of investment managers retained will be minimized subject to considerations regarding reasonable and prudent levels of risk and

diversification. However, to avoid manager concentration, Core Fixed Income will seek to ensure that an appropriate number of managers is used for each strategy when constructing this portfolio.

- Manager allocations will be sized to minimize investment fees, prevent excessive diversification, and align with the size of the market opportunity and the manager's capacity to execute. Investment mandates (regardless of focus) will generally be a minimum of twenty-five (25) basis points (i.e., 0.25%) of the CRPTF's total assets under management, and should not generally constitute more than thirty-three percent (33%) of the investment manager's particular strategy for which it is being engaged at the time of investment.
- The benchmark(s) of the portfolio(s) will be selected in such a manner as to represent the broader fixed income market or the appropriate sector of the market (ex. Securitized sector). The portfolio in aggregate will have similar characteristics to the broader fixed income market.
- The portfolio(s) shall consider the interest rate risk (duration) relative to the broader fixed income market and the duration appropriate for the asset class objectives

Investment vehicles tend to be separately managed accounts ("SMAs") within a fund-of-funds structure.

Risk Considerations

- Portfolios will control for duration risk by creating acceptable duration ranges around the benchmark.
- Portfolios will control for quality by creating acceptable deviations from the credit rating(s) of the broader market and/or sector.
- Portfolios will control for liquidity with sector/subsector constraints.
- Additional measures considered include tracking error, asset class, sector, and subsector correlations, convexity, and default status.

Non-Core Fixed Income

Non-Core Fixed Income's goal is providing high levels of current income as well as capital appreciation. The inclusion of fixed income will provide a source of diversification to other asset classes within the CRPTF.

Asset Class Strategy

To meet the fund objectives, Non-Core Fixed Income will use a combination of investment styles and strategies. The size, number and styles retained will be determined by the creation of an optimal portfolio that achieves its desired return target, while maintaining acceptable levels of risk and diversification.

- **Passive** – investment strategy that attempts to match the index in terms of performance and risk characteristics. Passive strategies may be used across all styles of fixed income portfolios.
- **Active Sector** – investment strategy acutely aware of benchmark-relative exposures within a Sub-Asset Class (*sector, sub-sector, duration, convexity and yield curve positioning, etc.*) and actively seeks performance above that of its benchmark.
- **Active High Yield** – investment strategy is benchmark aware but flexible in pursuit of return and opportunistic investments. Strategy actively seeks performance above that of its benchmark with an acceptable tracking error.
- **Active Emerging Markets** – investment strategy is benchmark aware but flexible in pursuit of return and opportunistic investments.
- **Active Convertibles** - investment strategy is benchmark aware but flexible in pursuit of return and opportunistic investments. Strategy actively seeks performance above that of its benchmark with an acceptable tracking error.

The benchmark for Non-Core Fixed Income is the Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index.

Asset Class Characteristics

Non-Core Fixed Income has many characteristics with the following being those characteristics that are given the most attention:

- Sector – fixed income sectors include, but are not limited to, the following types of securities: US Government, corporate, securitized, municipal, and foreign government.
- Subsector – fixed income subsectors further define the industry, collateral, structure, and degree of government guarantee.
- Duration – the interest rate sensitivity of the portfolio. This is often represented by a singular sensitivity number and may include where the portfolio is invested across maturity ranges.
- Rating – credit ratings within Non-Core Fixed Income are those generally considered below investment grade which have default and loss characteristics of higher risk investments.
- Liquidity – liquidity is determined by the ability to buy and sell securities within a sector or subsector. Liquidity ranges from illiquid to extremely liquid and varies from sector to sector.

- Equity Sensitivity – the sensitivity to changes in the equity of issuing entities and the valuation of the underlying fixed income securities.

Portfolio Construction Considerations

The following factors will be considered when creating or rebalancing the Non-Core Fixed Income Fund:

- Number of Managers - The number of investment managers retained will be minimized subject to considerations regarding reasonable and prudent levels of risk and diversification. However, to avoid manager concentration, Non-Core Fixed Income will seek to ensure that an appropriate number of managers is used for each active strategy when constructing this portfolio.
- Manager allocations will be sized to minimize investment fees, prevent excessive diversification, and align with the size of the market opportunity and the manager's capacity to execute. Investment mandates (regardless of focus) will generally be a minimum of twenty-five (25) basis points (i.e., 0.25%) of the CRPTF's total assets under management, and should not generally constitute more than thirty-three percent (33%) of the investment manager's particular strategy for which it is being engaged at the time of investment.
- The benchmark(s) of the portfolio(s) will be selected in such a manner as to represent the strategy being employed. The portfolio in aggregate will have similar characteristics to the broader fixed income market.
- The portfolio(s) shall consider the characteristics of each style employed, the correlation among and between styles, and the aggregated characteristics in order to achieve the expected risk and return profile.

Risk Considerations

- Portfolios will control for duration risk by creating acceptable duration ranges around the benchmark.
- Portfolios will control for quality by creating acceptable deviations from the credit rating(s) of the focus market and/or sector.
- Portfolios will control for liquidity with sector/subsector constraints.
- Additional measures considered include tracking error, asset class, sector, and subsector correlations, equity sensitivity, convexity, leverage, capital seniority and default status.

Absolute Return

The Absolute Return (AR) asset class serves as a vehicle for strategies that provide diversification benefits and are not easily classified, categorized, or described in the other asset classes of the CRPTF.

Historically, the AR asset class has been focused on a broad set of investments that target absolute return mandates utilizing hedge fund vehicles. The current implementation of the AR asset class operates as a diversifier to the overall CRPTF.

Asset Class Strategy

~~The asset class strategy for AR will focus on absolute returns premia.~~ The term "absolute return" is used to denote strategies that focus on the generation of positive returns over market cycles. This asset class will use a combination of investment styles and strategies. The size, number and styles retained will be determined by the creation of an optimal portfolio that achieves its desired return target and characteristics, while maintaining acceptable levels of risk and diversification~~. The expectation is that an AR strategy will generate a positive return when the market within which it is investing experiences periodic negative returns. As such, AR is expected to have low correlation to traditional markets (i.e., equity, fixed income and/or subclasses thereof). The AR strategy will focus on, but not be limited to, Risk Mitigating Strategies or "RMS" designed to provide the CRPTF with robust diversification benefits and defensive characteristics relative to the growth exposures in the portfolio (equities or credit allocations).~~

~~Below are some examples of strategies that may be employed within AR:~~

~~AR Strategy Strategy for RMS~~	~~Description~~
~~Long Term Treasuries Equity Linked~~	~~Fixed-rate US dollar denominated debt that serves as a defensive exposure Investment managers maintain positions both long and short in primarily equity and equity derivative securities~~
~~Trend Following~~	~~Systematic processes based to invest on the direction of various market asset classes like equities, rates, bonds, currency, commodities using futures contracts~~
~~Global Macro~~	~~Exposures that target macroeconomic conditions utilizing top-down views and economic analyses leveraging both long and short strategies with various degrees of leverage and instruments~~
~~Long Volatility & Tail Risk Hedging Credit-Linked~~	~~Derivatives on asset classes that benefit from increased volatility in the underlying assets Investment managers seek to profit from the realization of a valuation discrepancy in the relationship between multiple credit-linked securities.~~
~~Mortgage backed securities~~	~~Strategies that seek to harvest mispricings in both agency and non-agency backed mortgage securities~~
~~Energy~~	~~Investment managers will seek to invest in energy infrastructure assets that have low equity correlation~~
~~Convertible Arbitrage~~	~~Exposures that seek to exploit optionality embedded in convertible securities~~

~~Merger Arbitrage~~	~~Exposures that seek to take advantage of market mispricings in announced merger and acquisition transactions~~
~~Alternative Risk Premia~~	~~Strategies that benefit from non-traditional risk premia factors such as carry, value, momentum, low-volatility and quality factors.~~

~~Other strategies that can be considered for the AR asset class are illustrated below:~~

~~Strategy~~	~~Description~~
~~Equity-Linked~~	~~Investment managers maintain positions both long and short in primarily equity and equity derivative securities.~~
~~Credit-Linked~~	~~Investment managers seek to profit from the realization of a valuation discrepancy in the relationship between multiple credit-linked securities.~~
~~Event-Driven~~	~~Investment managers that hold positions in companies currently or prospectively involved in corporate transactions of a wide variety including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.~~
~~Multi-Strategy~~	~~Investment managers in this strategy use any combination of the strategies noted above in an attempt to produce returns in any market condition.~~

The benchmark for Absolute Return is a custom benchmark that is a weighted average of the underlying strategies in AR, using a blend of public indices and HFRX sub-strategy indices.

Asset Class Characteristics

The AR asset class will ~~have a defensive characteristic in the CRPTF providing downside protection during equity market downturns while potentially yielding a lower expected return during up equity markets.~~ *aim to provide attractive risk-adjusted ~~positive~~ returns over a market cycle with a ~~limited~~ minimal correlation to broad global public equity markets.*

Liquidity ~~–~~. AR investment vehicles may have initial lock-up provisions that are demanded by an investment manager to ensure that a sufficient level of capital is available to support the manager's investment strategy. The AR will strive to minimize its ~~exposures~~exposure to such requirements. ~~For the AR's investments in funds with lock-up provisions, exposure to investments with lock-up provisions greater than one year but less than five years will be limited to 10% of the target allocation to AIF. The balance of the ARs exposure to funds with lock-up provisions will have minimum lock-up of one year or less with redemption periods of no less than once per year.~~

~~Under no circumstances will liquid investment strategies be permitted in vehicles or structures that require a commitment of capital of more than 10 years.~~

~~Investment in limited partnership vehicles with standard expiration and extension provision are permissible and are not included as part of the liquidity parameters noted above.~~

Portfolio Construction Considerations

Investment Vehicles: AR investments will generally be made in both private and public investment manager mandates including the following:

- Commingled funds
- Limited partnerships
- Limited Liability Companies
- Offshore corporations
- Managed accounts
- Fund-of-One mandates
- Fund of Funds mandate

Risk Considerations

- Investment managers will adhere to the investment strategy, diversification limits and administrative guidelines described in their investment management agreements, private placement memorandum and related contracts
- Investment managers will be required to ensure that all AR investments adhere to all limitations imposed by Connecticut General Statutes and/or federal law
- The correlation of the AR portfolio to CRPTF's target asset allocation is expected to be less than 0.40 over a cycle
- No more than 25% of the AR's policy target allocation should be invested in any one investment vehicle

Private Markets Asset Classes

Private Markets consists of Private Equity, Private Credit, Real Estate, Infrastructure and Natural Resources. A broad set of asset class strategies and characteristics apply across these investments and are described in this section. These are further refined within each asset class description that follows.

Private Markets Asset Classes will invest in various private strategies and vehicles. The investments will generally be made in externally managed limited partnerships or through separate accounts that focus on private investments as well as through co-investments. In addition, Fund interests may be acquired and divested through secondary or other transactions. Private markets are generally less efficient and more illiquid than public markets. The CRPTF seeks to generate private market returns in excess of relevant benchmarks over a market cycle by partnering with managers that use active investment strategies.

Portfolio Construction Considerations for Private Markets Asset Classes

Private Markets investments will generally be made in partnerships with the CRPTF as a limited partner and the investment manager serving as the general partner. The investment managers' discretion regarding the selection of underlying investments in the partnership will be limited by the Treasurer's exercise of his/her duty to consider the consequences of such discretion in accordance with state laws and as may be addressed in the IPS.

The following investment vehicle structures will be considered eligible for CRPTF's portfolio:

- **Primary Funds:** Investment vehicles that generally invest in directly negotiated equity, debt or other securities issued by privately held entities. The fund manager has discretion, subject to investment guidelines, to invest the capital committed to the vehicle by its investors, or limited partners.

- **Secondary Funds:** Investment vehicles that purchase interests in (i) primary investment funds from other limited partners, or (ii) assets in existing investment funds.

- **Fund-of-Funds:** Investment vehicles that make capital commitments to primary funds managed by independent fund managers.

- **Separate Accounts or Funds of One:** The CRPTF may seek to establish customized investment vehicles where it is the only investor in the vehicle and an investment manager is retained to invest capital on behalf of the CRPTF.

- **Direct and Co-Investments:** The CRPTF, or a designated partner investing on its behalf, may invest in a company directly or through a co-investment made alongside an investment manager.

Risk Considerations for Private Markets Asset Classes

Each Private Asset Class will be diversified with respect to strategy, manager and fund, vintage year, geography, industry, and stage. Given the illiquid nature of private equity investments, attempting to "time the market" is not a realistic alternative. The CRPTF will seek to make Private Markets commitments on a steady, annual basis.

As described below, diversification factors will help provide maximum return and safety of principal for the Private Markets portfolios. Each Private Markets portfolio will be diversified by the relevant strategies identified in the specific asset class section.

Manager and Fund Diversification for Private Markets Asset Classes

To avoid undue exposure to individual managers or funds, the Private Markets investments will also adhere to the following diversification guidelines:

- The CRPTF's capital commitment to an investment vehicle shall not exceed thirty-three percent (33%) of the total capital commitments to the investment vehicle, unless the vehicle is specifically structured such that the CPRTF is intended to be the only investor, or one of a small number of investors, in the vehicle.
- The CRPTF's investment(s) with any one manager may not exceed twenty percent (20%) of that manager's total assets under management as measured by unfunded commitments and market value.
- No more than 25% of the CRPTF's exposure in each Asset Class should be managed by one investment management firm, with exposure defined as the sum of market value and unfunded capital commitments.

Vintage Year Diversification

Private Markets commitments will be made at a steady, annual pace to avoid excessive under or overexposure to any one vintage year. This policy will have the effect of dollar cost averaging the investments over business cycles and will help insulate the portfolio from event risk.

Geographical Diversification

One measure of diversification is by geographical location of the underlying portfolio companies and/or assets. Over the long term, each Private Markets portfolio should seek portfolio diversification to both developed and developing geographic regions. However, in certain situations, geographically targeted strategies may be appropriate for the portfolio.

Industry & Sector Diversification

The Private Markets portfolios will also seek to diversify by industry sector at the overall portfolio level, through a combination of investments with sector-focused managers as well as those that invest more opportunistically across a number of industry sectors.

Private Equity

The Private Equity Fund ("PEF") will invest in various Private Equity strategies and vehicles. The purpose of the PEF is to generate attractive risk-adjusted rates of return through investments in private companies and earn returns in excess of the public equity markets over the long-term. The PEF is also expected to enhance the CRPTF's overall return profile through investments with managers executing active strategies to increase the strategic and financial value of private companies.

The benchmark for the PEF portfolio is the Russell 3000 plus a 250-basis point premium, while the expected rate of return of individual investments within PEF may vary based on the particular investment strategy deployed. Due to vintage year impacts, valuation methodologies and illiquid nature of private investments, comparisons relative to the benchmark are best measured over a period of five years or more.

Asset Class Strategy

The PEF will invest in various Private Equity strategies and vehicles, with a particular focus on Venture Capital and Corporate Finance investment strategies. Venture Capital typically involves equity capital invested in young or development stage companies, whether start-up, early, mid or late-stage companies. Corporate Finance typically involves equity and debt capital invested in growth, mature or distressed stage companies, often through the financing of acquisitions, spin-offs, mergers, or changes in capitalization.

