Virginia Retirement System®

We welcome visitors and remind you that public comment is not received at VRS meetings.

Written comments may be sent by:

- Email: trustees@varetire.org
- Mail: P.O. Box 2500, Richmond, VA 23218

About VRS

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Learn more at varetire.org.

Notice: Some image descriptions were generated using automated tools. For assistance, contact the Digital Accessibility Coordinator: jhewitt@varetire.org.

Virginia Retirement System

November 6, 2026

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for November 12th Board Meeting

We are looking forward to the November 12th Board meeting beginning at 1:00 p.m. The meeting will be held in our leased space located in the James Center, 901 East Cary Street, 4th floor, Chesapeake, CR. Enclosed are the agenda and meeting materials. Boxed lunches will be available at the conclusion of the Benefits and Actuarial Committee meeting.

As you are aware, parking for Board and Committee meetings is available in the James Center parking garage located on the corner of 10th Street and Canal Street. After parking, take the elevator to the 2nd floor, and walk across the pedestrian sky bridge to One James Center. Please bring your parking ticket to the meeting with you for validation. For your reference, listed below are the directions to the parking garage and a map showing you the location in proximity to the lease space.

From the North

- I-95 South through Richmond to Exit 74A onto I-195 (Downtown Expressway)
- Keep right and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10th Street
- Take immediate right into parking garage

From the South

- I-95 North across the James River Bridge
- Take Exit 74A onto I-195 (Downtown Expressway)
- Keep right and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10th Street
- Take immediate right into parking garage

From the East

- I-64 West to Exit 190, merging onto I-95 South
- Take Exit 74A onto I-195 (Downtown Expressway)
- Keep right, and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10th Street
- Take immediate right into parking garage

From the West

- I-64 East to I-95 South, towards Powhite Parkway
- Follow signs to I-195 (Downtown Expressway)
- Go through toll plaza
- Take the 7th & 9th Street exit
- Cross 9th Street, and take a left onto 10th Street
- Parking is immediately past Canal Street on the right



In addition, parking for scheduled meetings will remain available in the VRS, 1200 E. Main St. parking deck in the sub-basement or lower sub-basement. The respective spaces are marked with a yellow sign that reads: "Reserved for Board Member Parking."

Listed below is a recap of the meetings scheduled for next week:

Meeting	**Date**	**Location**
Benefits and Actuarial Committee	Thursday, November 12th, 10:00 a.m.	James Center, 901 E. Cary St., 4th floor, Chesapeake Conference Room
Board of Trustees	Thursday, November 12th, 1:00 p.m.	James Center, 901 E. Cary St., 4th floor, Chesapeake Conference Room

Again, we look forward to seeing you next week. If you have any questions, please feel free to contact me. Alternately, you may contact LaShaunda King at 804-641-6729 or Emily Trent at 804-307-3915.

Attachments

Board of Trustees Meeting

901 East Cary Street
James Center, 4th floor
Richmond, VA 23219

Thursday, 11/12/2026
1:00 - 3:30 PM ET

I. Approve Minutes
- **October 15, 2026**

10.15.26 Board Meeting Minutes - Page 5

II. Report of the Investment Advisory Committee

III. Report of the Chief Investment Officer

CIO Report - November 2026 - Page 11
CIO Quarterly Report - QE September 2026 - Page 19
Daily Asset Allocation Report 11.9.2026 - Page 27
New Investments and Terminations 11.12.2026 - Page 28

IV. Corporate Governance Report

Corporate Governance Report FY2026 - Page 30
Exhibit 1 - Proxy Voting Policy - February 2024 - Page 33
Exhibit 2 - Litigation Policy - February 2024 - Page 35
Exhibit 3 - 2026 Global-Board-Aligned-US-Voting-Guidelines - Page 42
Exhibit 4 - Managers Not Using VRS Selected ISS Policy-FY2026 - Page 123
Exhibit 5 - VRS Appointed Law Firms Providing Class Action Services and OAG Appointed Law Firms - Page 124

V. CEM Cost Effective Analysis of VRS Investment Program

CEM DB Management Insight Report 2025 - VRS - Board Presentation - Page 125

VI. Report of the Benefits and Actuarial Committee

Report of the Benefits and Actuarial Committee - Page 141
- **RBA - Accept the Plan Actuary's Valuations as of June 30, 2026, for Political Subdivision Retirement Plans, the Health Insurance Credit for Certain Political Subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund**

RBA - Accept Local Plan Valuations - Page 143
Pol Sub Board 11.12.26 - Page 144
LODA Presentation Nov Board 2026 - Page 164

VII. Report of the Director

FY 2027 Agency Roadmap Update - October - Page 176
Director's Report - Page 178

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on October 15, 2026, in Richmond, Virginia with the following members participating:

Board members:
Susan T. Gooden, Ph.D., Chair
A. Scott Andrews, Vice Chair
Lawrence A. Bernert, III
John M. Bennett
Rokasha Edmondson, Ed.D.
J. Clifford Foster, IV
Jessica L. Hood
Hon. Matthew James
William H. Leighty

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Nikolai Abaev, Rory Badura, Parham Behrooz, Matt Bennett, Ty Bowers, Lee Buchanan, Jessica Budd, Caroline Cardwell, Dorothy Chiddo, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Michael Desai, Valerie Disanto, Curtis Doughtie, Kenji Epling, Laurie Fennell, Laura Fields, Antonio Fisher, Kenneth Fleming, Josh Fox, Holly Glass, Katie Grawe, JT Grier, Kelly Hiers, Dane Honrado, KC Howell, Taylor Irvin, Ross Kasarda, Mengting Kim, LaShaunda King, Ryan LaRochelloe, Daniel Lipok, Chung Ma, Curt Mattson, Scott Mootz, Peter Murphy, Walker Noland, Greg Oliff, Matt Priestas, Laura Pugliese, Paula Reid, Mark Rein, Andrew Ringle, Dan Schlussler, Michael Scott, Jillian Sherman, Trib Singh, Richard Slate, Amethyst Sloane, Virginia Sowers, Nicole Taylor, Emily Trent, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Jim Anderson, Becky Stouffer and Michael Spardo, Gabriel, Roeder, Smith & Company; Joe Ebisa, WithIntelligence.com; Courtney Degen and Rob Kozlowski, Pensions & Investments; Alexandra Jansson, Joint Legislative Audit and Review Commission; Michael Martz, Richmond Times Dispatch; Elizabeth Myers, Office of the Attorney General; Jacob Rose-Seiden, Osmosis.fm and Ben Sheng, FundFire.

The meeting convened at 1:00 p.m.

Opening Remarks

Dr. Gooden called the meeting to order and welcomed everyone to the October 15, 2026, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Leighty, and a second by Mr. Andrews, the VRS Board of Trustees unanimously approved the minutes from its September 17, 2026, meeting.

Report of the Chief Investment Officer

Andrew Junkin, CIO, began his report with a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin concluded with discussions of the New Investments and Terminations Report, the DIME Quarterly Report and the External Manager Referral Quarterly Report.

Dr. Gooden thanked Mr. Junkin for his report.

Report of the Benefits and Actuarial Committee

The VRS Board of Trustees received the report of the Benefits and Actuarial Committee following its meeting on October 14, 2026, and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its June 17, 2026, meeting.

ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of Jessica Hood to continue serving as Committee Vice Chair.

VRS FUNDING POLICY STATEMENT AMENDMENTS

Rory Badura, Senior Staff Actuary, presented the recommended amendments to the VRS Funding Policy Statement to the Committee. The changes involve establishing a strategy for amortizing surpluses in all pension and other post-employment benefit (OPEB) plans once a plan reaches 100% funded status in order to protect the plan's funded status. Mr. Badura reviewed the recommended amortization policy and demonstrated how open amortization of funding surplus under the proposed schedule would ease the impact on employers while also protecting plans from becoming excessively overfunded.

Staff recommends the change in order to prioritize protecting the plans' funded status while reducing future risks when plans reach or surpass the funding schedule.

Upon a motion by Mr. Bernert, with a second by Mr. Leighty, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-10-22: *The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) regarding how to amortize surpluses in all pension and OPEB plans once any such plan reaches 100% funded status. Effective October 15, 2026, for actuarial valuations effective June 30, 2026, for all plans that reach or exceed a funded status on an AVA basis, surplus funding will be amortized in accordance with the following schedule:*

Funded Ratio on AVA Basis	Amortization Period
100-120%	20 year open
120-140%	15 year open
140-160%	10 year open
160%+	5 year open

In addition, for statewide pension and OPEB plans, the minimum contribution must be at least equal to the plan's administrative expense.

There are also technical amendments to the Funding Policy to remove unnecessary appendices.

ACTUARIAL VALUATION RESULTS FOR THE FIVE STATEWIDE RETIREMENT PLANS, GROUP LIFE INSURANCE, STATE AND TEACHER RETIREE HEALTH INSURANCE CREDIT, AND THE VIRGINIA SICKNESS AND DISABILITY PROGRAM (INCLUDES SELF-FUNDED LONG-TERM CARE)

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2026, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance, the State and Teacher Health Insurance Credit and the Virginia Sickness and Disability Program (VSDP). The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years, the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of changes to contribution rates.

The market value return for the total fund of 12.1% exceeded the long-term assumed rate of return of 6.75% for fiscal year 2026. For most statewide plans, the investment gain had the greatest impact on plan experience during the year which resulted in funded status increases for most plans and employer contribution rates trending lower. The other notable change was due to modeling updates to better align liabilities for members with multiple employments across different employers. While this change had only minor impacts on most statewide plans, the VaLORS plan experienced a noteworthy increase in liabilities due to the level of turnover experienced by members of this plan.

GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees.

Upon a motion by Mr. Bernert with a second by Mr. Andrews, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-10-23: *The Virginia Retirement System Board of Trustees accepts the June 30, 2026, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for (i) the Five Statewide Retirement Plans: State Employees, Teachers, Judicial Retirement System, State Police Officers' Retirement System, and Virginia Law Officers' Retirement System; and (ii) the associated other post-employment benefits (OPEBs): Group Life Insurance, Health Insurance Credit*

for both State and Teachers, and the Virginia Sickness and Disability Program, including self-funded Long-Term Care.

Dr. Gooden thanked Mr. Bernert for his report.

Report of the Administration, Finance and Talent Management Committee

The VRS Board of Trustees received the report of the Administration, Finance, and Talent Management Committee following its meeting on September 16, 2026, and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its September 16, 2026, meeting.

MERCER PRESENTATION ON THE 2026 COMPENSATION STUDY – INVESTMENT PROFESSIONALS

Josh Wilson of Mercer presented the results of its 2026 compensation study related to investment professionals. The review included a full competitive assessment of base salaries and total cash compensation for positions within the Investment Professionals' Pay Plan. Results indicate that, on average, VRS' base salary is 7% below market 75th percentile and total cash is 19% below the market 50th percentile. Recommendations for changes to the pay plan were presented to the Committee.