Private Equity investments will generally be made in partnerships with the CRPTF as a limited partner and the investment manager serving as the general partner. The Private Equity investment managers execute active strategies that are subject to the investment guidelines agreed to between the manager, the CRPTF, and other investors in the investment vehicle.

Asset Class Characteristics

The following Corporate Finance private equity strategies will be considered eligible for CRPTF's portfolio:

- Buyouts
- Growth equity
- Mezzanine and structured capital
- Turnround, distressed, restructuring, and special situations
- Any opportunistic investment strategy approved by the Treasurer as an eligible investment.

The following Venture Capital private equity strategies will be considered eligible for CRPTF's portfolio:

- Early, mid, late and balanced stage venture capital
- Any opportunistic investment strategy approved by the Treasurer as an eligible investment.

As outlined in the *Private Markets* section, Private Equity investments may be accessed through primary, secondary, and co-investment opportunities.

Portfolio Construction Considerations

In addition to the parameters outlined in the *Private Markets* section, the following sub-allocation targets to Corporate Finance and Venture Capital investments will be used to allocate capital where there is the greatest opportunity for enhanced return while managing overall portfolio risks through diversification. The sub-allocation targets shown below are based on the PEF's percentage of total exposure, defined as market value plus unfunded commitments.

	Lower Range %	Upper Range %
Corporate Finance	70%	100%
Venture Capital	0%	30%

Risk Considerations

In addition to the Risk Considerations outlined in the *Private Markets* section above, additional Private Equity risk factors that will be managed and monitored include, but are not limited to sector, development stage and geographic exposures. These diversification objectives will be managed and monitored through the implementation of the PEF's strategic plan, which will identify the appropriate pace and level of commitments to achieve strategy, vintage year, geographic, and sector diversification and liquidity objectives.

The PEF will consider sector agnostic as well as sector-focused strategies to provide the portfolio with diversified exposure across economic sectors.

Stage diversification refers to investments made in companies at various stages of the business life cycle, including start-up, growth, and established stages where different financial and business strategies are used. The PEF will be well diversified by stage through commitments made to managers focusing on investments in companies at early, expansion and mature development stages.

The PEF's geographic exposure will be focused on investments made in developed economies to limit exposures to undue market, currency, or political risk. Allocation to emerging markets should be considered within the context of the PEIF's total portfolio and be limited to 10% or less of the total PEF exposure.

Private Credit

The Private Credit Fund ("PCF") will invest in direct and indirect debt investments. The purpose of the PCF is to generate attractive, risk-adjusted returns in excess of public debt investments by capturing an illiquidity premium and certain market inefficiencies relative to public debt markets. The PCF is expected to contribute to the diversification of the CRPTF's overall portfolio through investments having lower correlations to other asset classes.

The benchmark for the PCF portfolio is the S&P/LSTA Leveraged Loan Index plus a 150 basis points premium. Due to vintage year impacts, valuation methodologies and illiquid nature of private investments, comparisons relative to the benchmark are best measured over a period of five years or more.

Asset Class Strategy

The PCF will invest in a diversified portfolio of yield-oriented credit strategies, where returns are expected to be generated through current income and capital preservation, as well as total return strategies, which may also generate capital appreciation opportunities. The PCF investments will generally be made in externally managed limited partnerships or through separate accounts that focus on private debt strategies, which may include senior credit, mezzanine debt, and special situations investments.

Asset Class Characteristics

The PCF will invest in credit-related strategies not available through other asset classes and may include senior, mezzanine, and special situations credit strategies as outlined below.

- **Senior Credit** strategies involve providing senior debt directly to borrowers, most often through directly originated and negotiated transactions. Senior debt instruments generally include a senior secured interest in the borrower's assets or cash flow. Variations may include second-lien and uni-tranche investment strategies, which generally may be higher risk than first lien, secured lending strategies.

- **Mezzanine or Subordinated Debt** managers generally focus on loans that are subordinated to a borrower's senior debt but have a priority interest over equity interests. Mezzanine debt is often used in conjunction with senior debt to finance growth initiatives, leveraged buyouts, recapitalizations, or acquisitions.

- **Special Situations** may include strategies such as opportunistic, distressed, or specialty credit.

    - Opportunistic credit managers generally seek to generate attractive risk-adjusted returns by providing capital to address a company's need for additional liquidity or flexibility to address short-term challenges or opportunities. Certain opportunistic credit managers may also seek to deploy capital to capture attractive opportunities stemming from short-term market dislocations.
    - Distressed debt managers typically target the purchase of discounted debt securities, which may result from borrower specific challenges or broader market conditions. Distressed debt strategies may vary from those focused on returns through the expected improvement in a borrower's financial condition to those focused on acquiring distressed debt as a means to negotiate a favorable refinancing or restructuring to generate targeted returns.
    - Specialty finance managers generally focus on specific market niches requiring industry expertise, including aviation finance, pharmaceutical and music royalties, non-performing loans, etc.

The PCF may also invest in any opportunistic investment strategy approved by the Treasurer as an eligible investment.

As outlined in the Private Markets section, Private Credit investments may be accessed through primary, secondary, and co-investment opportunities.

Portfolio Construction Considerations

In addition to the parameters outlined in the *Private Markets* section, the PCF portfolio will seek to be diversified by investment strategy, risk and liquidity profile, manager, and underlying asset or sector-level exposures. In accordance with the CRPTF's investment strategy of achieving risk mitigation through the construction of well-diversified portfolios, the PCF will target the following exposures to private credit strategies. The strategy targets shown below are based on the PCF's percentage of total exposure, defined as market value plus unfunded commitments.

Strategy	Lower Range %	Upper Range %
Senior	30%	100%
Mezzanine	0%	40%
Special Situations	0%	40%

The PCF's investments will be primarily focused on credit-related strategies; however, certain strategies may provide the PCF with equity or equity-like exposure through equity participation, conversion rights, or the restructuring of debt instruments into equity interests. To avoid excessive equity risk, the PCF will avoid investment strategies where significant standalone equity investments would be expected. In addition, the PCF will be managed to limit overall equity exposure to 30% or less of the PCF's total portfolio.

Risk Considerations

In addition to the Risk Considerations outlined in the *Private Markets* section above, additional Private Credit risk factors that will be managed and monitored include, but are not limited to, sector and geographic exposures. To address these risks, the PCF's portfolio will seek to be diversified with respect to manager, strategy, vintage year, geography, and industry exposure. These diversification objectives will be managed and monitored through the PCF's strategic plan, which will identify the appropriate pace and level of commitments to achieve strategy, vintage year, geographic, and sector diversification and liquidity objectives.

The PCF's geographic exposure will be focused on investments made in developed economies to limit exposures to undue market, currency, or political risk. Allocation to emerging markets should be considered within the context of the PCF's total portfolio and be limited to 10% or less of the total PCF exposure.

Real Estate

The Real Estate Fund's ("REF") strategic objectives are to provide diversification to the overall CRPTF investment program, preserve investment capital and generate attractive risk-adjusted rates of return. Investments within the real estate asset class include the development or acquisition and management of properties to generate income and with the potential for capital appreciation through strong operations, re-leasing, and/or repositioning, as needed. In addition to providing current income and the potential for capital appreciation, real assets provide at least two primary benefits to a diversified plan. First, real estate assets have low correlation to equities and fixed income markets and should thereby provide diversification benefits to the CRPTF. Real estate is also designed to yield an inflation-adjusted or positive "real" return.

Asset Class Strategy

The REF will invest in various strategies and vehicles, with a particular focus on Real Estate Investment strategies. Real Assets investments will generally be made in partnerships with the CRPTF as a limited partner and the investment manager serving as the general partner; in open end or closed end diversified funds; directly in the form of limited partnership or other appropriate limited liability vehicle and for which the CRPTF is the sole investor or through publicly traded portfolios. The Real Estate investment managers execute active strategies that are subject to the investment guidelines agreed to between the manager, the CRPTF, and other investors in the investment vehicle.

The Real Estate Portfolio will be sub-divided into two segments: the Core Portfolio and the Non-Core Portfolio.

Under this structure, the strategic objectives of the Core Portfolio are to: (i) produce stable current income; and (ii) generate market level returns commensurate with a low to moderate level of risk.

The Non-Core Portfolio is expected to produce higher returns than the Core Portfolio, subject to an incrementally greater amount of risk, thereby enhancing the overall performance of the REF. The Opportunistic Portfolio may offer limited current income and returns are often largely dependent on future appreciation. The Non-Core portfolio can include value-added and opportunistic real estate funds as well as investments in publicly traded real estate, primarily Real Estate Investments Trusts, "REITS".

Real Estate Investment Composition:

Strategy	Lower Target %	Upper Target %
Core Real Estate	30%	100%
Non-Core Real Estate	0%	70%
Publicly Traded Real Estate (REITs)	0%	20%

The benchmark for the real estate portfolio is the NCREIF Open End Diversified Core Equity Index. Due to vintage year impacts, valuation methodologies and illiquid nature of private investments, comparisons relative to the benchmark are best measured over a period of five-years or more.

Asset Class Characteristics

The following real estate investment types will be considered eligible for CRPTF's Real Estate Fund:

- Residential
- Industrial
- Office
- Retail
- Hotel
- Other niche types which are institutionally invested (i.e., self-storage, student housing, data centers, life science)

As outlined in the *Private Markets* section, Real Estate investments may be accessed through primary, secondary, and co-investment opportunities. The REF may invest in open ended funds that have investment and redemption provisions and/or limited partnerships that have fund expiration and extension provisions. The CRPTF will use its annual pacing plans and liquidity fund management process to ensure that optimum liquidity is available to manage liquidity needs.

Portfolio Construction Parameters

In addition to the parameters outlined in the *Private Markets* section, the following limits are intended to further limit potential concentrations.

	Lower Target %	Upper Target %
Individual Property	0%	10%
Country: U.S.	70%	100%
Individual Non-US Country	0%	15%
Property Type	0%	40%

Risk Considerations

Risk Considerations that will be managed and monitored include but are not limited to sector and geographic exposures and leverage levels.

To address these risks, REF's portfolio will seek to be diversified with respect to manager, strategy, vintage year, geography, and sector exposure. These diversification objectives will be managed and monitored through the REF's strategic plan, which will identify the appropriate pace and level of commitments to achieve strategy, vintage year, geographic, and sector diversification and liquidity objectives.

The REF's geographic exposure will be focused on investments made in developed economies to limit exposures to undue market, currency, or political risk. Allocation to emerging markets should be considered within the context of the REF's total portfolio and be limited to 5% or less of the total REF exposure.

Infrastructure and Natural Resources

The Infrastructure and Natural Resources Fund's ("INR") strategic objectives are to provide diversification to the overall CRPTF investment program, preserve investment capital and generate attractive risk-adjusted rates of return. Infrastructure investments include the building or acquisition of assets that generate a long stream of cash flows that increase over time and are less sensitive to price fluctuations in markets generally. In the case of natural resources, characteristics include the acquisition of land or physical assets to extract, grow, collect, distribute, process, and/or refine raw materials to generate income and for the realization of their economic value.
INR assets have low correlation to equities and fixed income markets and also have revenue streams that are tied to inflation and therefore typically yield an inflation-adjusted or positive "real" return.

Asset Class Strategy

The INR will be sub-divided into two segments:

- Core
- Non-Core

Under these segments, the Core Portfolio is to produce stable, long-lived current income and generate market level returns commensurate with a low to moderate level of risk. At least 30% of the INR will be allocated to the Core Portfolio.
The Non-Core Portfolio is expected to provide greater levels of appreciation for the CRPTF through enhancements and/or development of greenfield or brownfield assets that can generate long-lived contracted cashflow.

Infrastructure and Natural Resource Investment Composition

Strategy	Lower Target %	Upper Target %
Core Infrastructure/Natural Resources	30%	100%
Non-Core Infrastructure/Natural Resources	0%	70%
Publicly Traded	0%	20%

The benchmark for infrastructure and natural resources is the CPI-U + 400 basis points. Due to vintage year impacts, valuation methodologies and illiquid nature of private investments, comparisons relative to the benchmark are best measured over a period of five-years or more.

Asset Class Characteristics

Infrastructure investments include assets invested across sectors facilities, services, and installations considered essential to the functioning and economic productivity of a society.

Natural Resources investments will be invested in land, facilities, services and the acquisition of materials/substances that can be mined, farmed or collected in raw form for economic value.

Investments in Infrastructure and/or Natural resources asset types/segments include and are not limited to:

Infrastructure	Natural Resources

Communications	Agriculture
Energy Generation, Distribution	Agribusiness
Energy Transportation, Storage	Commodities
IT Services	Food Products
Municipal Buildings and Schools	Metals and Minerals/Mining
Roadways, Bridges, Ports, Airports, Railways	Oil, Gas & Fuels
Transportation	Sustainability Products and Services
Utilities	Timber
Waste	Water

Portfolio Construction Considerations

In addition to the parameters outlined in the Private Markets section, the following limits are intended to further limit potential concentrations.

	Lower Target %	Upper Target %
Individual company/asset	0%	15%
Country: U.S.	50%	100%
Individual Non-OECD Country	0%	20%
Asset Type/Segment	0%	40%

Risk Considerations

Outside of the Parameters above, additional risk factors that will be monitored include, but are not limited to: leverage, construction risk, currency, asset type mix, lease and/or contract expirations, and geographic exposures.

Risk Considerations that will be managed and monitored include, but are not limited to, sectors and geographic exposures. To address these risks, INR's portfolio will seek to be diversified with respect to manager, strategy, vintage year, geography, and sector exposure. These diversification objectives will be managed and monitored through the INR's strategic plan, which will identify the appropriate pace and level of commitments to achieve strategy, vintage year, geographic, and sector diversification and liquidity objectives.

The INR's geographic exposure will be focused on investments made in developed market to limit exposures to undue market, currency, or political risk. Allocation to non-OECD markets should be considered within the context of the total portfolio and be limited to 30% or less of the total INR exposure. Wherever possible, investments in non-OECD markets should be dollar or other OECD currency denominated.

As outlined in the Private Markets section, INR investments may be accessed through primary, secondary, and co-investment opportunities The INR may invest in open-end funds that have investment and redemption provisions and/or limited partnerships that have fund expiration and extension provisions. While most investments in the INR will be equity investments, additional strategies across the capital stack may be implemented. The CRPTF will use its annual pacing plans and liquidity fund management process to ensure that optimum liquidity is available to manage liquidity needs.

Appendix D – Detailed Risk Framework

Introduction

Risk management strives to achieve a balance between risk and return. The Treasurer recognizes that the CRPTF must assume risk to achieve desired levels of return. The objectives of the CRPTF's risk management framework, are to ensure that risks taken are evaluated and determined to be appropriate in light of the CRPTF's investment objectives and are properly managed.

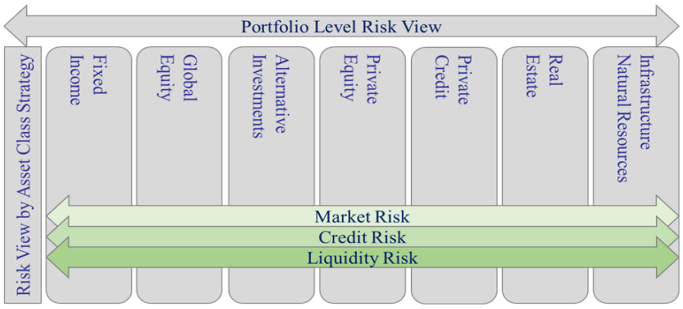
The risk framework is intended to be a dynamic document and may be modified periodically to reflect the changing nature of economic conditions, investing markets, Trust Fund assets, investment programs, and benefit obligations.

Risk Management Approach

Investment decisions are made within a broad and complex risk environment and risks are market dependent. Market-dependent risks are determined by numerous market factors such as interest rates, credit quality, liquidity, and price volatility. For purposes of this framework, risk is defined as the uncertainty that accompanies the CRPTF's investment activities.

CRPTF's risk management approach is concerned with measuring, mitigating, and controlling potential large financial losses associated with unexpected market moves and unanticipated variations in financial conditions. CRPTF Staff manages risk by establishing and adhering to investment guidelines, pursuing multiple approaches to diversification (such as asset class, geography, liquidity profile, currency, and degree of active management), and conducting regular measurement and analytical exercises.

CRPTF's framework takes a Trust Fund level portfolio-wide approach to risk management. This approach has two distinct, although related, dimensions: coordinated risk assessment and management for each asset class strategy; and the integrated evaluation of investment risk across all asset classes.



CRPTF Staff seeks to diligently identify, assess, and monitor relevant investment risks throughout the investment process, from determining its strategic asset allocation to ongoing evaluation and monitoring of the Fund's exposures and performance. This helps to ensure that risks assumed by the Fund are intentional and adequately compensated. Specific risk management guidelines will be required for each investment manager's underlying investment strategy. Strategy level and

aggregate risk exposures of the entire portfolio will be reviewed on a periodic basis and may be managed through a third-party risk aggregator with an analysis of fundamental factors, sector analysis, and stress testing. The preponderance of the portfolio is transparent which allows the Treasurer to manage risk effectively.

CRPTF measures investment risk using multiple metrics on both an absolute and relative basis at relevant levels (i.e., total Fund, functional asset categories, and underlying asset classes). CRPTF Staff also strives to employ stress testing, scenario analyses, and broader financial and economic analyses to understand current and potential risks related to its investment strategy and decisions. CRPTF selects appropriate benchmarks to assess and determine whether investment risks taken by the Fund are appropriate in order to achieve expected investment returns.

Goals for Risk Management

- Seek to achieve or exceed the desired rate of total return within appropriate levels of risk and liquidity.
- Seek to maintain sufficient diversification to reduce the potential for large losses, minimize exposure to unintended risk, and preserve capital.
- Provide an integrated process for overall investment risk management on both a consolidated and disaggregated basis.
- Select, implement, and maintain risk management tools to provide analyses that inform and support the investment process across portfolios and strategies.
- Confirm that external managers have established and will maintain appropriate risk management programs to reduce risks potentially affecting their portfolios.

Risk Parameters

Liquidity: The CRPTF has liquidity needs based upon net annual benefits withdrawals from the portfolio as well as rebalancing needs and private investment capital calls. Liquidity is evaluated holistically across the portfolio and is primarily based on the following:

- Having adequate net funding to pay beneficiaries
- Rebalance the portfolio and maintain the integrity of the portfolio's asset allocation
- Fund net capital calls for private investments
- Maintaining sufficient funding resources to avoid forced liquidation of assets during periods of market turbulence.

Based upon, but not limited to, the factors listed above, the Treasurer will determine the appropriate allocation to cash equivalents in order to meet the Trust Funds' liquidity needs in the near term. Liquidity requirements will be reviewed regularly by Staff (generally monthly and quarterly, as well as daily when necessary) to ensure that each of the CRPTF's policies and practices are structured so as to accommodate changing liquidity needs.

Leverage: the policy of the CRPTF is to not use leverage in the portfolio, with the exception of approved private and alternative asset classes that prudently use leverage within the underlying active manager's strategy level (fund level) guidelines and risk parameters.

Diversification and concentration risk: CRPTF's investments will be diversified by asset class and strategy to reduce volatility associated with concentrated portfolios and to limit the probability of

large losses on individual asset managers within the portfolio. Diversification is an important risk mitigant and underpins the structure of the CRPTF as a global, diversified portfolio. It is also important to avoid excessive diversification. Accordingly, the CRPTF will be constructed and maintained to provide prudent diversification among the asset classes in accordance with the asset allocation policy.

Within each asset class, the holdings in aggregate should have broad exposure across geographies, industries, sectors, and styles. Within actively managed portfolios, holdings should be meaningfully different from a passive alternative to justify the higher fees associated with active management and create a higher probability of generating outperformance relative to the appropriate benchmark.

Actively managed portfolios should also be prudently diversified regarding the concentration of holdings in individual issues, corporations, partnerships or industries in accordance with each underlying active manager's strategy level (fund level) guidelines and risk parameters. CRPTF's general diversification and concentration limits are as follows:

- Liquid portfolios: Manager allocations will be sized to minimize investment fees, prevent excessive diversification, and align with the size of the market opportunity and the manager's capacity to execute. Investment mandates (regardless of focus) will generally be a minimum of twenty-five (25) basis points (i.e., 0.25%) of the CRPTF's total assets under management, and should not generally constitute more than thirty-three percent (33%) of the investment manager's particular strategy for which it is being engaged at the time of investment. However, the Treasurer at his/her discretion and acting in consultation with the IAC may develop programs intended to encourage the development of investment managers who demonstrate the capacity to add value to the CRPTF but may not have the requisite amount of assets under management.
- Private (illiquid portfolios): The CRPTF will be diversified with respect to vintage year, geography, industry, strategy, and stage focus. Given the illiquid nature of private equity investments, attempting to "time the market" is not a realistic alternative. The CRPTF will dollar cost average into the market with new commitments on a steady, annual basis. The CRPTF's commitment should be no more than 33% of the total amount committed to a single commingled fund unless waived.
- Hybrid liquid (alternative) portfolios: The CRPTF's commitment should be no more than 33% of the total amount committed to a single commingled fund unless waived.
- Number of Portfolios: for the purpose of avoiding concentration, all asset classes representing more than 3% of the CRPTF will have at least two managers, which includes internally or externally managed indexed or passive funds.

Use of Derivatives

Derivative instruments are defined as any contract or investment vehicle whose performance, risk characteristics or value is based on a specific asset, interest rate or index value. The policy of CRPTF is to allow managers in the underlying portfolio (and Staff) to use derivatives to hedge risk and manage exposures, and not to engage in speculation. All other uses of derivatives are prohibited unless specifically approved by the Treasurer and endorsed by the IAC. Asset managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in undue risk to the portfolio.

Currency Exposure and Hedging

As an investor in international markets, the CRPTF is exposed to the foreign currencies in which securities are denominated. Over the very long term, returns of foreign currencies are expected to be zero. However, over the medium term (up to 10 years horizon) currency markets can experience significant dislocations. While the policy of the CRPTF is not to directly hedge currency exposure, Managers with holdings exposed to foreign currencies may hedge currency in accordance with their strategy guidelines and documented policies in the investment management agreement or other contract. Additionally, CRPTF will periodically reassess the efficacy of hedging currency exposure.

Appendix E – Responsible Contractor Policy

I. Introduction

The State of Connecticut Retirement Plans & Trust Funds ("CRPTF" or "the Plan") has a deep interest in the condition of workers employed on behalf of the Plan and its advisors. The Plan, through the Responsible Contractor Policy ("Policy") described below, supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the Plan's investments in real assets. The Plan endorses small business development, market competition, and control of operating costs. The CRPTF supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of its investments in real assets. The Plan believes that an adequately compensated and trained worker delivers a higher quality product and service.

II. Definition of a Responsible Contractor

A Responsible Contractor, as used in this Policy, is a contractor or subcontractor who: (1) pays workers a fair wage and a fair benefit as evidenced by payroll and employee records; and (2) is not debarred by and whose principal officer is not debarred by a municipal, state or federal government. "Fair benefits" are defined as including, but are not limited to, employer-paid family health care coverage, pension benefits, employee safety training, apprenticeship programs and paid time off. What constitutes a "fair wage" and "fair benefit" depends on the wages and benefits paid on comparable projects, based upon local market factors, that include the nature of the project (e.g., residential or commercial; public or private), comparable job or trade classifications, and the scope and complexity of services provided.

For real estate or infrastructure projects that include local, state or federal financing that triggers prevailing wage laws, the Plan supports and requires investment managers to pay such prevailing wages. Responsible contractors recognize the right of all workers to freedom of association in the workplace as protected under local, state and federal law and as recognized by International Labour Organization (ILO) standards (https://www.ilo.org/global/standards/lang--en/index.htm).

III. Initial Requirements of the Responsible Contractor Policy

A. Duty of Loyalty: Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of the participants and the beneficiaries of the CRPTF. The Plan's, as well as its advisors', duty to the participants and their beneficiaries shall take precedence over any other duty.

B. Prudence: The Treasurer, IAC and CRPTF's advisors are charged with the fiduciary duty to exercise the care, skill, prudence and diligence appropriate to the task.

C. Competitive Return: To comply with duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.

D. Competitive Bidding: Contractors and their subcontractors for construction, maintenance, and services shall be selected through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to actively seek bids from all qualified sources within an area, particularly those identified as Responsible Contractors. Advisors and their subcontractors shall create a bidding process that includes notification and invitations to bid, distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors. The review of the bids shall include considerations of loyalty, prudence, competitive risk-adjusted returns, experience, reputation for honesty, integrity, timeliness, dependability, fees, safety record, and the adherence to the Responsible Contracting Policy.

E. Local, State and National Laws: All advisors, property managers, contractors, and their subcontractors shall observe all local, state, and national laws (including, by way of illustration, those pertaining to insurance, withholding taxes, minimum wage, labor relations, health, and occupational safety).

IV. Selection Preference of a Responsible Contractor

If Initial Requirements A through D (see Section III above) are satisfied, CRPTF expresses a strong preference that Responsible Contractors be hired.

V. Transition, Enforcement, Monitoring and Administration

A. Applicable Investments and Phasing: This Policy shall apply to equity real estate and infrastructure investments. The Policy shall not apply to investments such as mezzanine debt, hybrid debt, joint ventures, opportunity funds, international investments, secondary funds, indirect, specialty, and mortgage investments that lack equity features, and other real estate investments where CRPTF owns 50% or less and/or lacks control of the investment. However, in those instances where CRPTF does not have a majority ownership stake and/or control of the investment, staff will make reasonable attempts to encourage partners to comply with the spirit and practice of Responsible Contracting. In addition, reasonable efforts will be made to include fund managers that have adopted responsible contractor policies and to seek out investment opportunities that have responsible contractor policies in place for investment consideration.

B. Notification: CRPTF shall provide all applicable current and prospective real assets fund advisors with a copy of this Policy, including investments where CRPTF does not have more than 50% ownership and control of the investment.

C. Solicitation Documents: All requests for proposal and invitations to bid covered by this Policy shall include the terms of this Policy. Responses by bidders shall include information to assist the staff in evaluating a bid.

D. Contracts and Renewals: All contracts entered into after the effective date of this Policy and pertaining to applicable real assets investments, including renewals of such contracts, shall include the terms of this Policy.

E. Responsibilities: The responsibilities of CRPTF's staff, advisors, property managers, contractors, and unions are defined as follows:

1. Staff: CRPTF staff shall have the following responsibilities:
   a. Review the advisors' annual certification reports regarding compliance with the Policy, which reports may be included in overall compliance reports submitted by advisors to CRPTF.
   b. Insert appropriate contract language where applicable.
   c. In those instances where CRPTF does not have more than 50% ownership and control of an investment, make reasonable attempts to encourage partners to comply with the spirit and practice of Responsible Contracting.

2. Advisors: Advisors' responsibilities shall include:
   a. Communicate the Policy to all property managers and incorporate its requirements, including without limitation the property manager requirements under Section V.E.3, into applicable contracts with property managers.
   b. Review a contract listing for each property prepared by each property manager.
   c. Maintain a simplified bid summary for each applicable contract. The summary should include identifying contract, successful bidder, and bidder's status as Responsible Contractor.
   d. Maintain an annual report in their home office, describing their own efforts as well as those by property managers and their subcontractors.
   e. Monitor and enforce the Policy including investigation of potential violations.
   f. Annually, the signatory to the CRPTF contract will submit a report regarding compliance with the Policy, which report may be included in overall compliance reports submitted by the advisor to the CRPTF. At a minimum, the report shall include: (1) a description of any report or investigation into non-compliance to the Policy; and (2) certify that the advisor complied with its responsibilities under the Policy. The advisor, upon request, will provide additional written substantiation of such compliance.
   g. Develop and maintain a list of all CRPTF properties that are more than 50% owned and controlled. The list will include the property name, address, advisor and property manager, and phone number of the property manager and real assets fund advisors.

3. Property Managers: Property managers will have responsibility for the following:
   a. Communicate in bid documents the Responsible Contractor Policy to contractors seeking to secure construction or building service contracts.
   b. Communicate the Policy to any interested party.
   c. Ensure there is a competitive bidding process that is inclusive of potentially eligible Responsible Contractors.

d. Send a project bid notification to a national network that maintains and provides data on bidding and other information on projects, such as Dodge Data & Analytics. To the extent that there is no national network data platform available, send a project bid notification to applicable local, regional and/or state trades councils. Such notification shall be sent as soon as practical prior to the bid due date.

e. Require bidders to provide to property manager a Responsible Contractor self-certification on a form approved by CRPTF.

f. Prepare and send to advisors a contract listing for applicable service contracts for each property under management. The building trades and service trades and other potential bidders will have access to this list.

g. Provide advisors with a simplified bid summary for each contract.

h. Provide property level annual report information to advisor.

i. Maintain documentation for successful bidders.

j. Seek from trade unions/service unions input in the development of Responsible Contractor lists.

k. Maintain list of any interested Responsible Contractors (names, addresses and telephone numbers).

l. Provide solicitation documents to any potential contractor who has, in writing, expressed an interest in bidding for the relevant contract.

4. Contractors: Contractors will have the responsibility for the following:

a. Submit to property manager a Responsible Contractor self-certification on a form approved by CRPTF.

b. Communicate to subcontractors the Responsible Contractor Policy.

c. Provide to property manager Responsible Contractor documentation.

5. Unions: Trade unions/service unions shall be asked to perform the following tasks:

a. Deliver to the property manager or advisor lists of names and phone numbers of Responsible Contractors.

b. Refer interested and qualified Responsible Contractors to the property manager.

c. Continually monitor the local labor markets to update the lists.

d. Provide technical input as appropriate.

e. Send project notifications to applicable Local Building Trades Councils.

F. Reserved

G. Minimum Contract Size: The Policy shall absolutely apply to all contracts of a minimum size of $100,000, individually or annually, as applicable. Minimum contract size refers to the total project value of the work being contracted for and not to any disaggregation by trade or task. For example, a $100,000 contract to paint two buildings in a single office complex would not be treated as two $50,000 contracts, each less than the minimum contract size. Disaggregation designed to evade the requirements of the Policy is not permitted.

H. Applicable Expenditures Categories: The Policy shall apply to tenant improvements, capital expenditures, and operational service contracts (such as cleaning).