Upon a motion by Mr. Andrews, with a second by Mr. Bennett, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-10-24: *The VRS Board of Trustees approves an amended Investment Professionals' Pay Plan (Pay Plan), effective October 25, 2026.*

COMPENSATION AND BENEFITS (CLOSED SESSION)

The Committee went into closed session to discuss benefits and compensation related to specific VRS employees.

Upon a motion by Mr. Andrews, with a second by Mr. Bennett, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-10-25: *The VRS Board of Trustees approves a $176,575.00 salary adjustment for the Chief Investment Officer (CIO).*

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2027, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

Ms. Bishop discussed the VRS Strategic Plan. The current four-year plan expires December 2026. The Executive team and facilitator have a new plan in development which will align with the fiscal year versus the calendar year. The plan will drive Agency Performance Outcomes and allow VRS to operate with increased agility.

Ms. Bishop reported that Courtney Shearer, David Porter and Caroline Cardwell represented VRS as panelists during the Government Finance Officers Association (GFOA's) virtual Best Practices Forum. Their presentation showcased how ongoing collaboration between finance and communications teams transforms complex financial data into compelling popular annual financial reports.

Ms. Bishop provided a preview of upcoming meetings and events.

Dr. Gooden thanked Ms. Bishop for her report.

Information Technology (Closed Session)

Upon a motion by Mr. Andrews, with a second by Mr. Leighty, the Virginia Retirement System Board of Trustees convened a closed meeting under the Virginia Freedom of Information Act for the purpose of discussion of an information technology system or software program where discussion in an open meeting would jeopardize the security of such information technology system or program, pursuant to the exemption contained in *Code of Virginia* § 2.2-3711(A)(19).

Upon return to open meeting, Mr. Andrews moved, with a second by Mr. Leighty, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

The Board approved the resolution upon the following roll call vote:

Mr. Andrews: Aye
Mr. Bernert: Aye
Mr. Bennett: Aye
Dr. Edmondson: Aye
Mr. Foster: Aye
Ms. Hood: Aye
Delegate James: Aye
Ms. Leighty: Aye
Dr. Gooden: Aye

Other Business

Lastly, Dr. Gooden reviewed the following meeting schedule:

- Investment Advisory Committee – November 4 at 9:00 a.m.
- Benefits and Actuarial Committee – November 12 at 10:00 a.m.
- Board of Trustees – November 12 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Leighty, with a second by Delegate James, the VRS Board of Trustees agreed to adjourn the meeting at 2:38 p.m.

_____ _____

Chair Secretary

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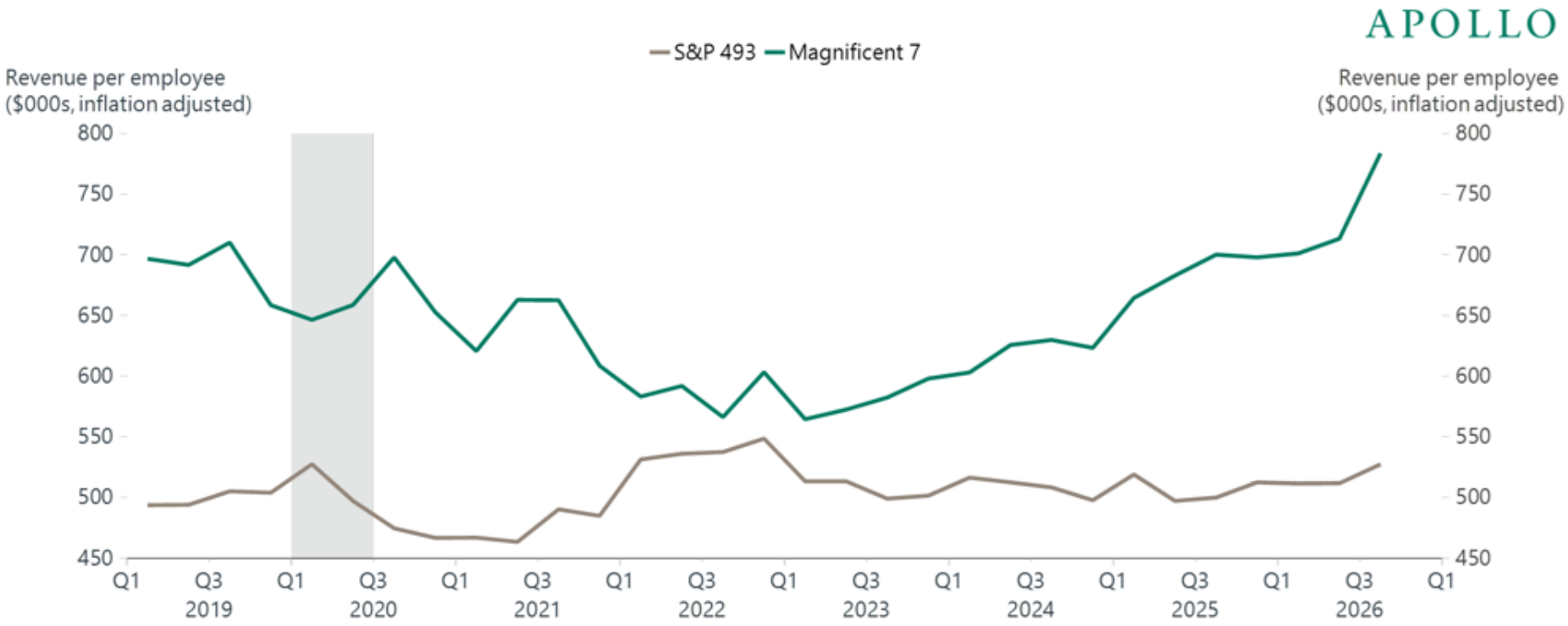
Chief Investment Officer Report

Market Review – November 2026

Andrew Junkin

What if AI Payoff is Delayed?

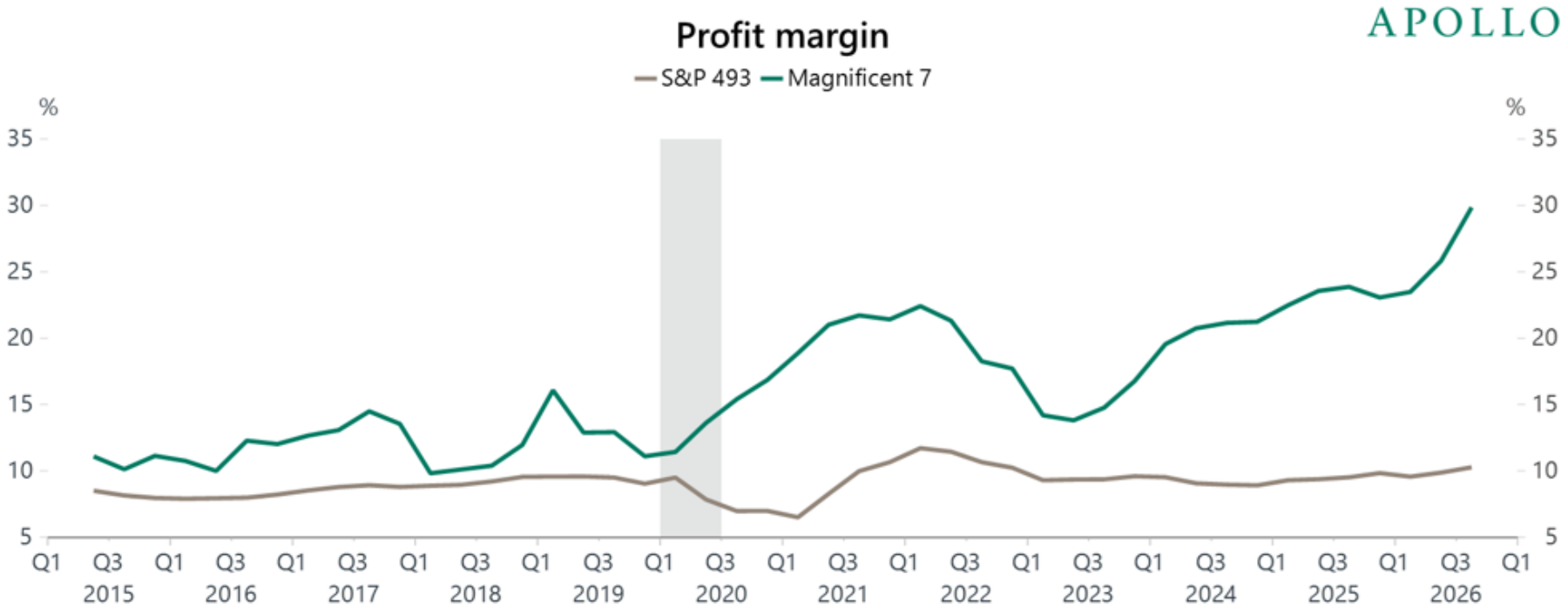
Revenue per worker moving up for tech but not for the rest of the economy



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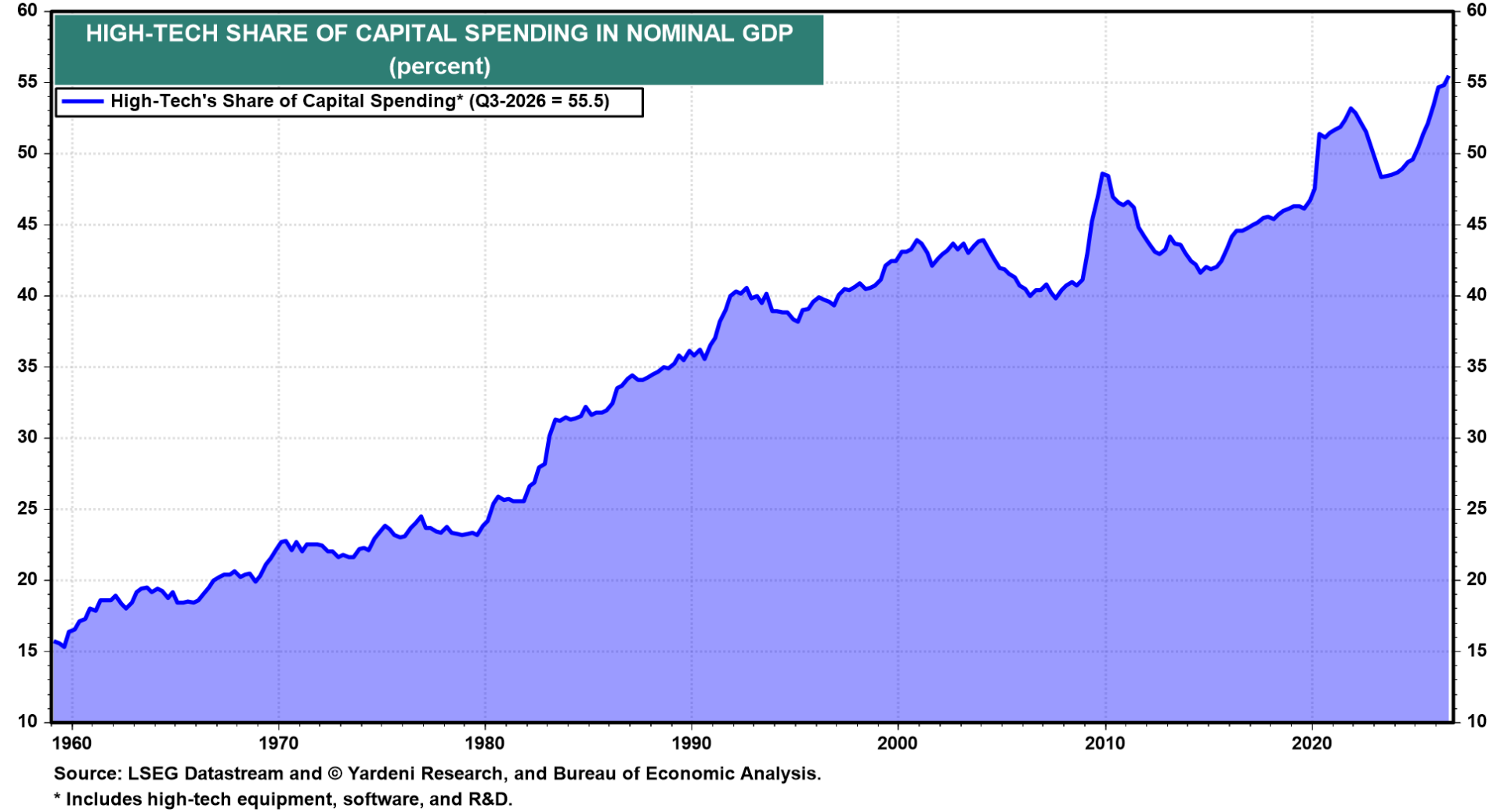
Or Smaller Than Expected?

No signs of profit margins going up outside the tech sector



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Technology Drives Economic Activity

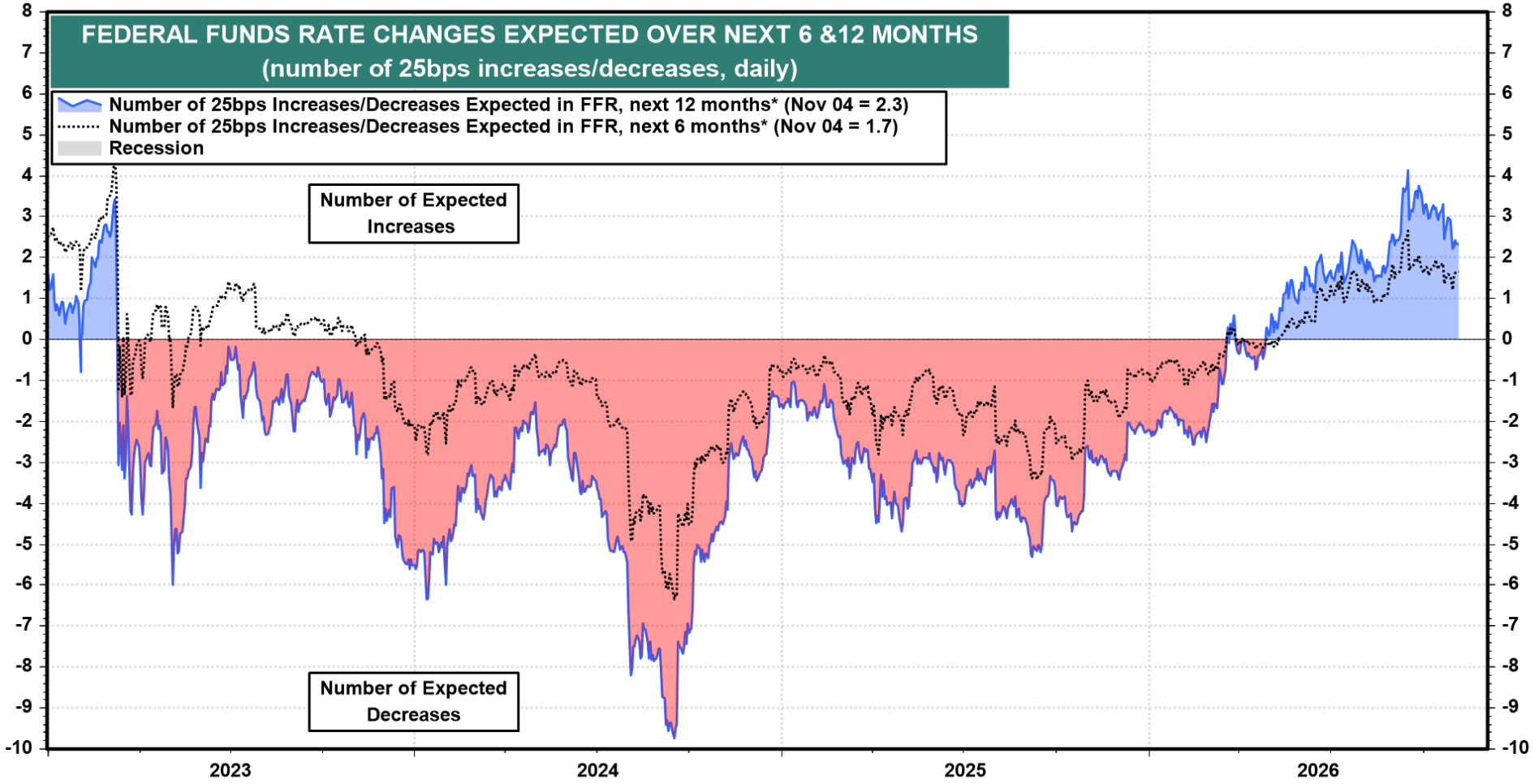


Source: LSEG Datastream and © Yardeni Research, and Bureau of Economic Analysis.

* Includes high-tech equipment, software, and R&D.

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Still Expecting Higher Interest Rates

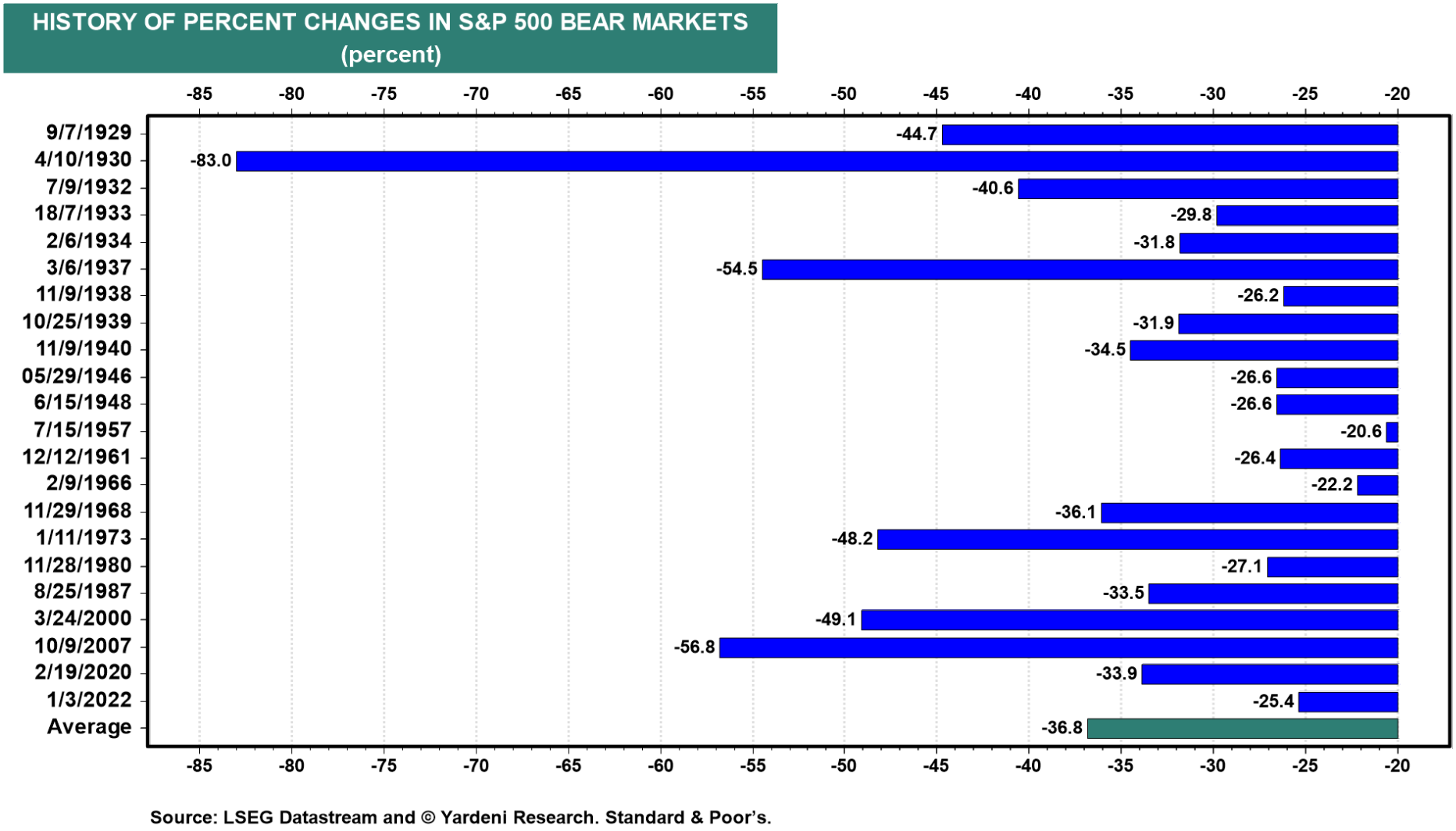


Source: LSEG Datastream and © Yardeni Research. Federal Reserve and Chicago Board of Trade.

* 6-month and12-month futures FFR minus FFR all divided by 25.