I. Fair Wage, Fair Benefits, Training: The Policy avoids a narrow definition of "fair wage", "fair benefits" and "training" that might not be practical in all markets. Furthermore, the Policy does not require a "prevailing wage" as defined by government surveys. Instead, the Policy looks to local practices with regard to type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is important.

In determining "fair wages" and "fair benefits" with regard to a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Section III.D, and V.F and J. This program is premised upon the availability of a list of Responsible Contractors in every market in which CRPTF directly owns a property. While advisors and their property managers and contractors are responsible for gathering and analyzing information relevant to identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on the advisors, property managers, or contractors. This Policy instead invites the various local trades to suggest contractors, which in their view qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders' associations, and governments.

J. Competitive Bidding: Property managers and contractors should give notice for applicable bids in local trade publications, bulletins and union building trades councils. Property managers should seek input from building trades councils to develop lists of Responsible Contractors for inclusion in the bidding process.

Property managers may choose from the list of Responsible Contractors a reasonable number of contractors to be invited to bid. Given the time and expense required to solicit and evaluate bids, it is not essential that advisors, property managers, and contractors invite all potential bidders.
The property manager must ensure that there is a competitive bidding process, which is inclusive of potentially eligible Responsible Contractors. Inclusion is not

necessarily assured by large numbers of bidders. Care must be taken that bidders include potentially eligible Responsible Contractors.

Although the Policy does not require hiring union workers, the trade unions will be invited to: (1) deliver to the property manager or advisor lists of names and phone numbers of Responsible Contractors, including those Responsible Contractors who have expressed any interest in bidding; and (2) continually monitor the local markets to update the lists. Property managers shall maintain these lists supplied by the trade unions.

K. Neutrality: CRPTF recognizes the rights of employees to representation, and supports and strongly encourages a position of neutrality, in the event there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services at a CRPTF-owned property.

Resolution of any inter-jurisdictional trade disputes will be the responsibility of the trades and the various state and national building trades councils. This Policy does not call for any involvement by the advisors, property managers, or contractors in inter-jurisdictional trade disputes.

L. Enforcement: If Staff becomes aware of non-compliance, this Plan will place a non-complying advisor or property manager on a probation watch list. If the advisor or property manager does not modify this pattern of conduct even after discussions with CRPTF's staff, the Plan will consider this pattern of conduct along with other information when it reviews the advisor or property manager contract for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of this Policy.

Appendix F – Policy for Implementation of Investment Restrictions

Primary among the Treasurer's considerations for the investment of the assets of the Connecticut Retirement Plans and Trust Funds ("CRPTF") is the long-term economic benefit of plan participants and beneficiaries. Toward this end, the Treasurer may divest, decide to not further invest state funds, or not enter into any future investment, consistent with Connecticut statute,[14] the CRPTF's Investment Policy Statement and common law standards of fiduciary duty.

State law directs the Treasurer to "consider the implications of any particular investment in relation to the foreign policy and national interests of the United States."[15] In addition to this general directive, specific matters implicating foreign policy and U.S. national interests have been embodied in state statutes for consideration in making investments in companies doing business in Iran[16] and Sudan.[17] These statutes provide guidance to the Treasurer when making investment decisions, have been incorporated into the investment processes and are reflected in all contracts under which CRPTF assets are invested.

This ***Policy for Implementation of Investment Restrictions*** sets forth the process by which the Treasurer may prohibit specific investments, as well as the administrative procedures to be followed to ensure that the CRPTF's managers are compliant with said Policy.

I. Prohibition of Investments

The Treasurer may prohibit investment of CRPTF assets in particular securities, types of securities, or companies pursuant to the Treasurer's statutory investment restriction authority and/or based on the following determination:

- there are one or more risk factors that may impact profitability and long-term shareholder value
- said risks run counter to the goals and objectives of the CRPTF to provide investment income and appreciation in line with the long-term liabilities that the CRPTF is designed to support; and
- said prohibition will not adversely or materially impact the CRPTF's risk/return profile.

The consolidated list of all restricted investments, whether pursuant to statutory investment restrictions or otherwise based on the exercise of the Treasurer's discretion (e.g., civilian firearms manufacturers or Russia-domiciled investments) shall be referred to as the "Restricted Investments List."

The Chief Investment Officer's PFM designee ("PFM lead") shall compile the update to the Restricted Investments List annually, incorporating any statutory investment restriction updates from the Chief Compliance Officer ("CCO"). They will collaborate on updates to the Restricted Investments List annually for the Chief Investment Officer's review and Treasurer's approval.

[14] See Conn. Gen. Stat. § 3-13d(a), which allows the Treasurer to consider the "social, economic, and environmental implications of investments of trust funds in particular securities or types of securities." See also Conn. Gen. Stat. §§ 3-13g and 3-21e.
[15] Conn. Gen. Stat. § 3-13d(a).
[16] Conn. Gen. Stat. § 3-13g.
[17] Conn. Gen. Stat. § 3-21e (collectively with § 3-13d(a) and § 3-13g, the "statutory investment restrictions").

II. Notice Provisions

The Treasury's investment staff will publish the Restricted Investments List on the Treasury's website, annually on or about July 1st of each year, or as changes are made from time to time.

Treasury investment staff will annually provide a copy of the Restricted Investments List to the CRPTF's investment managers, as applicable, and said List shall be incorporated by reference in all contracts under which CRPTF assets are invested.

The CCO will implement the Treasurer's required notice to companies from which CRPTF assets may be divested as a result of a statutory investment restriction.

III. Monitoring and Enforcement of Investment Restrictions

A. Monitoring by Treasury Staff

1. Monthly Review – The CRPTF's investment staff shall, on a monthly basis, review the investments held by the CRPTF custodian bank to confirm that that no restricted investments are owned by the CRPTF. The PFM lead shall confirm each monthly review.
2. Quarterly and Annual Reviews -- The CRPTF's investment staff shall, as part of ongoing performance reviews, verify investment managers' compliance with the Restricted Investments List.
3. Annual Global Risk Assessment Certification – The CCO shall request and review investment managers' annual certification regarding compliance with the Restricted Investments List.

B. Investment Managers' Responsibilities

1. Investment managers shall adhere to specific investment restrictions imposed by the Treasurer, within the timeframes specified in applicable instructions.
2. Investment managers shall implement procedures to monitor portfolios they manage on behalf of the CRPTF to ensure compliance with the Restricted Investments List and related instructions.
3. Investment managers shall confirm, as part of their performance reviews with investment staff, that no restricted investments are held within the portfolio of CRPTF's assets.
4. Investment managers shall certify annually to the Treasury's Chief Compliance Officer that no restricted investments were acquired for the CRPTF's portfolio during the preceding year.

C. Enforcement

Failure to comply with investment restrictions imposed by the Treasurer herein constitutes a violation of this Policy and a breach of contract. In the event of non-compliance, the PFM lead shall recommend to the Chief Investment Officer that an investment manager be directed to divest the restricted investment, where applicable, with due consideration to minimizing transaction costs. Investment

staff will review the circumstances giving rise to non-compliance, and may recommend to the Treasurer that an investment manager be placed on a Watch List or terminated.

Appendix G -- Proxy Voting Policies

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I. INTRODUCTION

This document sets forth the State of Connecticut Retirement Plans and Trust Funds' ("CRPTF") Proxy Voting Policies that guide the CRPTF's proxy voting and shareholder activities, which are essential elements of protecting and increasing the long-term value of the CRPTF's equity investments.

The CRPTF does not expect that the board of directors of each company in which it invests will adopt or embrace every issue in these proxy voting policies. The CRPTF recognizes that some policies may not be appropriate for every company, due to differing business needs and structures as well as risk factors and competitive needs. The CRPTF looks to each board of directors to take appropriate action in the best interests of the company and its shareholders. The policies in this document represent the CRPTF's views on best practices relative to corporate policy.

The proxy voting policies conform to common law fiduciary standards, including Connecticut statutes pertinent to fiduciary conduct, such as the Uniform Prudent Investor Act. These policies also are consistent with Connecticut statutes that permits the Treasurer to consider the environmental, social and economic implications of investment decisions.[1]

All votes will be reviewed on a company-by-company basis and no issues will be considered routine. Each issue will be considered in the context of the company under review and subject to a rigorous analysis of the economic impact an issue may have on the long-term shareholder value.

The CRPTF also actively engages companies on issues of concern in an effort to increase shareholder value. When appropriate, the CRPTF will itself sponsor shareholder resolutions. These proxy voting policies provide guidance for these activities as well.

II. THE BOARD OF DIRECTORS

Electing the board of directors is the most important stock ownership right that shareholders can exercise. By electing directors with views similar to their own, shareholders can help to define performance standards against which management can be held accountable.

The CRPTF believes that at least a majority of board members be independent of management and that all members of key board committees (e.g. nominating, compensation, and audit) be independent. For these purposes, the CRPTF defines an independent director as:

Someone whose only nontrivial professional, familial or financial connection to the corporation, its chairman, CEO or any other executive officer is his or her directorship. Stated most simply, an independent director is a person whose directorship constitutes his or her only connection to the corporation.[2]

The CRPTF also believes that ongoing assessment of directors' skills and performance is an important attribute of a well-functioning board, and that boards have an obligation to ensure a balance of experience and tenure of their directors.

Accordingly, the CRPTF will consider all relevant facts and circumstances to determine whether a director is independent, including a director's years of service on the board.[3]
A director will NOT be considered independent under the following conditions:

The director is employed by the company or one of its affiliates;

- The Board has determined by attestation that the director is not independent;
- The director is a former CEO of the company (except if served on an interim emergency basis);
- The director is a former CEO of an acquired company within the past five years;
- The director is a former significant executive of the company, an affiliate or an acquired firm within the past five years;
- The director is a relative of a current significant executive level employee of the company or its affiliates;
- The director is a relative of an individual who was a significant executive within the past five years of the company or its affiliate;
- The director currently provides (or a relative provides) professional services directly to the company, to an affiliate of the company or an individual officer of the company or one of its affiliates;
- The director is employed by (or a relative is employed by) a significant customer or supplier;
- The director has (or a relative has) any transactional relationship with the company or its affiliates; or
- The director has any material financial tie or other related party transactional relationship to the company.

A. Voting for Director Nominees in Uncontested Elections

Traditionally in an uncontested election, all nominees are elected because only a plurality vote is needed to elect each director. Recently, at the urging of shareholders, many companies have moved to either requiring a majority vote to elect a director in an uncontested election, or to require a director that did not receive a majority vote to tender his/her resignation (which can be accepted or rejected by the board). Therefore, uncontested elections have become real elections.

For companies where there is a majority vote standard, the vote options on the proxy are FOR/AGAINST. At plurality vote companies, the proxy vote options are FOR/WITHHOLD.

Votes on director nominees are made on a CASE-BY-CASE basis, considering company performance and individual director performance.

The CRPTF will WITHHOLD votes from or vote AGAINST directors individually or the entire board, for egregious actions or failure to replace management as appropriate.

The CRPTF may WITHHOLD votes from or vote AGAINST directors individually or the entire board where the company has failed to align their business plans with the goals of the Paris Climate Agreement, to establish a plan to achieve net zero emissions by 2050, or where a director individually or the entire board have failed to exercise appropriate risk oversight of environmental and social issues.

The CRPTF will WITHHOLD votes from or vote AGAINST individual directors in some cases based on examination of the following factors:

- Nominee is both the CEO and chairman of the board of directors (except for certain situations as cited in Section II.D.);
- Nominee's attendance of meetings is less than 75 percent without valid reason;
- Non-independent nominee being a member of a key board committee (audit, nominating and compensation committee);
- Nominee is serving on an excessive number of other boards; for a CEO this would be more than two (2) public company boards (one plus his or her own), for a non-CEO with a full time job this would be more than three (3) public company boards and for a non-CEO with no other employment except as a board member, this would be five (5) public company boards unless the company has disclosed in the annual proxy statement reasons why additional board service exceeding the guidelines above would not interfere with a nominee's ability to perform his or her responsibilities or there are other mitigating circumstances (e.g. a CEO sitting on the board of a wholly-owned subsidiary);
- Nominee is serving on the board or in an executive position of another company where that company was involved in Chapter 7 bankruptcy, or where there were proven SEC violations, or a proven criminal offense related to the nominee;
- Poor performance by nominee on the board of another company, such as being a director of a company which filed for bankruptcy and where there are credible allegations of fraud;
- Interlocking directorships where the CRPTF Proxy Voting Advisor and/or other experts deem those relationships an impairment to independent judgment and action;
- Related party transactions where the CRPTF Proxy Voting Advisor and/or other experts deem those transactions to be more in the interest of the director nominee than the shareholders.

The CRPTF will WITHHOLD votes from or vote AGAINST the entire board of directors (excepting new nominees, who the CRPTF will evaluate based on the other criteria in this section) if:

- The company's poison pill has a dead-hand or modified dead-hand feature;
- The board adopts or renews a poison pill unless the poison pill is subject to shareholder approval;
- The board failed to act on a shareholder proposal that received approval by a majority of shares outstanding the previous year;
- The board failed to act on takeover offers where the majority of the shareholders tendered their shares;
- The board failed to address an issue(s) that caused a 50% or greater withhold vote for any director in the previous director election;
- The board did not respond to a request from major institutional investors about significant policy issues that have material significance to shareholder value;
- The Board does not have in place a succession plan for the CEO and key board members such as the chairman and/or lead director;
- Issues specific to key board committees (as outlined below) are not addressed by the board as a whole;
- The company has no women on its board;
- The board has not ensured that management has installed effective mechanisms to manage risks that may affect the company, its industry and the economy.

The CRPTF will WITHHOLD votes from or vote AGAINST non-independent directors when:

- The non-independent director serves on any of the three key committees: audit, compensation or nominating;
- The company lacks an audit, compensation or nominating committee, enabling the board to function as that committee;
- The full board is less than majority independent.

The CRPTF will WITHHOLD votes from or vote AGAINST members of key board committees in cases of poor performance of those committees of which the nominee is a member.

The CRPTF will vote AGAINST members of the Nominating Committee if:

- The committee does not seek out candidates for the board from a diverse candidate pool, with particular attention to race and gender diversity, particularly when such diversity is underrepresented or nonexistent on the board;
- The board did not respond to a request from major institutional investors for information about the racial and/or ethnic composition of its board, or declined to disclose such information**;**
- The board lacks meaningful gender and racial/ethnic diversity, including but not limited to any board on which more than 70% of the directors are the same gender.
- The board includes no racial or ethnic diversity.
- The company does not disclose the ethnic, racial and gender diversity of the board.

The CRPTF will vote AGAINST all incumbent board members if:

- Board lacks meaningful gender and racial/ethnic diversity, including but not limited to any board on which more than 70% of the directors are the same gender; AND
- The company does not disclose the ethnic, racial and gender diversity of the board

The CRPTF will WITHHOLD votes from or vote AGAINST members of the Audit Committee if:

- The non-audit fees paid to the accounting firm performing the audit are greater than 25% of the total fees paid to the firm by the company (see also Section V.);
- The Audit Committee failed to respond to a material weakness identified in the Section 404 Sarbanes-Oxley Act disclosures;
- There are chronic internal control issues and an absence of established effective control mechanisms identified by the external auditors that are not being addressed in a timely manner;
- The committee has poor oversight of the company's procedures to assure independence of the auditors (see Section V. for further discussion);
- The company fails to allow shareholders the opportunity to vote to ratify the company's audit firm.

The CRPTF may WITHHOLD votes from or vote AGAINST the members of the Compensation Committee if the company has poor compensation practices. (See section IX. B. for discussion of poor compensation practices.)

Appendix A to these guidelines contains a discussion and enumeration of poor compensation practices, is incorporated by reference to this section and will be the criteria used for both voting for re-election of members of the Compensation Committee, as well as for the Say on Pay vote (see Section IX.B.)

If the company holds an annual advisory vote on executive compensation, the CRPTF may vote AGAINST the advisory vote to signal its concerns on compensation issues rather then vote against members of the compensation committee. If the pay practices that raise concerns are not corrected, the CRPTF would vote against re-election of the compensation committee member in the subsequent year.

For companies that do not hold an advisory vote on executive compensation in a particular year, the CRPTF may vote AGAINST the members of the compensation committee as dictated by this subsection.

B. Voting for Director Nominees in Contested Elections

Competing slates will be evaluated based upon the personal qualifications of the candidates, the economic impact of the policies that they advance, and their expressed and demonstrated commitment to the interests of all shareholders and stakeholders (e.g. employees, customers, and communities in which a company resides), as well as using the criteria outlined in Section II.A. regarding uncontested elections.

Votes in a contested election of directors are evaluated on a CASE-BY-CASE basis, considering the following factors:

- Long-term financial performance of the company relative to its industry;
- Management's track record;
- Performance evaluation of any director standing for re-election;
- Background to the proxy contest;
- Qualifications of director nominees (both slates);
- Evaluation of what each slate is offering shareholders, as well as the likelihood that the proposed objectives and goals can be met;
- Stock ownership positions of individual directors;
- Impact on stakeholders such as the community, employees, customers, etc.

C. Board Diversity

The CRPTF supports company efforts to ensure a diverse and inclusive board of directors as a means of enhancing long-term financial performance. The charter of the nominating committee should include a policy that commits the company to seeking a diverse slate of candidates, including ethnic, racial and gender diversity, as well as consideration of candidates' experience, skills, age, geography, sexual orientation, gender identity, and disability status

Generally, the CRPTF will vote FOR shareholder resolutions requesting reports on the company's efforts to diversify the board, unless:

- The board composition is reasonably inclusive in relation to companies of similar size and business; or

- The board already reports on its nominating procedures and diversity initiatives.

The CRPTF will vote on a CASE-BY-CASE basis on shareholder resolutions asking the company to increase the board's diversity taking into account:

- The degree of board diversity;
- Disclosure of board diversity in board skills matrix
- Comparison with peer companies;
- Established processes for improving board diversity including existence of independent nominating committees and use of an outside search firm;
- History of Equal Employment Opportunity (EEO) violations.

D. Independent Director as Chairman of the Board

The CRPTF believes that the positions of chairman and CEO should be held by different persons, except in extraordinary circumstances. In those circumstances, there should be a lead independent director.

Generally, the CRPTF will WITHHOLD its vote from or vote AGAINST a director nominee who holds both positions.

Overall, the CRPTF will vote FOR shareholder resolutions that ask companies to require the position of chairman of the board be filled by an independent director, except in extraordinary circumstances that are explicitly spelled out.

E. Substantial Majority of Independent Directors

The CRPTF believes that at a minimum, a substantial majority of every board of directors should be independent from management. Boards should strive to maintain board composition made up of a substantial majority of independent directors.

The CRPTF will vote FOR shareholder resolutions asking that a substantial majority of directors be independent.

F. Shareholder Access to the Proxy

The CRPTF supports proxy ballot access for shareholders' nominees to the board, provided that shareholders, holding in aggregate at least 3% of a company's voting stock with 3 years of continuous ownership, have shown support for each nominee.

Generally, the CRPTF will vote FOR shareholder resolutions asking companies to provide shareholders, holding in aggregate at least 3% of shares with 3 years of continuous ownership, with the ability to nominate director candidates to be included on management's proxy card.

G. Nominating Directors on a Company's Proxy Card

Securities and Exchange Commission (SEC) rules permit a shareholder or group of shareholders meeting certain requirements to nominate candidates to the board of directors through the company's proxy card.

The CRPTF will evaluate whether the replacement of individual board members is beneficial to the company and will join other shareholders in nominating candidates on a CASE-BY-CASE basis.

H. Majority Vote for Election of Directors

Generally, the CRPTF will vote FOR shareholder resolutions (including binding resolutions requesting that the board amend the company's bylaws) calling for directors to be elected with a majority of votes cast[4] for electing directors, provided the proposal includes a carve-out for a plurality voting standard when there are more director nominees than board seats (e.g. contested elections).[5]

I. Stock Ownership Requirements

The CRPTF will vote FOR shareholder resolutions that ask companies to require members of the board of directors to own some amount of stock of the companies on which they serve as board members. Exceptions should be made for clergy.

J. Annual Election of Directors

The CRPTF will vote FOR shareholder resolutions that ask companies to ensure all members of the board of directors be elected by shareholders every year.

K. Term of Office

The CRPTF will vote FOR shareholder resolutions proposing term limits or mandatory retirement age for members of the board of directors, provided that such proposals permit the board to waive this requirement on a CASE-BY-CASE basis.

L. Cumulative Voting

The CRPTF will generally vote FOR shareholder resolutions to allow cumulative voting in contested elections, provided that the resolution does not require cumulative voting in uncontested elections. Under a cumulative voting scheme, the shareholder is permitted to have one vote per share for each director to be elected and shareholders are permitted to apportion those votes in any manner they wish among the director candidates.

M. Director and Officer Indemnification and Liability Protection

Management proposals typically seek shareholder approval to adopt an amendment to the company's charter to eliminate or limit the personal liability of directors to the company and its shareholders for monetary damages for fiduciary breaches arising from gross negligence.

Generally, the CRPTF will vote AGAINST management proposals to limit or eliminate entirely director and officer liability for:

- A breach of the duty of loyalty,

- Acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law,
- Acts involving the unlawful purchases or redemptions of stock,
- The payment of unlawful dividends, or
- Use of the position as director for receipt of improper personal benefits.

III. COMPANY RESPONSIVENESS TO SHAREHOLDERS

Shareholders are the owners of the company and, as such, have an important right and duty to elect members of the board of directors. The members of the board of directors in turn oversee the company and act on behalf of shareholders to protect shareholders' interests. Shareholders often express their concerns through written communications, direct conversations, shareholder resolutions, and voting on proxy issues including voting for directors. Boards of directors need to be responsive to these shareholder communications.

A. Response to Majority Votes

When a shareholder resolution receives the support of a majority of the shareholders voting, the board of directors and management has an obligation to affirmatively consider the wishes of the shareholders.

The CRPTF will vote FOR shareholder resolutions that request companies to adopt a policy that creates a mechanism and an obligation for the board of directors to take action on any shareholder resolution that receives an affirmative vote of a majority of those shares voted.

B. Communication with Shareholders

Members of the board of directors have a responsibility to listen to shareholders and to be responsive to their concerns.

The CRPTF will vote FOR shareholder resolutions that request companies to create a formal mechanism for shareholder communication with independent directors.

The CRPTF will vote FOR shareholder resolutions that request companies to require that all directors be present at the annual meeting of shareholders (unless there are extenuating circumstances) and that there is a period set aside at the annual meeting for the independent directors to answer questions from shareholders on issues of concern (management may be present).

IV. PROXY CONTEST DEFENSES

A. Poison Pills

"Shareholder rights plans," typically known as poison pills, provide the target board with veto power over takeover bids and insulate management from the threat of a change in control. Because poison pills greatly alter the balance of power between shareholders and management, shareholders should be allowed to make their own evaluation of such plans.

The CRPTF will vote FOR shareholder resolutions that request companies to submit its poison pill for shareholder ratification.

The CRPTF will review on a CASE-BY-CASE basis shareholder resolutions that request companies to redeem a company's poison pill.

The CRPTF will review on a CASE-BY-CASE basis management proposals to ratify a poison pill.

B. Amend Bylaws without Shareholder Consent

The CRPTF will vote AGAINST management proposals giving the board exclusive authority to amend the bylaws.

The CRPTF will vote AGAINST shareholder resolutions giving the board the ability to amend the bylaws without shareholder approval.

V. AUDITORS

The CRPTF believes that a company's auditors should be independent of outside influence and therefore should not perform non-audit-related consulting work. The audit committee should adopt and implement a formal policy on the independence of the auditors that is disclosed in the audit committee report of the proxy statement. Such policy should state that the auditors will not be considered independent if they provide significant non-audit services to the company apart from the audit. Services are considered significant if they are worth the lesser of $50,000 or 1 percent of the audit firm's gross revenues for the most recent fiscal year. Under no circumstances should the amount of payment paid to the auditor for non-audit services (including audit related services) be larger than the payment for audit services. The audit committee should not indemnify the auditor. The appointment of the auditor should always be placed before shareholders for approval.

The CRPTF will vote AGAINST management proposals to ratify auditors if:

- An auditor has a financial interest in or association with the company, and is therefore not independent;
- There is reason to believe that the independent auditor has rendered an opinion which is inaccurate or non-indicative of the company's financial position;
- During the prior year, the fees paid to the audit firm for non-audit-related services was more than 25% of total fees paid to the firm by the company.

VI. ACQUISITIONS AND MERGERS

Votes on mergers and acquisitions and related issues are considered on a CASE-BY-CASE basis, with the primary concern being the best long-term economic interests of shareholders. In making this evaluation, the CRPTF will take into account at least the following:

- Anticipated financial and operating benefits;
- Offer price (cost vs. premium);
- Prospects of the combined companies;
- How the deal was negotiated;
- Fairness opinion (or the lack of one);

- Changes in corporate governance and its impact on shareholder rights;
- Impact on community stakeholders and workforce;
- Strategic rationale for the merger or acquisition;
- Analysis of whether there are any conflicts of interest;
- Analysis of corporate governance of the newly formed entity - both compared to the governance provisions of the companies prior to the merger or acquisition and compared to the governance provisions of these proxy voting policies.

A. Fair Price Provisions

The CRPTF will vote on a CASE-BY-CASE basis on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

B. Greenmail

Greenmail payments are targeted repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders.

The CRPTF will vote FOR shareholder resolutions to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

C. Stakeholder Provisions

The CRPTF will vote FOR shareholder resolutions that ask the board to consider non-shareholder constituencies including employees, customers, the community in which a company resides, and stakeholder or constituency issues of concern, when evaluating a merger or business combination.

VII. SHAREHOLDER RIGHTS

A. Confidential Voting

The CRPTF will vote FOR shareholder resolutions that request companies to adopt a policy allowing for confidential voting.

B. Shareholder Ability to Call Special Meetings

Shareholders should be permitted to call special meetings of shareholders to address and vote on issues that the Board of Directors is not addressing, including but not limited to, removal of members of the board. The rules implementing this provision should provide for timely calling of such meetings.

The CRPTF will vote FOR shareholder resolutions that request companies to adopt a policy allowing for shareholders' right to call special meetings within the parameters of corporate law of

the state in which the company is incorporated to take action on certain matters, including removal of directors, submitting shareholder resolutions or responding to a beneficial offering.

The CRPTF will vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings and AGAINST provisions that would require advance notice of more than sixty days.

C. Shareholder Ability to Act by Written Consent

The CRPTF will vote FOR shareholder resolutions that request companies to adopt a policy allowing for shareholders' ability to take action by written consent within the parameters of corporate law of the state in which the company is incorporated to take action on certain matters including removal of directors, submitting shareholder resolutions or responding to a beneficial offering.

The CRPTF will vote AGAINST proposals to restrict or prohibit shareholder ability to take action by written consent.

D. Equal Access

The CRPTF will vote FOR shareholder resolutions that request companies to give shareholders (or group of shareholders), holding in aggregate at least 3% of a company's voting stock with 3 years of continuous ownership, access to management's proxy material for the purpose of nominating candidates to the board of directors.

E. Unequal Voting Rights

The CRPTF will vote FOR shareholder resolutions that request companies to maintain or provide one-share one-vote and will vote AGAINST management proposals for dual class stock with different voting rights.

F. Supermajority Shareholder Vote Requirement to Amend the Charter or Bylaws

The CRPTF will vote FOR management or shareholder proposals to reduce supermajority vote requirements for charter and bylaw amendments and mergers. However, for companies with shareholders who have significant ownership levels, the CRPTF will vote CASE-BY-CASE, taking into account: (1) ownership structure; (2) quorum requirements; and (3) supermajority requirements.

The CRPTF will vote AGAINST management proposals to adopt supermajority requirements for a shareholder vote to approve charter, bylaw amendments and mergers. The CRPTF also will vote AGAINST management proposals seeking to lower supermajority shareholder vote requirements when such requirements accompany management sponsored proposals which would also change certain charter or bylaw provisions.

G. Reimbursement of Proxy Solicitation Expenses

The CRPTF will vote on CASE-BY-CASE basis for shareholder proposals to fully reimburse all appropriate proxy solicitation expenses associated with dissidents waging a proxy contest.

H. Shareholder Ability to Remove Directors

The CRPTF will vote FOR resolutions requiring shareholder resolutions that request companies to adopt a policy allowing shareholders the ability to remove directors with cause, including causes that do not rise to the level of legal malfeasance. Such causes include: not attending meetings, failure to carry out committee responsibilities, or actions which may be detrimental to the interests of shareholders.

The CRPTF will vote AGAINST resolutions that provide that directors may be removed only for cause and AGAINST resolutions that provide only continuing directors may elect replacements to fill board vacancies.

I. Action to Fill Board Vacancies

The CRPTF will vote FOR proposals that any board member named to fill a vacancy must be elected by shareholders at the next annual meeting.

The CRPTF will vote AGAINST proposals to allow management or the board to fill vacant board seats on an interim basis if the board fails to allow a shareholder vote for the interim members at the next annual meeting.

J. Shareholder Ability to Alter the Size of the Board

The CRPTF will vote AGAINST proposals to allow management or the board to alter the size of the board without shareholder approval.

VIII. CAPITAL STRUCTURE

The management of a corporation's capital structure involves a number of important issues, including dividend policy, types of assets, opportunities for growth, ability to finance new projects internally, and the cost of obtaining additional capital. Many financing decisions have a significant impact on shareholder value, particularly when they involve the issuance of additional common stock, preferred stock, or debt.

The CRPTF will review these proposals for changes in capital structure on a CASE-BY-CASE basis.

In general, the CRPTF will vote FOR proposals that are based on a solid business plan, while opposing proposals that:

- Diminish the rights of the current stockholders;
- Are intended to be used as a takeover defense; or
- Unduly dilute the economic or voting interests of current shareholders.

A. Common Stock Authorization

CRPTF supports management proposals requesting shareholder approval to increase authorized common stock when management provides persuasive justification for the increase.

CRPTF will evaluate on a CASE-BY-CASE basis proposals where the company intends to use the additional authorized stock to implement a poison pill or other takeover defense.
Generally, the CRPTF will review on a CASE-BY-CASE basis, proposals to increase the number of shares of common stock authorized for issue.
Generally, the CRPTF will vote AGAINST proposed common stock authorizations that increase the existing authorization by more than 50 percent unless a clear need for the excess shares is presented by the company.