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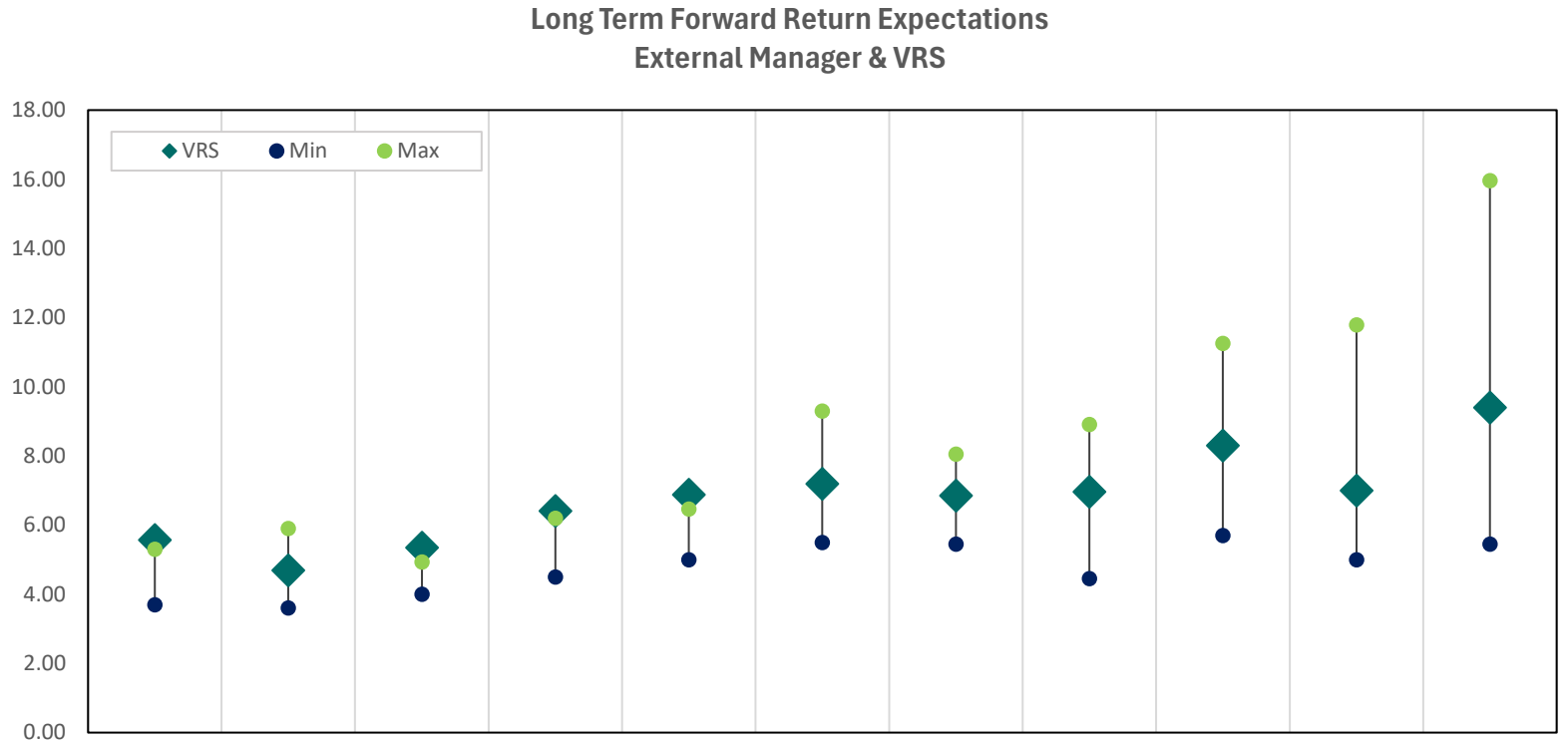
Equity Market Volatility



Source: LSEG Datastream and © Yardeni Research. Standard & Poor's.

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VRS Capital Market Assumptions



TIPS	US Govt Bonds All Mat	US Agg Bonds Inv Grade	USD Em Mkts Debt	US HY Bonds	US Real Estate Core	Developed non-US Equity	US Lg Cap Equity	Emerging Markets Equity	Global Direct Lending	US Private Equity
VRS Forward Return Expectations										
5.6	4.7	5.4	6.4	6.9	7.2	6.9	7.0	8.3	7.0	9.4

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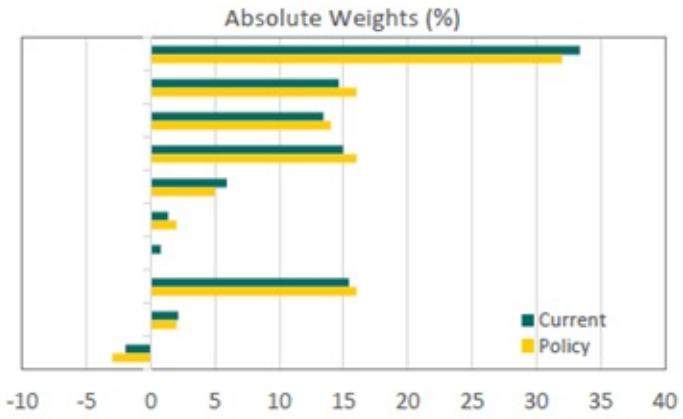
VRS IS a Long-Term Investor

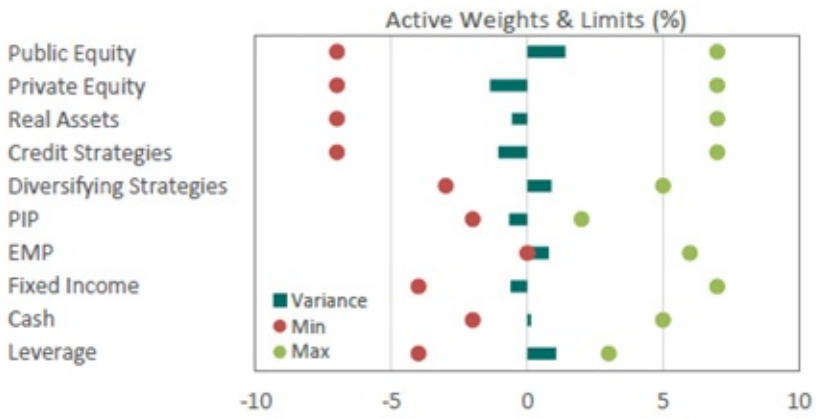
Asset Class	6/30/2026 Wt.	6/30/2026 Exp.Ret	6/30/2026 Exp.Vol	6/30/2025 Wt.	6/30/2025 Exp.Ret	6/30/2025 Exp.Vol
Public Equity	32%	7.4%	15.6%	32%	6.6%	15.5%
Private Equity	15%	9.4%	21.8%	16%	8.6%	22.4%
Real Assets	14%	7.2%	10.0%	14%	7.1%	10.2%
Credit Strategies	16%	8.2%	9.0%	16%	8.2%	6.3%
Diversifying Strategies	6%	7.1%	3.6%	5%	6.8%	4.2%
Private Investment Partnerships	2%	8.3%	15.8%	2%	7.9%	16.1%
Fixed Income	16%	5.3%	5.1%	16%	5.1%	5.4%
Cash	2%	4.3%	0.1%	2%	4.1%	0.1%
Leverage	-3%	4.8%	0.1%	-3%	4.6%	0.1%
Total Fund		**7.5%**	**10.3%**		**7.1%**	**10.5%**

20-year forecast

Virginia Retirement System®

Asset Allocation - September 30, 2026





Tracking Error (%)	
5Yr Fund	2.3
5Yr Public	1.5

		Weights (%)					
Asset Class	Billions ($)	Current	Policy	Variance	Min	Max	Internal
Public Equity	45.4	33.4	32.0	1.4	25	39	52
Private Equity	19.9	14.6	16.0	-1.4	9	23	16
Real Assets	18.3	13.4	14.0	-0.6	7	21	19
Credit Strategies	20.3	14.9	16.0	-1.1	9	23	6
Diversifying Strategies	8.0	5.9	5.0	0.9	2	10	0
Private Investment Partnerships (PIP)	1.8	1.3	2.0	-0.7	0	4	0
Exposure Management Portfolio (EMP)	1.1	0.8	0.0	0.8	0	6	0
Fixed Income	21.0	15.4	16.0	-0.6	12	23	96
Cash	2.9	2.1	2.0	0.1	0	7	0
Leverage	-2.6	-1.9	-3.0	1.1	-4	0	0
Total Fund (Net Market Value)	**136.1**	**100.0**	**100.0**	**0.0**	n.a.	n.a.	**38**
Total Fund (Gross Market Value)	138.7	101.9	103.0	-1.1	n.a.	n.a.	0
Exposures by Policy Groups							
Public + Private Equity	65.3	48.0	48.0	0.0	38	58	n.a.
Fixed Income + Cash	23.9	17.5	18.0	-0.5	12	27	n.a.

Total Fund includes the following amount held by the Treasurer of VA: $327 million

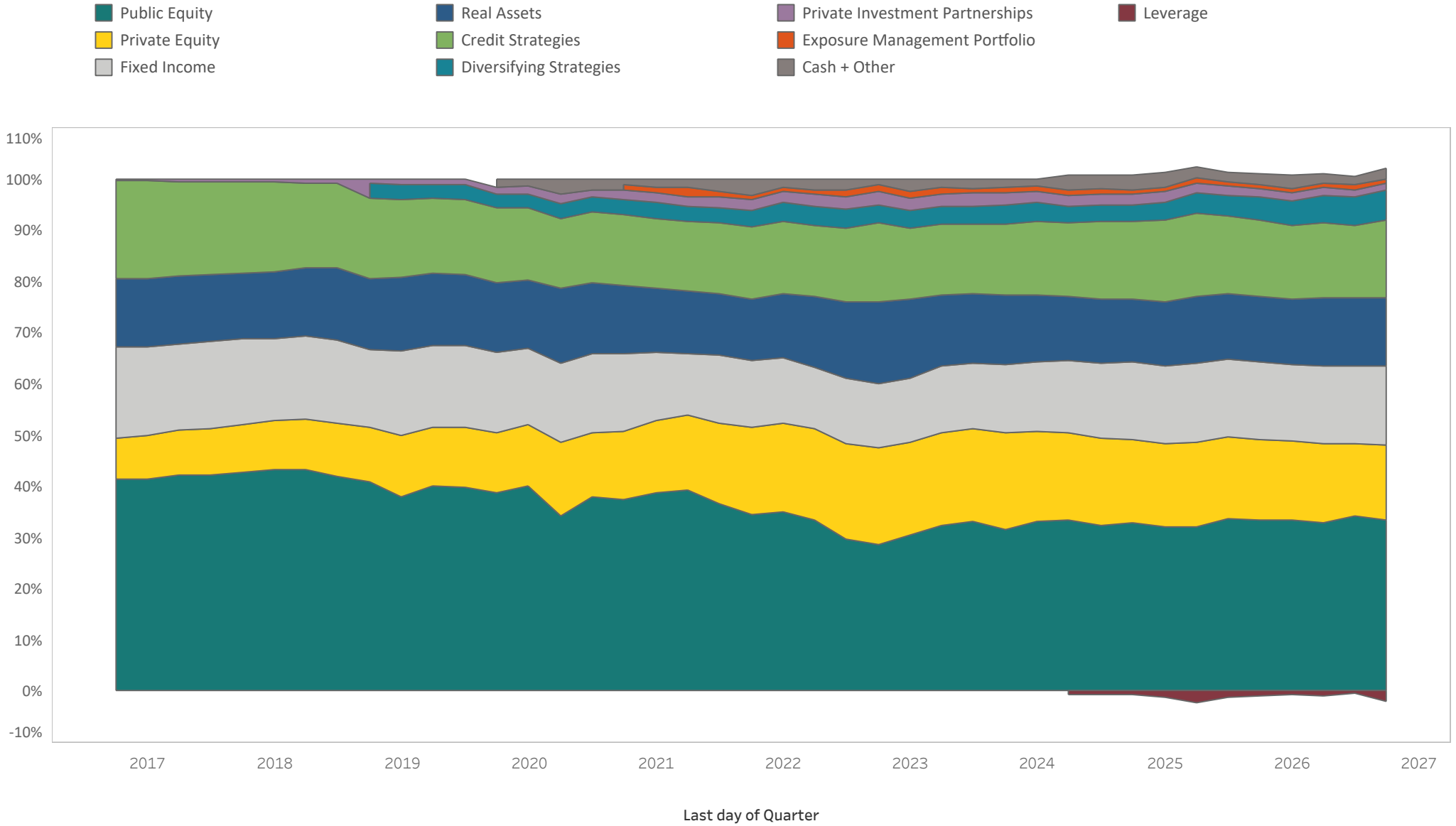
The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 9/30/2026.

Differences in totals are due to rounding

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Asset Allocation Rolling 10-Year



As of September 30, 2026

Performance - September 30, 2026

(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value ($MM)
Total Public Equity	**12.1**	**12.0**	**22.2**	**18.1**	**1.5**	**-1.4**	**1.5**	**13.6**	**45,436**
Benchmark	12.0	10.9	20.6	15.9	1.2	-1.7	1.2	12.5	
Total Private Equity	**13.7**	**6.4**	**5.8**	**5.7**	**2.8**	**2.7**	**2.8**	**3.4**	**19,909**
Benchmark	14.3	10.7	19.3	20.8	12.2	0.2	12.2	12.6	
Total Real Assets	**6.8**	**5.5**	**3.2**	**7.3**	**1.8**	**1.9**	**1.8**	**6.1**	**18,296**
Benchmark	4.7	3.2	1.3	4.9	1.5	0.3	1.5	3.9	
Total Credit Strategies	**7.4**	**7.2**	**9.5**	**6.0**	**2.4**	**1.8**	**2.4**	**4.5**	**20,332**
Benchmark	5.5	5.0	7.4	3.3	0.2	-1.1	0.2	1.8	
Total Diversifying Strategies	**n/a**	**5.3**	**7.9**	**8.5**	**4.0**	**1.2**	**4.0**	**6.0**	**8,007**
Benchmark	n/a	4.7	8.5	7.2	2.5	1.2	2.5	5.6	
Total Private Investment Partnerships	**9.3**	**7.8**	**8.7**	**7.9**	**1.0**	**1.0**	**1.0**	**5.8**	**1,833**
Benchmark	8.4	6.6	9.0	9.4	4.5	-0.2	4.5	6.0	
Total Fixed Income	**2.1**	**0.2**	**5.0**	**-1.2**	**-3.8**	**-2.9**	**-3.8**	**-2.6**	**20,953**
Benchmark	1.3	-0.3	4.5	-1.5	-3.5	-2.7	-3.5	-2.7	
Total Fund	**8.9**	**7.4**	**11.2**	**9.3**	**1.4**	**0.1**	**1.4**	**6.7**	**136,090**
VRS Custom Benchmark	8.4	6.9	12.3	9.8	2.1	-1.0	2.1	6.8	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than $1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

The Performance Report may differ from the VRS Annual Comprehensive Financial Report (ACFR) due to each report's requirements and objectives.

Leverage Cost Measurement Information

(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value ($MM)
Leverage	**n/a**	**n/a**	**n/a**	**4.3**	**1.1**	**0.4**	**1.1**	**3.2**	**(2,643)**
Benchmark	n/a	n/a	n/a	4.4	1.1	0.4	1.1	3.2	

Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

Performance Attribution

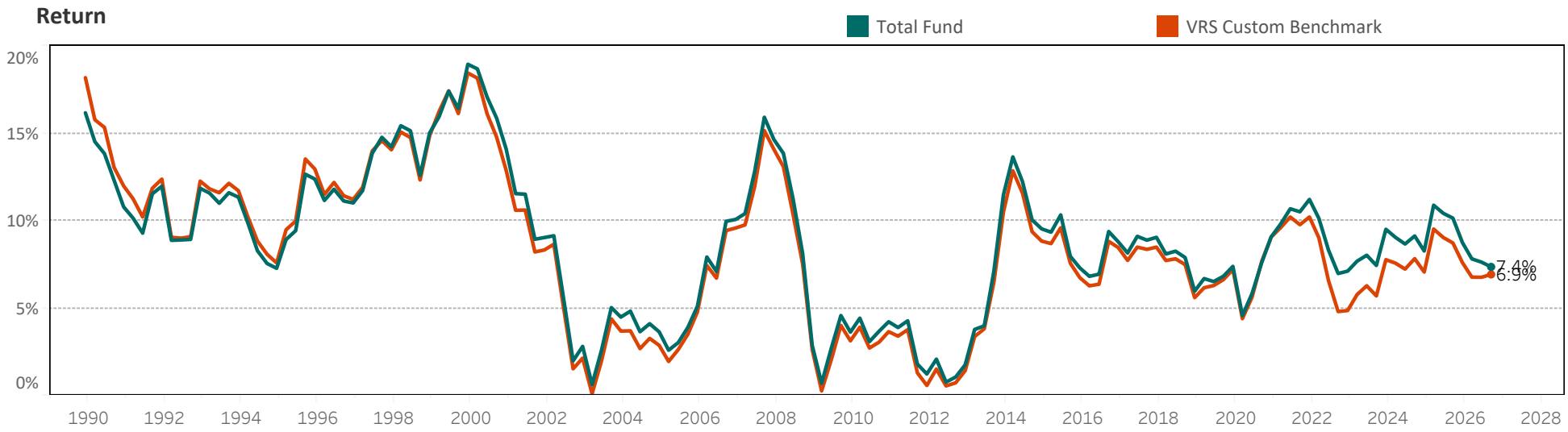
Fiscal Year-To-Date, ending September 30, 2026

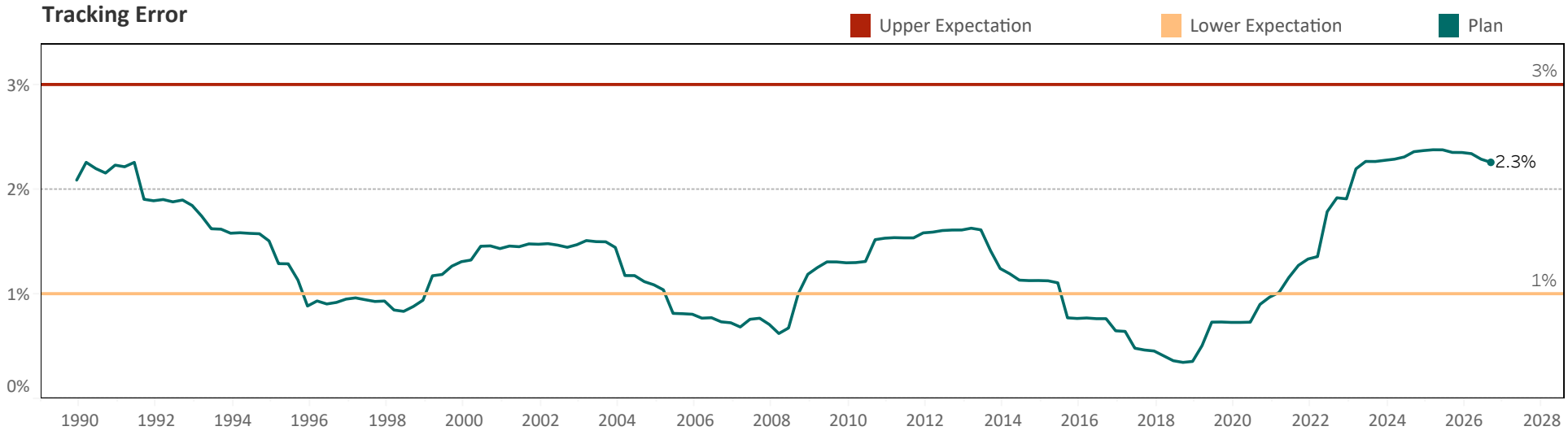
	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	1.4	100.0	2.1	0.1	-0.9	-0.8
Public Equity	34.3	1.5	32.0	1.3	0.0	0.1	0.1
Private Equity	14.3	2.8	15.0	12.2	-0.1	-1.3	-1.4
Real Assets	13.2	1.8	14.0	1.5	0.0	0.0	0.0
Credit Strategies	14.4	2.4	16.0	0.2	0.0	0.3	0.4
Diversifying Strategies	5.7	4.0	6.0	2.5	0.0	0.1	0.1
Private Investment Partnerships	1.4	1.0	2.0	4.5	0.0	-0.1	-0.1
EMP	0.7	30.6			0.2	0.0	0.2
Fixed Income	15.3	-3.8	16.0	-3.5	0.0	-0.1	0.0
Cash	1.5	0.0	2.0	0.9	0.0	0.0	0.0
Other	0.1	7.7			0.0	0.0	0.0
Leverage	-0.7	1.1	-3.0	1.1	0.0	0.0	0.0

Differences in totals are due to rounding.

In return attribution, **allocation** refers to the value added by having different asset class weights in the portfolio than the asset class weights in the benchmark. **Selection** refers to the value added by holding individual securities or instruments within the asset class in different than benchmark weights.

Total Fund Rolling 5-Year

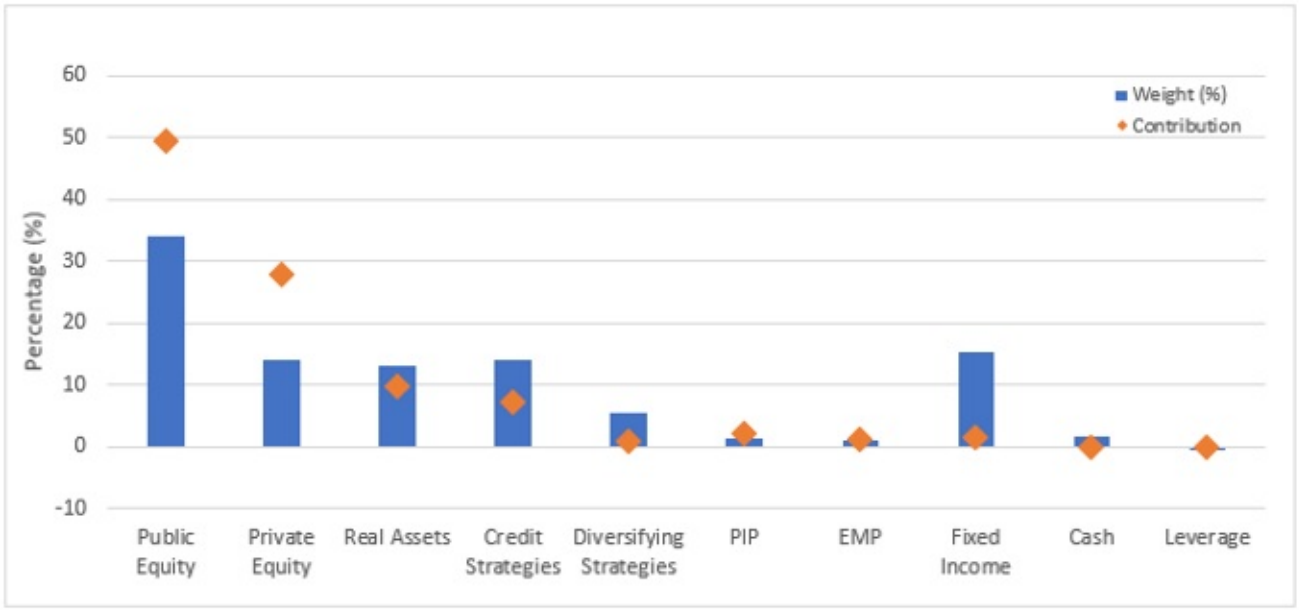




As of September 30, 2026

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history.