B. Preferred Stock

Preferred stock is an equity security, which has certain features similar to debt instruments, such as fixed dividend payments; seniority of claims compared to common stock; and, in most cases, no voting rights. The terms of blank check preferred stock give the board of directors the power to issue shares of preferred stock at its discretion—with voting rights, conversion, distribution and other rights to be determined by the board at time of issue. Blank check preferred stock can be used for sound corporate purposes but could be used as a devise to thwart hostile takeovers.

Generally, the CRPTF will vote FOR management proposals to create blank check preferred stock in cases where the company expressly states that the stock will not be used as a takeover defense or carry superior voting rights.

Generally, the CRPTF will vote on a CASE-BY-CASE basis on management proposals when the company indicates that such preferred stock may be used as a takeover defense.

C. Adjust Par Value of Common Stock

The CRPTF will vote FOR management resolutions to reduce the par value of common stock.

D. Preemptive Rights

Preemptive rights permit shareholders to share proportionately in any new issues of stock of the same class. These rights guarantee existing shareholders the first opportunity to purchase shares of new issues of stock in the same class as their own and in the same proportion. The absence of these rights could cause shareholders' interest in a company to be reduced by the sale of additional shares without their knowledge and at prices unfavorable to them. Preemptive rights, however, can make it difficult for corporations to issue large blocks of stock for general corporate purposes. Both corporations and shareholders benefit when corporations are able to arrange issues without preemptive rights that do not result in a substantial transfer of control.
Generally, the CRPTF will vote on a CASE-BY-CASE basis on management proposals to create or abolish preemptive rights. In evaluating proposals on preemptive rights, the CRPTF will look at the size of a company and the characteristics of its shareholder base.

E. Debt Restructuring

The CRPTF will vote on a CASE-BY-CASE basis on management proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan. The CRPTF will consider the following issues:

- Dilution - How much will ownership interests of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- Change in control - Will the transaction result in a change in control of the company?
- Bankruptcy - Is the threat of bankruptcy, which would result in severe losses in shareholder value, the main factor driving the debt restructuring?

Generally, the CRPTF will vote FOR management proposals that facilitate debt restructuring unless there are clear signs of self-dealing or other abuses.

F. Dual-Class Stock

The CRPTF will vote FOR a one-share one-vote structure.

The CRPTF will vote AGAINST management proposals to create a new class of common stock with superior voting rights.

The CRPTF will vote AGAINST management proposals at companies with dual-class capital structures to increase the number of authorized shares of the class of stock that has superior voting rights.

G. Issue Stock for Use with Rights Plan

The CRPTF will vote AGAINST management proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder approved shareholder rights plan (poison pill).

H. Recapitalization

The CRPTF will vote on a CASE-BY-CASE basis on recapitalizations (reclassifications of securities), taking into account the following:

- More simplified capital structure;
- Enhanced liquidity;
- Fairness of conversion terms;
- Impact on voting power and dividends;
- Reasons for the reclassification;
- Conflicts of interest;
- Other alternatives considered.

I. Reverse Stock Splits

A reverse stock split occurs when blocks of more than one share of stock are converted into one share.

The CRPTF will vote FOR management proposals to implement reverse stock splits when the number of authorized shares will be proportionately reduced.

The CRPTF will vote on a CASE-BY-CASE basis on management proposals to implement reverse stock splits that do not proportionately reduce the number of shares authorized for issues as determined using a model developed by a proxy voting service.

J. Share Repurchase Programs

The CRPTF will vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, provided that adjustments are made to executive compensation programs to reflect the reduced number of shares outstanding (e.g. calculations of earnings per share).

K. Stock Distributions: Splits and Dividends

The CRPTF will vote FOR management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance as determined using a model developed by a proxy voting service.

L. Tracking Stock

The CRPTF will vote on a CASE-BY-CASE basis on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

- Adverse governance changes;
- Excessive increases in authorized capital stock;
- Unfair method of distribution;
- Diminution of voting rights;
- Adverse conversion features;
- Negative impact on stock option plans;
- Alternatives such as spin-off.

IX. EXECUTIVE AND DIRECTOR COMPENSATION

A. CRPTF's General Principles for Voting on Executive Compensation

Executive compensation is generally comprised of three basic components: salary, bonus and equity compensation. In addition, there are other forms of compensation, such as retirement benefits, severance benefits, basic employee benefits (such as health and life insurance), loans (and forgiveness of loans), payment of taxes on certain compensation, and "perks" including personal use of company facilities (such as company aircraft).

The CRPTF considers a good compensation policy as one that balances these different forms of compensation to provide incentives for continuous improvement and ties pay to performance. Developing measures of performance for the CEO and other executives is a key component of a compensation plan.

It is the role of the compensation committee to set the compensation for top management and approve compensation policy for the company as a whole. Shareholders look to the compensation

committee to align management's interests with shareholder interests while providing incentives for long-term performance.

Exorbitant pay, unwarranted severance packages, lack of internal pay equity, abuse of perquisites ("perks"), and corporate scandals, where executives have been highly paid while shareholders have lost billions of dollars, and employees have lost their jobs and much of their life savings, have shown that many compensation committee members have not been doing their jobs. These examples provide a reminder to all compensation committee members of the importance of their responsibility to align pay with performance, to encourage management to effectively manage risks that may affect the company, its industry and the economy, and to provide compensation incentives for management while protecting the financial interests of shareholders.

The compensation committee should commit to providing full descriptions of the qualitative and quantitative performance measures and benchmarks used to determine annual incentive compensation, including the weightings of each measure. At the beginning of the period during which an executive's performance is to be measured, the compensation committee should calculate and disclose the maximum compensation payable in the event that performance-related targets are met. At the end of the performance cycle, the compensation committee should disclose actual targets and details on the determination of final payouts.

The compensation committee should adopt and implement a formal policy on the independence of compensation consultants that is disclosed in the Compensation Discussion and Analysis (CD&A) of the proxy statement. Such policy should state that a compensation consultant will not be considered independent if the consultant firm provides significant services to the company apart from work performed for the compensation committee. Services are considered significant if they are worth the lesser of $50,000 or 1 percent of the consultant firm's gross revenues for the most recent fiscal year. Under no circumstances should the amount of payment paid to a consultant be larger for management services than the payment for compensation committee services. The compensation committee should not indemnify the compensation consultant for work provide to the committee.

The CRPTF proxy voting policies are based on pay for long-term sustained performance, and the responsibility of the compensation committee to make this happen.

B. Advisory Vote on Executive Compensation

The CRPTF supports the right of shareholders to exercise an advisory vote on executive compensation practices.

The CRPTF will vote FOR management proposals to require annual advisory votes on executive compensation.

When evaluating executive compensation for the purposes of casting an advisory vote on executive compensation, the CRPTF will evaluate the criteria as enumerated in Appendix A, which is incorporated by Reference into this section.

In evaluating executive compensation for the purposes of casting an advisory vote, the CRPTF will review:

- **Pay for performance** – including how both pay and performance are measured.
- The company's **compensation policy** (for both named executives, other employees) as spelled out in the Compensation Discussion and Analysis – including the clarity and transparency of that policy, as well as how the policy ties compensation to the creation of long-term shareholder value.
- The company's responsiveness to **input from shareholders** on compensation policy and practices.
- The degree to which the company employs **poor compensation practices,** as delineated in the CRPTF proxy voting guidelines, and as outlined below.

The CRPTF will evaluate these issues in a holistic way, considering all of a company's compensation practices (rather than any one issue) in determining how to vote. How a company's compensation policy and practices have changed from previous years – or not changed in the case of poor compensation practices – will be an additional factor considered.

See Appendix A for the factors to be evaluated in determining how to vote.

C. Golden Parachutes/Severance Agreements for Executives

Golden parachute compensation is defined as any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to a merger, acquisition, or sale transaction. (A separate vote would not be required if disclosure of that compensation had been included in a prior advisory vote on Executive Compensation, and that compensation arrangement remained unchanged.)

The CRPTF will vote on these issues on a CASE-BY-CASE basis. When evaluating such benefits, the CRPTF will evaluate a number of criteria outlined below. The CRPTF will evaluate these issues in a holistic way, and no one issue will be decisive in determining how to vote.
An acceptable "golden parachute" change-in-control payment and policy should include, but is not limited to, the following:

- The triggering mechanism is beyond the control of management;
- The amount of the payment does not exceed three times the base amount, defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change-in-control occurs;
- The change-in-control payment is double-triggered, i.e., 1) after a change in control has taken place, and 2) termination of the executive as a result of the change in control. Change-in-control is defined as a change in the company ownership structure;
- The company does not provide tax gross-ups on parachute payments;
- The company takes into account the amount of company stock owned by the executive, the benefits payable under any retirement plan(s) in which the executive is a participant, and the amount of compensation deferred by the executive;
- There is no accelerated vesting of equity held by the executive as a result of a change-in-control, provided that in the case where unvested equity no longer exists, the executive is granted equity of equal value with comparable vesting requirements by the new entity.

The CRPTF will vote FOR shareholder proposals requesting companies to eliminate accelerated vesting of equity following the termination of employment for any reason, excepting change-in-control.

The CRPTF will vote FOR shareholder proposals requesting companies to eliminate accelerated vesting of equity held by the executive as a result of a change-in-control, provided that in the case where unvested equity no longer exists, the executive is granted equity of equal value with comparable vesting requirements by the new entity.

D. Equity Compensation

The CRPTF supports compensating executives at a reasonable rate and believes that executive compensation should be strongly correlated to the long-term performance of the company.

Stock option grants and other forms of compensation should be performance-based with an objective of improving shareholder value and maintaining that value over the long term. Well-designed stock option plans align the interests of executives and shareholders by providing that executives benefit when stock prices rise as the company, and shareholders, prosper over the long-term.

The CRPTF will vote on a CASE-BY-CASE basis on proposals for equity-based compensation plans.

The CRPTF will vote FOR proposals for equity compensation plans that provide challenging performance objectives and serve to motivate executives to deliver long-term performance, and vote AGAINST plans that permit reloading of exercised stock options and apparent unreasonable benefits to executives that are not available to any other employees.

The CRPTF will vote on a CASE-BY-CASE basis for management proposals for equity-based compensation plans that link executive compensation to corporate responsibility, such as corporate downsizing, customer or employee satisfaction, community involvement, human rights, environment performance, predatory lending, and executive/employee pay disparities. The CRPTF considers many of these corporate responsibility issues as key business issues linked directly to long-term shareholder return and will evaluate them accordingly.
The CRPTF will vote AGAINST proposals for equity-based compensation plans if any of the following factors apply:

- The total cost of the company's equity-based compensation plans is unreasonable, based on a model developed by a proxy voting service;
- The plan expressly permits the repricing of stock options without prior shareholder approval;
- The plan expressly permits the reloading of stock options;
    - There is a disconnect between CEO pay and the company's performance;
    - The company's three-year burn rate exceeds 3% or the industry average;
    - The plan is a vehicle for poor pay practices.

E. Employee Stock Ownership Plans (ESOPs)

The CRPTF will vote FOR proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

F. Incentive Bonus Plans and Tax Deductibility Proposals

The CRPTF will vote FOR management proposals that amend shareholder-approved compensation plans to include administrative features or place a cap on the annual grants that any one participant may receive to comply with the provisions of Section 162(m).

The CRPTF will vote FOR management proposals to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) unless they are clearly inappropriate.

The CRPTF will vote on a CASE-BY-CASE basis on management proposals to amend to existing plans to increase shares reserved and to qualify for favorable tax treatment under the provisions of Section 162(m), as long as the plan does not exceed the allowable cap and the plan does not violate any of the supplemental policies.

Generally, the CRPTF will vote FOR cash or cash and stock bonus plans that are submitted to shareholders for the purpose of exempting compensation from taxes under the provisions of Section 162(m), if no increase in shares is requested.

G. Option Exchange Programs/Repricing Options

The CRPTF will vote on a CASE-BY-CASE basis on management proposals seeking approval to exchange/reprice options, taking into consideration:

- Historic trading patterns;
- Rationale for the re-pricing;
- Value-for-value exchange;
- Treatment of surrendered options;
- Option vesting;
- Term of the option;
- Exercise price;
- Participation;
- If the surrendered options are added back to the equity plans for re-issuance, the CRPTF will also take into consideration the company's three-year burn rate.

H. Director Compensation

The CRPTF will vote on a CASE-BY-CASE basis on compensation plans for non-employee directors.

The CRPTF will vote FOR a director compensation plan if ALL of the following qualitative factors are met and disclosed in the proxy statement:

- Director stock ownership policies that require payment of a minimum of 50% of annual director compensation in equity and encourage directors to hold their equity interests while serving on the board.

- A vesting schedule or mandatory holding/deferral period (a minimum vesting of three years for stock options or restricted stock or deferred stock payable at the end of a three-year deferral period);
- Mix between cash and equity;
- No retirement benefits or perquisites provided to non-employee directors;
- Detailed disclosure provided on cash and equity compensation delivered to each non-employee director for the most recent fiscal year, including annual retainer, board meeting fees, committee retainer, committee-meeting fees, and equity grants.

I. Director Retirement Plans

The CRPTF will vote AGAINST management proposals for retirement plans for non-employee directors.

X. SHAREHOLDER RESOLUTIONS ON COMPENSATION

A. Option Expensing

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to expense stock options, unless the company has already publicly committed to expensing options by a specific date.

B. Option Repricing

The CRPTF will vote FOR shareholder resolutions that require companies to put option repricing to shareholder vote.

C. Limiting Executive and Director Pay

Shareholder resolutions to limit executive and director pay need to be evaluated on a CASE-BY-CASE basis.

Generally, the CRPTF will vote FOR shareholder proposals that seek additional disclosure of a significant change in executive and director pay information.

Generally, the CRPTF will vote FOR shareholder proposals that seek to eliminate outside directors' retirement benefits.

Generally, the CRPTF will vote FOR shareholder proposals that seek to provide for indexed and/or premium priced options.

Generally, the CRPTF will vote FOR shareholder proposals that seek non-discrimination in retirement benefits (e.g. retirement benefits and pension plans that are different based on age of employee such as cash balance plans).

Generally, the CRPTF will vote FOR shareholder resolutions that request that earnings from a company's pension plan not be included in company earnings for the purpose of evaluating whether an executive met performance targets in their compensation agreement.

The CRPTF will vote FOR shareholder resolutions that request companies to require executives to repay long-term incentive compensation or other performance-based compensation to the company in the event a company restates its financial statements for a previous reporting period and such compensation as recalculated is found not to have been earned.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to advocate the use of performance-based awards like indexed, premium-priced, and performance-vested options or performance-based shares.

Generally, the CRPTF will vote FOR shareholder resolutions that ask companies to prohibit tax gross-up payments to executives.

D. Clawbacks

Compensation that is paid based on financial results that are later stated, or on meeting performance metrics that are later revised downward, is compensation that has not been earned. Companies should have policies that "claw-back" unearned compensation.

The CRPTF will vote on a CASE-BY-CASE basis on proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that the performance metrics upon which the incentive compensation is earned later turn out to have been in error. When making its determination, the CRPTF will take into account:

- If the company has adopted a formal recoupment bonus policy;
- If the company has chronic restatement history or material financial problems; or
- If the company's policy substantially addresses the concerns raised by the proponent.