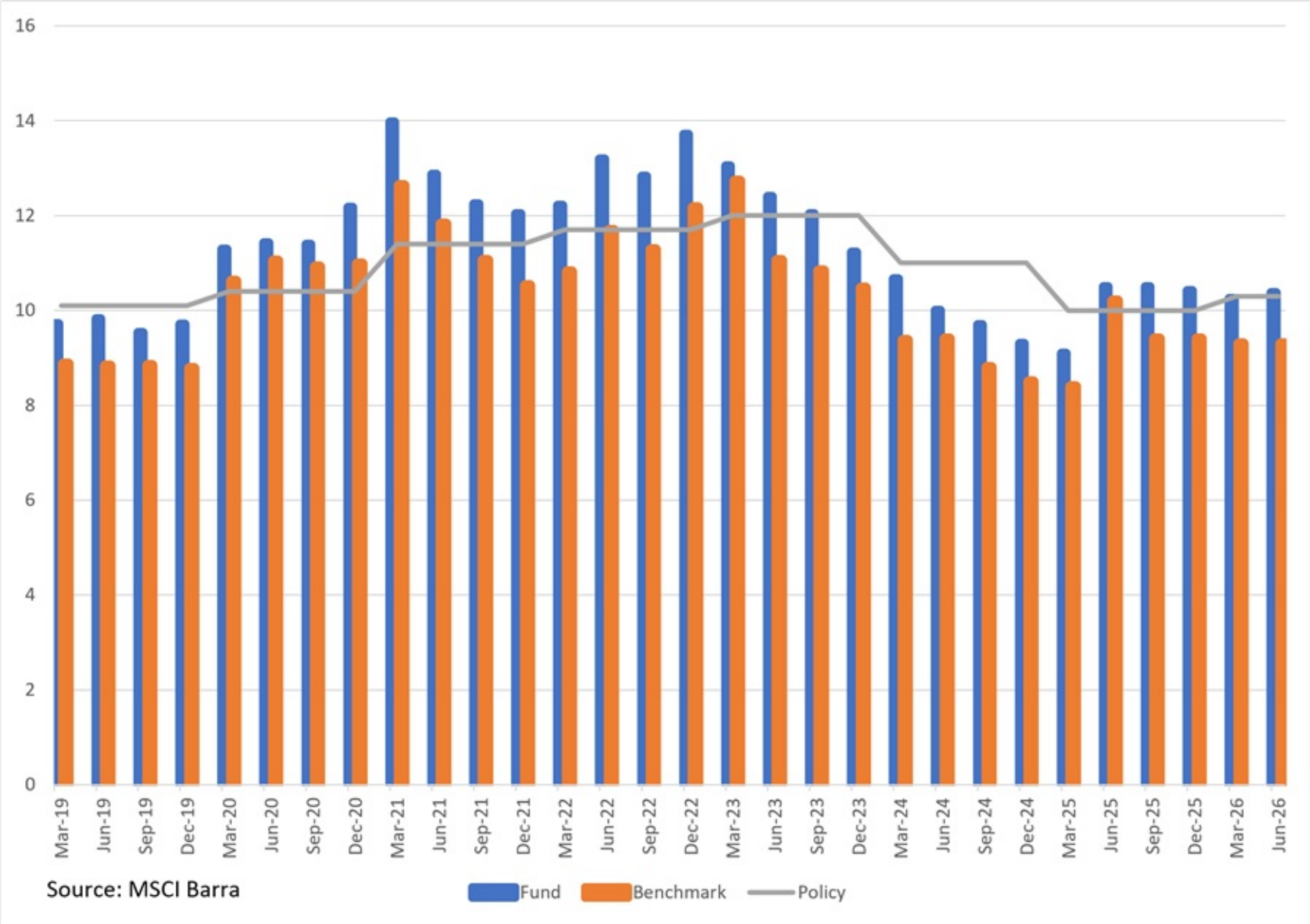
Projected Volatility and Risk Contribution - June 30, 2026



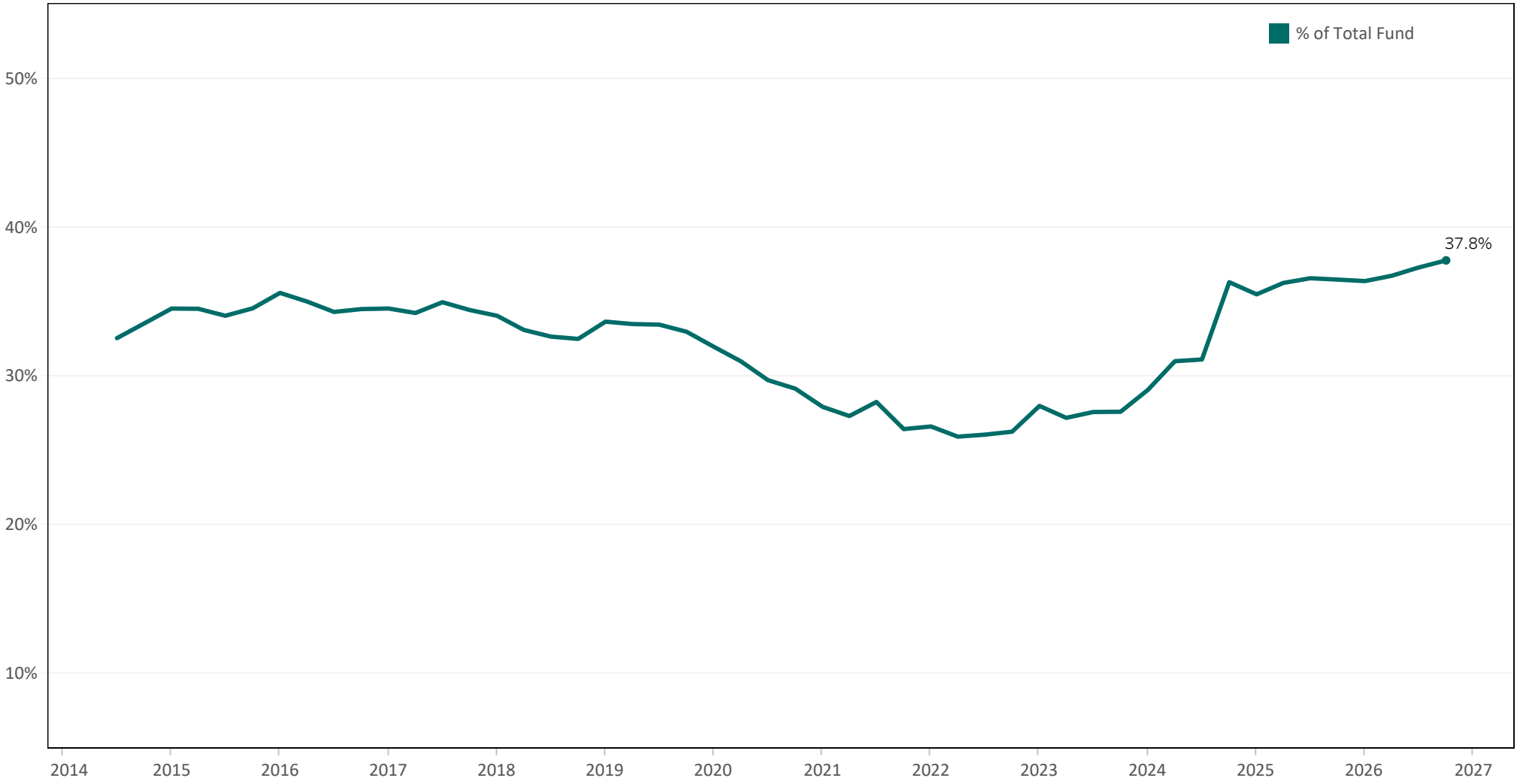
	Market Value		Volatility (%)	
Asset Class	Billions ($)	Weight (%)	Projected	Contribution
Public Equity	46.1	34.1	16.0	49.5
Private Equity	19.2	14.2	21.9	27.7
Real Assets	17.7	13.1	9.9	9.7
Credit Strategies	19.2	14.2	8.7	7.3
Diversifying Strategies	7.4	5.5	3.2	0.9
Private Investment Partnership (PIP)	1.9	1.4	16.6	2.1
Exposure Management Portfolio (EMP)	1.4	1.0	17.3	1.1
Fixed Income	20.6	15.2	5.2	1.6
Cash	2.3	1.7	0.4	0.0
Leverage	-0.7	-0.5	0.0	0.0
Total Fund (Net Market Value)	**135.2**	**100.0**	**10.4**	**100.0**

Source: BNY, MSCI Barra

VRS Fund Projected Volatility - June 30, 2026



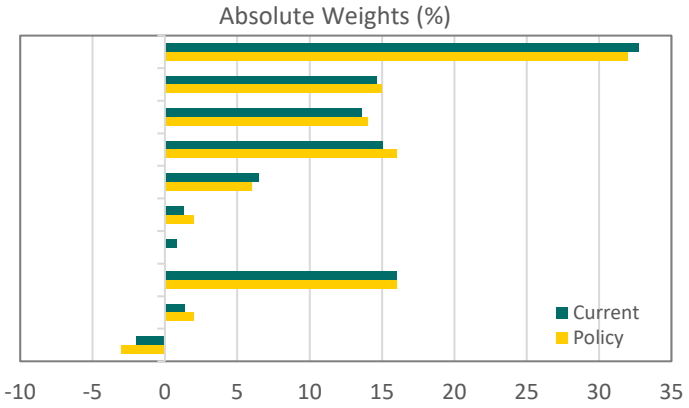
Internally Managed Assets

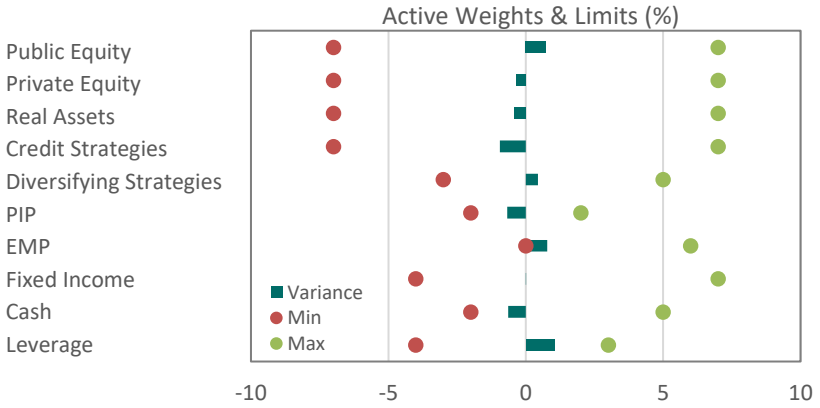


As of 9/30/2024, the percentage includes both internally managed Public Market Assets and Private Market Assets where VRS has full discretion.

Daily Asset Allocation Report

November 9, 2026





Tracking Error (%)	
5Yr Fund	2.3
5Yr Public	1.5

		Weights (%)					
Asset Class	Billions ($)	Current	Policy	Variance	Min	Max	Internal
Public Equity	44.3	32.7	32.0	0.7	25	39	51
Private Equity	19.9	14.7	15.0	-0.3	8	22	16
Real Assets	18.4	13.6	14.0	-0.4	7	21	19
Credit Strategies	20.4	15.1	16.0	-0.9	9	23	6
Diversifying Strategies	8.7	6.4	6.0	0.4	3	11	0
Private Investment Partnerships (PIP)	1.8	1.3	2.0	-0.7	0	4	0
Exposure Management Portfolio (EMP)	1.1	0.8	0.0	0.8	0	6	0
Fixed Income	21.7	16.0	16.0	0.0	12	23	96
Cash	1.8	1.4	2.0	-0.6	0	7	0
Leverage	-2.6	-1.9	-3.0	1.1	-7	0	0
Total Fund (Net Market Value)	**135.5**	**100.0**	**100.0**	**0.0**	n.a.	n.a.	**36**
Total Fund (Gross Market Value)	138.1	101.9	103.0	-1.1	n.a.	n.a.	0
Exposures by Policy Groups							
Public + Private Equity	64.2	47.4	47	0.4	37	57	n.a.
Fixed Income + Cash	23.5	17.4	18	-0.6	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: $ 121 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 6/30/2026
- Differences in totals are due to rounding

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Private Equity	Hired	09/21/2026	$100 Million	6 Years	**ICONIQ Strategic Partners VIII –** The Fund will make venture and growth equity investments in technology companies globally from early stages through IPO and beyond.
Private Equity	Hired	09/25/2026	$50 Million	5 Years	**Cap91 CV Sleeve –** A Fund focused on single-asset continuation vehicles of private equity-backed companies in the middle and lower middle markets.
Private Equity	Hired	10/15/2026	$150 Million	5 Years	**NGP Natural Resources XIV –** The Fund will make investments in the upstream and midstream energy sectors including, without limitation, the exploration and/or production of hydrocarbons, and the processing, transportation, storage, and/or logistics relating to hydrocarbons.
Private Equity	Hired	10/23/2026	$150 Million	5 Years	**AE Industrial Partners Fund IV –** The Fund will target control-oriented investments across the national security, aerospace, and industrial services businesses supporting national and economic security.
Private Equity	Hired	10/29/2026	$150 Million	5 Years	**EnCap XIII –** The Fund will make growth equity investments in upstream oil and gas teams operating in core North American (primarily US) basins.
Diversifying Strategies	Hired	10/01/2026	$25 Million	Immediate	**Irenic Vantage DS** – A co-investment vehicle.
Diversifying Strategies	Hired	11/02/2026	$250 Million	Immediate	**CFM Multi-strategy Custom** – A custom mandate in systematic multi-asset funds.
Diversifying Strategies	Terminated	11/02/2026	$398 Million	Immediate	**MAS Global Dynamic Allocation** – A custom multi-asset mandate investing across global markets.

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Real Assets	Hired	10/29/2026	$125 Million	3 Years	**Artemis Real Estate Partners Fund V, L.P. –** A closed-end fund investing in value-add/opportunistic U.S. real estate.
Real Assets	Hired	10/18/2026	€125 Million	4 Years	**Igneo European Diversified Infrastructure Fund IV –** A commingled fund focused on core and core-plus middle market infrastructure assets in Europe.
Real Assets	Hired	10/30/2026	$150 Million	4 Years	**Sprott Private Resource Lending Fund IV –** A closed-end fund providing loans to mine developers.
Exposure Management Portfolio	Hired	10/01/2026	$100 Million	Immediate	**Irenic Vantage EMP** – A co-investment vehicle.

MEMORANDUM

DATE: November 12, 2026

TO: VRS Board of Trustees
Andrew H. Junkin, Chief Investment Officer

FROM: VRS Governance Team

SUBJECT: Fiscal Year 2026 Corporate Governance Report

This memorandum will serve as the Corporate Governance Report for Fiscal Year 2026. In February 2024, The Board of Trustees adopted a revised Proxy Voting Policy and a revised Litigation Policy (see Exhibits 1 and 2). The guiding principle for proxy voting and securities litigation activity is an emphasis on fiduciary responsibility, only taking actions that are in the best interest of the plan's participants and beneficiaries. The Proxy Voting Policy mandates that a proxy voting provider vote all proxies with allowable exceptions including comingled or mutual funds and certain separate accounts where proxy voting is part of the firm's investment strategy.

Proxy Voting

Institutional Shareholder Services, Inc. (ISS) continues to be the proxy research and implementation provider for VRS. ISS is owned by Deutsche Börse Group, a German operator of securities exchanges and financial market services. In February 2021, Deutsche Börse completed its acquisition of a majority stake in ISS from private equity firm Genstar Capital and has subsequently acquired the remaining minority interest. ISS provides proxy research coverage for approximately 50,000 shareholder meetings annually across more than 100 global markets and employs approximately 4,000 professionals operating from 34 locations in 20 countries.

During FY2026, staff reviewed and evaluated the services provided by ISS and determined that these services continue to meet the needs of VRS. On September 1st, 2023, VRS transitioned from the ISS Standard Benchmark Voting Policy to the ISS Global Board-Aligned Voting Policy in both the Defined Benefit accounts that ISS votes for VRS and for Defined Contribution accounts at BlackRock (through voting choice) where available. The ISS Global Board-Aligned Proxy Voting Guidelines for the United States is included in Exhibit 3.

As of June 30, 2026, seven out of thirteen of Public Equity's external traditional mandates used ISS for proxy voting. Including internal mandates, ISS handled the proxies for 67% of Public Equity's market value. In total, ISS voted 4,743 ballots which included 39,964 items (single proposals) for VRS in FY2026. Managers who do not use the ISS proxy voting policy selected by VRS are noted in Exhibit 4. These managers are

either in commingled funds or managers that consider this responsibility a part of their investment management process.

Securities Litigation

Under independent authority granted to VRS in the Appropriation Act to enter into agreements to seek legal advice related to its investments outside the OAG appointment process, VRS currently has agreements with ten law firms (listed in Exhibit 5) to provide securities litigation services. The firms were appointed after a Solicitation for Proposal process conducted in 2023. The firms' appointments were effective December 1, 2023, and each firm's agreement has a term of five years, with automatic renewals for up to four additional three-year terms unless terminated by written notice by either VRS or the law firm.

The Office of the Attorney General (OAG) appointed 11 firms (listed in Exhibit 5 to provide domestic securities litigation services to VRS for a period beginning December 1, 2024, and running through November 30, 2026.

The firms work closely with VRS' custodians – Bank of New York Mellon, Goldman Sachs, and State Street Bank & Trust – to monitor the VRS investment portfolio to:

- Inform VRS about newly filed securities class actions and whether and to what extent VRS has sustained a loss with respect to the affected securities;
- Inform VRS about settled or adjudicated securities class actions; and
- Provide legal advice and representation about prosecution of securities claims.

VRS has not been the lead plaintiff in any U.S. securities litigation matters other than Escala in 2006 and MF Global in 2012, but VRS continues to participate monetarily in the settlement of U.S. class action litigation by filing proofs of claim, monitoring payments, etc.

Bank of New York Mellon reported that VRS received class action proceeds totaling $1,305,253 during FY2026 on behalf of the defined benefit plan. These proceeds were related to separate accounts where Bank of New York Mellon serves as the custodian. Investments in traditional equity accounts with other custodial or prime broker relationships received class action proceeds totaling $227,892 on behalf of the defined benefit plan. BlackRock reported as a unit holder of various BlackRock collective trust funds, the VRS defined contribution accounts pro-rata share of class action proceeds totaled $116,165 during FY2026.

Since the Supreme Court case of *Morrison v. National Australia Bank Ltd*., 561 U.S. 247 (2010), investors such as VRS have not had the protection of the U.S. securities laws if the securities were purchased on a foreign exchange. Given the realities of global securities litigation after Morrison, VRS continues to adapt to the new and varying challenges of monitoring its portfolio to ensure that non-U.S. opportunities to recover

assets based on securities fraud are not lost. For example, with the assistance of liaison counsel, VRS takes a conservative approach by participating in cases in select foreign jurisdictions where such participation is similar to the claims filing process in domestic actions. Also, VRS only participates in foreign securities litigation in those jurisdictions that either do not involve a risk that VRS would be liable for expenses if the litigation is unsuccessful (i.e., no "loser pays" rule) or where the litigation funder fully indemnifies VRS for any potential "loser pays" costs. In such cases, VRS assumes a passive role in its participation in the case after an initial filing of transactional data supporting the VRS claim.

VRS joined nine non-U.S. cases and received approximately $150 in proceeds from three non-U.S. cases during FY2026, and we are participating passively in 24 other non-U.S. cases for which the recovery amounts have not yet been determined. In addition, VRS received approximately $270 from one antitrust case filed against foreign banks in a U.S. court.

Virginia Retirement System®

VRS Board of Trustees' Proxy Voting Policy

APPROVED BY THE BOARD OF TRUSTEES: FEBRUARY 8, 2024

GUIDING PRINCIPLE

The guiding principle for the Virginia Retirement System's ("VRS") proxy voting is fiduciary responsibility, only taking actions that are in the best interest of the plan's participants and beneficiaries.

I. POLICY STATEMENT

A. PROXY VOTING

It is the policy of VRS to review all proxy issues carefully and to vote them in the best interest of the participants and beneficiaries of the fund. The Board should review a report on VRS proxy voting from time to time, which includes an evaluation of any outside Proxy Voting Service Provider.

B. VRS AS LONG-TERM INVESTOR

VRS should act like an owner of companies in which it invests by encouraging long-term value creation. However, the costs of becoming an active investor must be considered. VRS should always seek cost-effective means for acting as an owner. VRS can share the costs of any shareholder activism by joining organizations made up of other similar institutional investors who are also concerned about creating and improving economic value for shareholders.

IL GUIDELINES

A. PROXY VOTING

VRS should contract out the development of proxy voting positions to a Proxy Voting Service Provider. The decision by VRS staff to hire an outside Proxy Voting Service Provider should be based on a thorough review of the provider's proxy voting policies. These proxy voting policies must be based on sound economic analysis and research of proxy issues and driven solely by the objective of enhancing and protecting shareholder returns. VRS staff should review and evaluate the Proxy Voting Service Provider used by VRS from time to time.

Generally, VRS policy mandates that the Proxy Voting Service Provider vote all proxies. Exceptions to this policy include commingled or mutual funds where proxy policies are part of the fund documentation and certain separate accounts where proxy voting is part of the firm's investment strategy. VRS staff should review the proxy voting policies of such managers for overall reasonableness and should use the results of this review as a manager evaluation criterion.

VRS staff should provide to the Board from time to time a review and evaluation of the VRS Proxy Voting Service Provider.