E. Internal Pay Equity

Significant differences in pay between top executives and non-executives of a company may adversely impact employee performance, are often an indication of poor compensation practices. The CRPTF will vote on a CASE-BY-CASE basis for shareholder proposals that ask the board compensation committee to adopt a policy regarding internal pay equity, and the relationship between the compensation received by the CEO and other named executive officers whose compensation is disclosed in the proxy statement.

The CRPTF will vote FOR shareholder proposals requesting the company to adopt a policy that asks the board compensation committee to consider internal pay equity in: (a) the establishment, modification and termination of senior executive pay plans and programs; and (b) making specific awards under those plans and programs.

The CRPTF will vote FOR shareholder proposals that ask the company to disclose to shareholders the role of internal pay equity considerations in the process of setting compensation for the CEO and other named executive officers.

The CRPTF will vote AGAINST shareholder proposals asking the board to adopt a policy that would fix the pay ratio between the CEO and other named executive officer to a specific percentage or multiple of pay.

G. Golden Coffins/Executive Death Benefits

The CRPTF will vote FOR shareholder resolutions that ask the board of directors to submit for shareholder approval any future agreements and corporate policies that would obligate the company to make payments, grants, or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting of equity awards, perquisites and other payments or awards made in lieu of compensation. This would not apply to any benefit programs or equity plan proposals for which the broad-based employee population are eligible, nor would it apply to compensation earned by the executive and deferred during his or her lifetime.

H. Supplemental Executive Retirement Plans

Supplemental Executive Retirement Plans (SERPs) are retirement plans for senior executives that are separate from and in addition to retirement plans for all other employees. Often these plans are used to provide compensation to a senior executive that is not based on performance or provides excessive retirement benefits.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to allow for a shareholder vote to approve SERP agreements, unless the company's executive pension plans do not contain excessive benefits (based on an analysis by the CRPTF's proxy voting service and other expert analysis).

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to call for limitations of annual retirement benefits to a maximum of earned annual salary and bonus.

I. Stock Retention

The purpose of grants of stock and stocks options to senior executives (rather than cash compensation) is to align their financial interest with that of shareholders. This alignment is maintained only if the executive retains the ownership of the stock.

Generally, the CRPTF will vote FOR shareholder proposals requiring senior executives to retain a percentage of shares acquired through equity compensation programs. When voting for these proposals, the CRPTF will take into account current stock ownership guidelines, existing long-term stock-holding requirements and actual equity ownership by executives, and the length of the current holding period.

J. Responsible Use of Company Stock

The purpose of grants of stock and stocks options to senior executives (rather than cash compensation) is to align their financial interest with that of shareholders. This alignment can be undermined if the executive enters into a derivative transaction that limits the loss in the event that the company performs poorly, and the stock value declines.

Generally, the CRPTF will vote FOR shareholder proposals asking the board of directors to adopt policies limiting the ability of named executive officers to enter into derivative or speculative transactions involving company stock, including but not limited to trading in puts, calls, covered

calls or other derivative products; engaging in hedging or monetization transactions with respect to company stock; holding company stock in a margin account; or pledging company stock as collateral for a loan.

K. Compensation Consultant Independence

The CRPTF will vote FOR shareholder resolutions that request companies to include in their corporate governance guidelines that any compensation consultant employed by the compensation committee is independent of management and that such consultant should not provide significant consulting services to the management of the company (see Section IX.A. for further discussion).

XI. STATE AND COUNTRY OF INCORPORATION

A. Voting on State Takeover Statutes

The CRPTF will vote on a CASE-BY-CASE basis on proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freeze out provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, anti-greenmail provisions, and disgorgement provisions).

The CRPTF generally supports opting into stakeholder protection statutes if they provide comprehensive protections for employees and community stakeholders. The CRPTF would be less supportive of takeover statutes that only serve to protect incumbent management from accountability to shareholders, and which negatively influence shareholder value.

B. Voting on Reincorporation Proposals

The CRPTF will vote on a CASE-BY-CASE basis on proposals to change a company's state of incorporation, taking into consideration both financial and corporate governance concerns, including the reasons for reincorporating, a comparison of the governance provisions, comparative economic benefits, and a comparison of the jurisdictional laws.

The CRPTF will vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

C. Off-Shore Reincorporation

Proposals to reincorporate outside of the U.S. and management proposals to expatriated companies to reincorporate back in the U.S. will be examined closely.

The CRPTF will vote AGAINST any reincorporation management proposals that are found to reduce the rights of shareholders.

The CRPTF will vote FOR shareholder resolutions that request an expatriated company to study reincorporation back in the U.S. and report back to shareholders.

The CRPTF will vote FOR shareholder resolutions to reincorporate back in the U.S. if those proposals are found to increase the rights of shareholders, and/or have financial benefits to shareholders.

XII. SHAREHOLDER RESOLUTIONS ON EQUAL EMPLOYMENT OPPORTUNITY AND OTHER WORKPLACE PRACTICE REPORTING ISSUES

A. Equal Employment Opportunity

These proposals generally request that a company establish a policy of reporting to shareholders its progress with equal opportunity and affirmative action programs. The costs of violating federal laws that prohibit discrimination by corporations are high and can affect corporate earnings.

The CRPTF will vote FOR shareholder resolutions that request companies to take action on equal employment opportunity and anti-discrimination.

The CRPTF will vote FOR shareholder resolutions calling for legal and regulatory compliance and public reporting related to non-discrimination, affirmative action, workplace health and safety, environmental issues, and labor policies and practices that affect long-term corporate performance.

The CRPTF will vote FOR shareholder resolutions that request companies to take action calling for non-discrimination in salary, wages and all benefits.

The CRPTF will vote FOR shareholder resolutions that request companies to ask for disclosure of statistical information and policy statements regarding non-discriminatory hiring, performance evaluation and advancement, and workforce composition.

The CRPTF will vote FOR shareholder resolutions that request companies to disclose the EEO-1 consolidated data report that is filed with the Equal Opportunity Commission (EEOC).

The CRPTF will vote FOR shareholder resolutions that request companies to create policy statements regarding non-discriminatory hiring, performance evaluations, advancement and affirmative action.

The CRPTF will vote FOR shareholder resolutions that request companies to add the terms "sexual orientation," "gender identity," and/or "gender expression" to written non-discrimination policies.

B. Non-Discrimination in Retirement Benefits

Many companies are changing their retirement benefits, including moving to cash balance and defined contribution pension plans. There is the potential for some employees to benefit more than others due to these changes.

The CRPTF will vote FOR shareholder resolutions that request companies to ensure non-discrimination with regard to retirement benefits.

C. Workplace Diversity

i. Glass Ceiling

Generally, the CRPTF will vote FOR reports outlining the company's progress towards race and gender inclusiveness in management and the board of directors.

ii. Sexual Orientation, Gender Identity

The CRPTF will vote FOR shareholder resolutions that request companies to amend EEO statements in order to prohibit discrimination based on sexual orientation or gender identity.

D. International Labor Standards/Human Rights

i. Contract Supplier Standards / International Codes of Conduct / Vendor Standards

This section addresses shareholder resolutions that call for compliance with governmental mandates and corporate policies regarding nondiscrimination, affirmative action, right to affiliate or organize, workplace safety and health, and other basic labor and human rights protections, particularly in relation to the use of international suppliers. The global labor standards and human rights resolutions call for global companies to implement comprehensive codes of conduct, and to abide by conventions of the International Labor Organization (ILO) on workplace human rights, in order to assure that its products are made under humane conditions and workers are paid at a minimum the legal minimum wage. The CRPTF proxy voting policies support these resolutions on the grounds that these standards are good business practices that protect shareholder value by improving worker productivity, reducing turnover and time lost due to injury, etc., as well as avoiding negative publicity and a loss of consumer confidence.

Generally, the CRPTF will vote FOR resolutions that request companies to ensure that its products are not made in "sweatshops."

Generally, the CRPTF will vote FOR resolutions that request companies to help eradicate forced labor and child labor, promote the rights of workers to form and join labor unions and to bargain collectively, seek to ensure that all workers are paid a living wage, and require that company contractors submit to independent monitoring of their factories.

Generally, the CRPTF will vote FOR resolutions that request companies to adopt labor standards – a "Code of Conduct" - for foreign and domestic suppliers and licensees, and a policy that the company will not do business with suppliers that manufacture products for sale using forced labor, child labor, or that fail to comply with applicable laws protecting employees' wages and working conditions including all applicable standards and laws protecting employees' wages, benefits, working conditions, freedom of association (right to organize), and other rights.

Generally, the CRPTF will vote FOR resolutions that request companies to publish their "Code of Conduct."

Generally, the CRPTF will vote FOR resolutions that request companies to publish a report summarizing the company's current practices for enforcement of its "Code of Conduct."

Generally, the CRPTF will vote FOR resolutions that request companies to engage independent monitoring programs by non-governmental organizations to monitor suppliers and licensee compliance with a company's "Code of Conduct."

Generally, the CRPTF will vote FOR resolutions that request companies to create incentives to encourage suppliers to raise standards rather than terminate contracts.

Generally, the CRPTF will vote FOR resolutions that request companies to implement policies for ongoing wage adjustments, ensuring adequate purchasing power and a sustainable living wage for employees of foreign suppliers and licensees.

Generally, the CRPTF will vote FOR resolutions that request companies to improve transparency of their contract supplier reviews.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to outline vendor standards.

ii. Corporate Conduct and Human Rights

The CRPTF will generally support proposals that call for the adoption and/or enforcement of principles or codes relating to countries in which there are systematic violations of human rights, such as: the use of slave, child, or prison labor; a government that is illegitimate; or where there is a call by human rights advocates, pro-democracy organizations, or legitimately elected representatives for economic sanctions.

Generally, the CRPTF will vote FOR resolutions that request companies to support Principles or Codes of Conduct relating to the company investment in countries with patterns of workplace and/or human rights abuses.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to adopt policies that reflect the provisions of the General Statutes of Connecticut.

E. Equal Credit and Insurance Opportunity

Access to capital and insurance is essential to participating in our society. The Equal Credit Opportunity Act prohibits lenders from discriminating with regard to race, religion, national origin, sex, age and the like. "Redlining," the systematic denial of services in an area based on its economic or ethnic profile has a similar negative impact on denying participation in our society.

The CRPTF will vote FOR shareholder resolutions that request companies to provide reports on lending practices in low/moderate income or minority areas and on steps to remedy mortgage lending discrimination.

The CRPTF will vote FOR shareholder resolutions that request companies to develop fair "lending policies" that would assure access to credit for major disadvantaged groups and require annual reports to shareholders on their implementation.

The CRPTF will vote FOR shareholder resolutions that request insurance companies and banks to appraise their practices and develop policies to avoid redlining.

XIII. SHAREHOLDER RESOLUTIONS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

The CRPTF supports the integration of environmental, social, and governance (ESG) factors in the investment decision making process, given that such factors can impact both risk and return over the long term.

In most cases, the CRPTF will vote FOR shareholder resolutions that request companies to disclose non-proprietary information related to ESG issues.
In determining the CRPTF's vote on shareholder resolutions that address these issues, the CRPTF will analyze the following factors:

- Whether adoption of the resolution would have a positive or negative impact on the company's long-term share value;
- The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;
- Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
- Whether the company's analysis and voting recommendation to shareholders is persuasive;
- What other companies have done in response to the issue;
- Whether the proposal itself is well framed and reasonable;
- Whether implementation of the resolution would achieve the objectives sought in the proposal; and
- Whether the subject of the resolution is best left to the discretion of the board.

In general, the CRPTF will vote FOR shareholder resolutions that request companies to furnish information helpful to shareholders in evaluating the company's operations. In order to be able to monitor their investments, shareholders often need information best provided by the company in which they have invested. Requests to report such information merits support.

The CRPTF will evaluate on a CASE-BY-CASE basis proposals that request the company to cease certain actions that the proponent believes is harmful to society or some segment of society, with special attention to the company's legal and ethical obligations, its ability to remain profitable, and potential negative publicity if the company fails to honor the request.

A. Principles for Responsible Investment

The Principles for Responsible Investment (PRI)[6] provide a framework to give consideration to ESG issues that can affect the performance of investment portfolios. The Principles were developed in 2006 by a number of institutional investors, including the Connecticut State Treasurer's Office. These proxy voting policies reflect the principle of active ownership, and the associated responsibility to "incorporate ESG issues into our ownership policies and practices."

B. Climate Change, Energy, and Environment

i. Global Warming, Climate Change, and Sustainability

The United Nations' Intergovernmental Panel on Climate Change concluded in 2018 that the current pace of greenhouse gas emissions will have significant, adverse impact on the world's economy as soon as 2040.[7] And, according to a joint study by the World Bank's International Finance Corporation and Mercer, climate change "will inevitably have an impact on investment returns, so investors need to view it as a new return variable." [8]

Climate Change is a material and systemic risk that impacts companies across the CRPTF portfolio. Companies must evaluate their exposure to climate-related risks in order to understand the impact of physical risks and transition risks as the shift to a low-carbon economy occurs.

The CRPTF will vote FOR shareholder resolutions that request companies to assess actions the company is taking to mitigate the economic impact on the company of increasing regulatory requirements, competitive pressures, and public expectations to significantly reduce carbon dioxide and other emissions and issue a report to shareholders.

The CRPTF will vote FOR shareholder resolutions that request companies to assess financial risks resulting from climate change and its impacts on shareholder value in the short-, medium- and long-terms, as well as actions the board of directors deems necessary to provide long-term protection of business interests and shareholder value and issue a report to shareholders.

The CRPTF will vote FOR shareholder resolutions that request companies to report on greenhouse gas emissions from company operation and of the company's products in relation to their impact on global climate change.

The CRPTF will vote FOR shareholder resolutions that request companies to develop a standard reporting format and data baseline so that data from the company can be accurately compared to data from other companies and compared to recognized measurement standards.

The CRPTF will vote FOR shareholder resolutions that request companies to provide a "sustainability report (also called a "corporate social responsibility report) that aligns with global standards such as the Global Reporting Initiative Sustainability Standards, the IFRS Sustainability Standards, and the Taskforce on Climate Related Financial Disclosure (TCFD). The report should describe how the company plans to address issues of climate change and other long-term social, economic and environmental issues in order to maintain the long-term financial health of the company in a changing environment.

ii. Paris Climate Agreement

The global climate change agreement reached at the 21st Conference of the Parties, also known as "The Paris Agreement", provides globally supported targets related to climate change.
Generally, the CRPTF will vote FOR shareholder resolutions that request that companies to outline their preparations to comply with standards established by The Paris Agreement and any successor protocol in countries in which the protocol applies.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to report on or adopt accounting metrics that can better address market changes induced by climate change.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to conduct and disclose planning and policies for transitioning the company business model to align with a low carbon economy including, specifically, alignment with the Paris Agreement's goal of limiting global warming to well below 2°C, including addressing the company's (Scope 1-3) greenhouse gas emissions.

iii. CERES Principles

The CRPTF will vote FOR shareholder resolutions requesting companies to adopt the CERES Principles, taking into account:

- The company's current environmental disclosure beyond legal requirements, including environmental health and safety (EHS) audits and reports that may duplicate CERES;
- The company's environmental performance record, including violations of federal and state regulations, level of toxic emissions, and accidental spills;
- Environmentally conscious practices of peer companies, including endorsement of CERES;
- Costs to the company of membership and implementation.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to sign onto the Global Compact, Equator Principles, and other similarly broadly recognized commitments to sustainability principles.
The CRPTF will vote FOR shareholder resolutions that request companies to address matters of specific ecological impact, e.g. sustainable use of natural resources, waste reduction, wiser use of energy, reduction of health and safety risks, marketing of safer products and services, reduction or elimination of chlorine in production processes, responsible environmental restoration, etc.

The CRPTF will vote FOR shareholder resolutions that request companies to report on, assess the impact of, and curtail environmental hazards to communities that result from their activities.

The CRPTF will vote FOR shareholder resolutions that request oil companies not to explore and oil and gas extraction in areas where there is a significant danger of permanent damage to the environment.

iv. Water Risk

Shareholders may ask for a company to prepare a report evaluating the business risks linked to water use and impacts on the company's supply chain, including subsidiaries and bottling partners. Such proposals also ask companies to disclose current policies and procedures for mitigating the impact of operations on local communities in areas of water scarcity.

The CRPTF will vote FOR shareholder resolutions that request companies to assess their current and future water usage, evaluate whether sufficient water will be available in the future, develop plans to reduce water usage, and report to shareholders on these assessments.

The CRPTF will vote FOR shareholder resolutions that request companies to report on or adopt policies for water use that incorporate social and environmental factors.

v. Biodiversity

The CRPTF will vote FOR shareholder resolutions that request companies to assess their current impacts on nature and biodiversity loss, such as disclosure aligned with the Taskforce on Nature-related Financial Disclosure (TNFD).

vi. Arctic National Wildlife Refuge

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide reports outlining how it would prevent potential environmental damages from drilling in the Arctic National Wildlife Refuge (ANWR).

vii. Environmental Reports

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide reports disclosing the company's environmental policies, unless the company already has environmental management systems that are well-documented and available to the public.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to perform an economic risk assessment of environmental performance, unless the company has already publicly demonstrated compliance with the spirit of the resolution by including a report of such risk assessment in a sustainability report, corporate responsibility report, or similar report.

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide a report or improve disclosure on climate related risks and opportunities including but not limited to: net-zero GHG reduction targets, goals to reduce Scope 3 emissions, methane emissions and flaring and methane emission reduction targets, Paris-aligned GHG reduction targets, stranded carbon asset risk, use of carbon offsets, and asset retirement obligations in financial reporting.

viii. Nuclear Safety

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide reports on risks and/or benefits associated with their nuclear reactor designs and/or the production and interim storage of irradiated fuel rods.

ix. Operations in Protected Areas

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide reports outlining potential environmental damage from operations in protected regions, including wildlife refuges.

x. Renewable Energy

Generally, the CRPTF will vote FOR requests for reports on the feasibility of developing renewable energy sources, unless the report is duplicative of existing disclosure or irrelevant to the company's line of business.

xi. Just Transition/Environmental Justice

Generally, the CRPTF will vote FOR proposals that request companies provide disclosure on labor considerations as they transition to more sustainable business models in a “Just Transition” plan/report or an existing reporting mechanism.

Generally, the CRPTF will vote FOR proposals asking companies to report on whether environmental and health risks posed by their activities fall disproportionately on any one group or groups, and to take action to reduce those risks at reasonable costs to the company.

Generally, the CRPTF will vote FOR proposals asking companies when sitting and addressing issues related to facilities which may have impact on local environment and to respect the rights of local communities to participate in decisions affecting their local environment.

C. Toxic Chemicals

Generally, the CRPTF will vote FOR shareholder resolutions that request companies disclose its policies related to toxic chemicals.

The CRPTF will vote on a CASE-BY-CASE basis on resolutions requesting that companies evaluate and disclose the potential financial and legal risks associated with utilizing certain chemicals.

D. Human Capital and Workplace Policies

i. Freedom of Association

The CRPTF recognizes the fundamental labor rights of freedom of association and collective bargaining as crucial in addressing systemic inequality risks, fostering economic growth, and managing individual investment risks linked to human rights violations, unsafe work environments, inadequate training, high employee turnover, and racial and gender discrimination and inequity.

The CRPTF will vote FOR shareholder resolutions that urge companies to audit, disclose, address, or halt practices undermining the rights of freedom of association and collective bargaining, unless extraordinary circumstances exist and promote stronger safeguards for these rights.

ii. Reproductive Policies

The CRPTF will generally vote FOR shareholder proposals that require companies to provide access to the full range of reproductive healthcare, including, but not limited to, policies that provide for employees that must travel to access care.

The CRPTF will generally vote FOR shareholder proposals that require companies to publish a report on the risks and costs that may arise from state laws that may impose restrictions on reproductive rights, assuming that the reporting does not impose an undue burden on the company or is not already disclosed in other sources.

The CRPTF will generally vote FOR shareholder proposals that require companies to provide comprehensive paid parental leave.

iii. Disability Inclusion

The CRPTF believes companies should adopt and implement best practices associated with improving employment policies for people with disabilities. Disability inclusion is a significant opportunity for companies to improve performance, enhance labor-force diversity, and develop a sustainable corporate culture. The CRPTF will consider the steps a company is taking to strengthen

its disability programs, policies, and inclusion practices as an important indicator of a company's overall approach to diversity and inclusion, and its human capital management practices.

E. Special Policy Review and Shareholder Advisory Committees

The CRPTF will vote FOR shareholder resolutions that request companies to support advisory committees when they appear to offer a potentially effective method for enhancing shareholder value.

F. Drug Reimportation

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to provide reports on the financial and legal impact of their policies regarding prescription drug reimportation, unless such information is already publicly disclosed.

Generally, the CRPTF will vote AGAINST shareholder resolutions requesting that companies adopt specific policies to encourage or constrain prescription drug reimportation.

G. Predatory Lending

The CRPTF will vote FOR shareholder resolutions that request companies to adopt policies that preclude predatory lending practices.

The CRPTF will vote on a CASE-BY-CASE basis on requests for reports on the company's procedures for preventing predatory lending, including the establishment of a board committee for oversight, taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abusive lending practices;
- Whether the company has adequately disclosed the financial risks of its subprime business;
- Whether the company has been subject to violations of lending laws or serious lending controversies;
- Peer companies' policies to prevent abusive lending practices.

XIV. SHAREHOLDER RESOLUTIONS ON GENERAL CORPORATE ISSUES

A. Corporate Political Expenditures

Political contributions can benefit the strategic interests of a company. Shareholders understand that corporate participation in the political process including through political contributions can benefit companies strategically and contribute to value creation. However, shareholders are concerned that board level policies and processes need to exist to ensure that such giving is aligned with shareholders' long-term interests. Shareholders are concerned about the influence of corporate political giving. This activity has the potential to create risks to shareholder value, through reputational harm and through reactions by employees and/or customers.

Shareholders seek to understand who sets political giving policies, who makes the decisions on contributions, and what types of internal controls are in place at the board level to manage, monitor

and disclose political contributions, and manage related risks. Shareholders are not interested in obtaining disclosure of the reason specific contributions are made, but instead seek data on contributions and an understanding of mechanisms, such as board-level policies and processes, through which the board exercises oversight over the process.

It is not an appropriate role for shareholders to vote on specific political expenditures--whether such vote is in the form of an advisory proposal or would be binding.

Corporate political expenditures can be direct in the form of campaign contributions or indirect in the form of advertising or publicity on politically related issues.

In the aftermath of the U.S. Supreme Court ruling in *Citizens United*, which ruled that corporations have a constitutional right to free speech – including political advertising – new forms of corporate political spending have emerged. New organizations have been created under sections 501(c) (4), 501 (c) (5) and 501 (c) (6) of the Internal Revenue Code that receive corporate contributions and engage in political advertising. These organizations are not required to disclose their donors.

The CRPTF will vote FOR shareholder resolutions that request companies to provide greater disclosure of corporate campaign financing.

The CRPTF will vote FOR shareholder resolutions that request companies to disclose any and all corporate expenditures for advertising in support of, or in opposition to, any political candidate, issue, and/or ballot referendum, including contributions to political candidates, political action committees, 501(c) (3, 4, and 5) organizations or any other expenditure which may be used to influence an election.

The CRPTF will vote FOR shareholder resolutions that call on the board to establish corporate political giving guidelines and internal reporting provisions or controls.

The CRPTF will vote AGAINST shareholder resolutions that seek shareholder input to corporate political giving policies or on the contributions themselves. The CRPTF will vote AGAINST shareholder resolutions seeking an advisory vote on political contributions.

B. Charitable Contributions

The CRPTF will vote AGAINST shareholder resolutions that request companies not to make charitable contributions.

C. Link Executive Compensation to Corporate Activities Promoting Sustainability

The CRPTF will vote on a on a CASE-BY-CASE basis on equity-based compensation plans that link executive compensation to responsible business practices that promote the long-term sustainability of the environment, the economic vibrancy of the local community and the welfare of the company's employees.

Such resolutions will be evaluated in the context of:

- The degree to which the issue can be linked to executive compensation and the long-term financial performance of the company;

- The degree that performance standards are related to corporate activities those promote long-term sustainability.
- Violations or complaints filed against the company relating to such performance standards;
- Current company pays levels.

D. Outsourcing

The CRPTF will vote on a CASE-BY-CASE basis on proposals calling for companies to report on the risks and opportunities associated with outsourcing.

E. Military Sales

Generally, the CRPTF will vote FOR shareholder resolutions that request companies to report on foreign military sales and economic conversion of facilities, as long as such resolutions permit non-disclosure of confidential and proprietary information.

F. Operations in Nations Sponsoring Terrorism Business Strategy

The CRPTF will vote on a CASE-BY-CASE basis on shareholder resolutions that require the establishment of a board committee to review and report on the company's financial, legal and reputational risks from its operations in a terrorism-sponsoring state.

G. Business Strategy

Shareholders have introduced resolutions asking boards of directors to examine the impact of particular business strategies on long-term corporate value in light of changing market conditions that could affect those particular business strategies, and to report back to shareholders. The CRPTF generally supports enhanced disclosure to shareholders on how the company addresses issues that may present significant risk to long-term corporate value.

XV. GLOBAL PROXY VOTING

All international proxies shall be voted consistent with the CRPTF's Proxy Voting Policies and the relevant provisions of contracts with advisors, as necessary, and take into account relevant market listing rules and regulations, local laws and regulations, as well as local market best practice standards.

APPENDIX A

Executive Compensation Evaluation Criteria

Pay for Performance

- The degree to which pay is tied to long term performance, and the alignment of compensation practice with long term shareholder value – including salary, bonus, equity compensation, long term incentive plans, retirement benefits, perquisites, etc.
- The rigor of performance metrics that are used to evaluate executive performance in determining compensation, and the company's practice in disclosing these metrics to shareholders.
- The amount of payments provided for in contracted severance agreements, including change of control, severance for cause, and severance without cause, and whether and how these payments would be based on past performance. (See section X.D. below for more detail on criteria).
- The relationship between compensation granted in the current year to amount of key executives' walk-away pay (compensation received at time of termination, including severance benefits, accelerated vesting of stock options, restricted stock and restricted stock units, deferred compensation, pension benefits, and other post-retirement benefits).
- The inclusion of "claw back" provisions which recapture incentive payments that were made to executives on the basis of having met or exceeded performance targets and subsequent financial restatements show that performance targets were not met. Claw back provisions should be triggered whether or not the executive was involved in fraudulent activity or the executive was found personally responsible for the financial misstatements.
- Appropriate use of peer companies to benchmark compensation structures

Compensation Policy

- The clarity and thoroughness of the Compensation Committee's statement of their compensation philosophy contained in the committee's annual report to shareholders, (as well as in the Committee's charter).
- The clarity and transparency of the presentation in the Compensation Discussion and Analysis (CD&A).

Input from Shareholders

- Willingness of the company's compensation committee members to engage with shareholders and discuss executive compensation policies and practices.
- Use of other mechanisms by the company to seek shareholder input, including surveys of shareholders, mechanisms for shareholders to provide written input to the compensation committee (letters, e-mail, directly from a website, etc.), management meetings with shareholders, etc.

Poor Compensation Practices

The CRPTF will consider the extent to which a company uses what are considered poor compensation practices. The CRPTF will review these criteria holistically, and no one poor practice will result in a no vote. The CRPTF considers the following to be poor compensation practices:

- Re-pricing of stock options and/or options policies that provide for "reloading" of exercised stock options.
- Awarding of equity compensation (including stock options, restricted stock, restricted stock units, etc.) that excessively dilutes shareholder economic value or shareholder voting rights.
- Awarding Golden Coffins - provisions that award continuing compensation after an executive's death.
- Implementing compensation schemes that encourage excessive risk-taking, including both risks to the company and, for financial service companies, risks to the national and global financial system and the economy.
- Allowing for tax gross ups (except for pay adjustments that recognize extraordinary expenses related to work assignments).
- Engaging a compensation consultant that is retained by the company to provide other significant services other than work performed for the compensation committee (non-independent compensation consultant).
- Allowing for contractual severance provisions that would reward poor performance.
- Including change-in-control agreements that do not require both a change-in-control and loss of employment or diminution of job responsibilities to trigger payments.
- Changing performance metrics during the performance period in a way that misaligns pay and performance or that are not adjusted to reflect stock repurchase programs.
- Paying for Supplemental Executive Retirement Plans (SERP) that are deemed overly generous, based on an analysis by the CRPTF's proxy voting service and other expert analysis.
- Awarding new hire packages to new CEOs which are deemed overly generous ("golden hello package"), based on an analysis by the CRPTF's proxy voting service and other expert analysis.
- Failing to provide for a "claw back" policy – requiring repayment of performance-based compensation when financial restatements shows that compensation was not earned. Failing to submit one-time transfers or stock options to a shareholder vote.

[1] Conn. Gen. Stat. § 3-13(d)(a).
[2] Council of Institutional Investors' Corporate Governance Polices, Section 7.2, Revised September 17, 2019, https://www.cii.org/files/ciicorporategovernancepolicies/09_17_19_corp_gov_policies.pdf
[3] *See* Harvard Law School's Forum on Corporate Governance: "[C]ompanies with a balanced board composition relative to director tenure tend to show better financial results and have a lower risk profile compared to their peers. At the same time, companies whose directors' tenure is heavily concentrated (whether mostly short-tenured or mostly long-tenured) exhibit poorer performance and have a higher risk profile. Therefore, as an extension beyond practicing basic board refreshment, companies may gain significant benefits by maintaining a balance of experience and new capacity on the board. https://corpgov.law.harvard.edu/2018/09/01/board-refreshment-finding-the-right-balance/
[4] This would replace the plurality vote standard which is an election where the candidate with the most votes is elected rather than requiring a majority of the votes for election – withhold votes do not count.
[5] In contested elections a majority vote is not needed because these elections are competitive.
[6] www.unpri.org
[7] https://www.ipcc.ch/sr15/
[8] Investing in a Time of Climate Change, https://www.ifc.org/wps/wcm/connect/e9bfa328-e091-465b-9da6-8fe312261b98/Investing+in+a+time+of+climate+change.pdf?MOD=AJPERES&CVID=kTFEATf