B. VRS AS LONG-TERM INVESTOR

It is expected that VRS will align itself with certain oversight organizations with an eye toward creating and improving economic value for shareholders. This will provide VRS with access to multiple, cost-effective tools for promoting good corporate governance at portfolio companies and for monitoring regulatory organizations such as the Securities and Exchange Commission. Moreover, membership will provide information and analysis about corporate governance issues, best practices and solutions going forward.

Virginia Retirement System®

VRS Board of Trustees' Litigation Policy

APPROVED BY THE BOARD OF TRUSTEES: FEBRUARY 8, 2024

GUIDING PRINCIPLE

The guiding principle for the Virginia Retirement System's ("VRS") proxy voting and litigation activity is fiduciary responsibility, only taking actions that are in the best interest of the plan's participants and beneficiaries.

I. POLICY STATEMENT

A. VRS AS LONG-TERM INVESTOR

VRS should act like an owner of companies in which it invests by encouraging long-term value creation. However, the costs of becoming an active investor must be considered. VRS should always seek cost-effective means for acting as an owner. VRS can share the costs of any litigation by joining organizations made up of other similar institutional investors who are also concerned about creating and improving economic value for shareholders.

B. LITIGATION

Other than cases brought under the Virginia Administrative Process Act,[1] the most common type of litigation that affects VRS directly is securities litigation class actions for investments in which VRS has incurred a loss. From time to time, other types of litigation will arise, including cases where VRS is a defendant and cases brought under the Virginia Fraud Against Taxpayers Act (*Code of Virginia* § 8.01-216.1 et seq.). While VRS acknowledges that there are situations that may give rise to a fiduciary duty to pursue legal action on its own to recover on a claim, VRS also places significant weight on the fact that most (if not all) of these domestic claims will be prosecuted by class action attorneys on behalf of a multitude of institutional investors whether or not VRS undertakes active involvement in the litigation. Consequently, the default position for VRS in connection with domestic securities litigation is to simply file claims in connection with the settlement of securities litigation class action matters based on VRS holdings in the affected securities.

VRS will consider active involvement in securities litigation typically in those cases where (i) VRS has experienced a significant loss related to illegal conduct, fraud, or willful wrongdoing, (ii) active involvement could provide added value to VRS (e.g., in the form of a higher recovery than if VRS was not involved), either in the specific case or on a longer-term, portfolio-wide basis, or (iii) in the case of foreign litigation, active involvement is the only avenue for recovery. For the purposes of this policy and as a general guideline, a loss is significant when it exceeds three basis points of the total fund value ("Loss Threshold"). The decision to become actively involved in any securities litigation requires a balancing of the costs and benefits involved.

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[1] Article V, section A (20) of the Board Governance Policy delegates authority to the Director to issue final case decisions regarding applications for disability retirement and other matters that have been appealed pursuant to the Administrative Process Act.

1. Domestic Securities Litigation

In considering whether to become actively involved in domestic securities litigation, VRS will also assess the long-term consequences of litigation as well as the impact of litigation on staff productivity. VRS will appoint outside counsel with expertise in securities litigation to assist in determining whether fraud or willful wrongdoing has occurred in connection with the acquisition or ownership of its investments. Outside counsel will identify significant cases that should be brought to the Board's attention and, if the Board decides to become actively involved in the case, will help evaluate an appropriate litigation strategy.[2]

2. Foreign Securities Litigation

The landscape of United States securities laws drastically changed with the Supreme Court decision in *Morrison v. National Australia Bank Ltd.,* 561 U.S. 247 (2010). Under *Morrison,* investors no longer have the protection of the U.S. securities laws if the securities were purchased on a foreign exchange. After the *Morrison* decision, it is no longer possible to pursue a recovery in securities litigation in a foreign jurisdiction as a "free rider" as part of a class action, and an affirmative decision to participate in the class is typically required. Generally, in cases pending in foreign jurisdictions, VRS will only consider recovery methods that do not involve any risk that VRS would be liable for any expenses if the litigation were unsuccessful. For example, in most cases, VRS would not consider pursuing recovery in a foreign jurisdiction where the losing party in litigation pays the prevailing party's fees and costs. However, VRS will consider such foreign litigation if there is insurance or other indemnification protections in place to cover the potential "loser pays" liability.

3. Other Litigation

On relatively rare occasions, other types of litigation affect VRS that are not related to securities litigation for investments in which VRS has incurred a loss. For example, VRS may be a defendant in litigation, and the outcome of the litigation could affect the assets in the trust fund. While these types of cases are relatively rare and arise under unique facts and circumstances, the same guiding principle applies to the strategic decisions that may be involved in their resolution.

II. GUIDELINES

A. VRS AS LONG-TERM INVESTOR

It is expected that VRS will align itself with certain oversight organizations with an eye toward creating and improving economic value for shareholders. This will provide VRS with access to multiple, cost-effective tools for promoting good corporate governance at portfolio companies and for monitoring regulatory organizations such as the Securities and Exchange Commission. Moreover, membership will provide information and analysis about potential litigation, corporate governance issues, and best practices and solutions going forward.

[2] See "Selection of Counsel" in section II(C)(2).

B. LITIGATION

1. Filing Proofs of Claim

The VRS custodial bank is responsible for filing all proofs of claim, including the necessary supporting documents and information, in every securities class action pending in the U.S. in which VRS has an interest (the "Claims Filing"). To memorialize the custodian's Claims Filing responsibilities, the Chief Investment Officer ("CIO") shall prepare and revise, as appropriate, a statement of work to be included with the custodial agreement setting out formal Claims Filing procedures for the custodial bank to follow. These procedures shall include:

i. Identifying and reviewing all class action recoveries for which VRS is eligible (whether by settlement or trial);
ii. Providing timely notice of each settlement recovery, with sufficient time to allow VRS to opt out;
iii. Filing complete and accurate proof of claim forms in a timely fashion on behalf of VRS;
iv. Providing quarterly reports regarding these efforts; and
v. Providing quarterly reports identifying all securities litigation proceeds recovered by VRS directly or on its behalf.

Alternatively, the VRS Board may elect to use a third-party vendor to be responsible for the Claims Filing activities.

2. Selection of Counsel

VRS has undertaken an open procurement process to select a number of outside counsel firms to provide legal advice related to investments and has entered into contractual agreements with each of the firms. Pursuant to this policy, VRS staff is authorized to select which of these firms will assist with a specific action depending on the facts and circumstances of each case. Criteria may include the firm's expertise in a particular area of law, the firm's analysis of a specific case, the firm's fee structure, or the firm's recommended strategy.

3. Class Actions – Securities Listed on a Domestic Exchange

The Board desires to create an evaluation policy that provides guidance regarding when and how VRS will become actively involved in domestic securities litigation, including seeking lead plaintiff status. The VRS Board adopts this policy to place itself, the CIO and the Director, with the advice of counsel, in the best position to identify, protect, and serve the best interests of VRS.

The following is an outline of the procedures to assist in decisions regarding domestic securities litigation issues.

i. Monitoring and Evaluation Procedures

VRS may retain a vendor specializing in identifying and analyzing potential and existing securities cases to perform this function, and to report its findings on a timely basis. VRS also retains law

firms as outside counsel to monitor and advise VRS of recently filed class actions that appear to have merit and for which VRS has sustained a loss that (i) exceeds its Loss Threshold or (ii) is substantial and involves unique factors justifying the involvement of VRS regardless of the Loss Threshold.

When a case meets the Loss Threshold for active involvement by VRS, VRS staff, in consultation with the Office of the Attorney General ("OAG") and outside counsel, shall evaluate whether the class action is meritorious and deserves closer examination. The evaluation shall include a review of available information regarding the lawsuit before considering whether to seek lead plaintiff status or embark on some other active claim management strategy (e.g., opting out of the class and pursuing a separate claim).

ii. Decision-making Process

Absent a loss exceeding the Loss Threshold or unusual and compelling circumstances, the VRS Board will not consider pursuing any active claim management strategy for any given case without the concurrence of OAG. VRS staff should work with outside counsel to evaluate securities litigation options available to VRS on a case-by-case basis. VRS may also engage other vendors to monitor and identify potential securities litigation cases. These outside entities should forward material pertaining to such cases to VRS for further review and evaluation under the guidance contained in this policy.

The VRS Board will only consider becoming actively involved in domestic securities litigation in accordance with the "Monitoring and Evaluation Procedures" described above.

If these initial criteria are met, VRS staff should coordinate its analysis with outside counsel to ensure that the situation meets the VRS criteria. If so, VRS staff and outside counsel should forward relevant information and a recommended course of legal action to VRS investment staff for review and evaluation consistent with the guidance contained in this policy. Following this review and evaluation, VRS staff should only forward a recommendation to pursue legal action to the VRS Board for those cases that are considered appropriate under this policy. A case that does not exceed the Loss Threshold is presumed not to be an appropriate case to forward to the VRS Board absent unusual or compelling circumstances.

In most cases, decisions regarding whether to become actively involved a given domestic securities case must be submitted, in advance, to the VRS Board at a regular meeting or, where immediate action is necessary, at a special meeting. However, where it is determined that immediate action is required in order to preserve the rights or interests of VRS by such involvement, and the matter cannot be timely presented at a regular or special meeting, or where a quorum cannot be reached at such meeting, the decision may be made, with the advice of counsel, by the Director and CIO. The VRS Board shall be notified and provided a summary of the action taken by the Director and CIO as soon as practicable upon the exercise of such authority. This procedure may also be used for other time-sensitive decisions related to securities litigation where it is deemed in the best interests of the plan to do so, to the extent such decisions are in conformance with this policy.

If the VRS Board (or its designees under this policy) approves a recommendation to become actively involved in a given domestic securities case, VRS will work with outside counsel to pursue an agreed-upon litigation or active claim management strategy.

The VRS Board should receive an annual report on the total asset recoveries from securities litigation received during the year, including a status report on any litigation in which VRS is the lead plaintiff.

iii. Settlement or Other Disposition/Resolution

In most cases, decisions to settle a case or to pursue other disposition or resolution in a given case will be submitted, in advance, to the VRS Board at a regular meeting or, where immediate action is necessary, at a special meeting. However, where it is determined that immediate action is required in order to preserve the rights or interests of VRS by such involvement, and the matter cannot be timely presented at a regular or special meeting, or where a quorum cannot be reached at such meeting, the decision may be made, with the advice of counsel, by the Director and CIO. The VRS Board shall be notified and provided a summary of the action taken by the Director and CIO as soon as practicable upon the exercise of such authority.

4. Class Actions – Securities Listed on a Foreign Exchange

Given the structure of global securities litigation after Morrison, VRS must monitor its portfolio to ensure that opportunities to recover assets based on securities fraud are not lost. This includes the analysis of whether to participate in an action in a foreign jurisdiction or to bring a state law action.

i. Participation in a Foreign Action

Unlike the class action process in the United States where investors can remain absent, receive notice of a settlement, and then decide to file a proof of claim or opt-out of the class action case, foreign actions generally require investors to join as named plaintiffs or "opt in" at the commencement of the case. This "opt-in" process will require affirmative decisions by VRS early in the process to join the case (and sometimes prior to the case being filed) to recover anything on its losses.

In general, VRS will only participate in foreign securities litigation when participation does not involve a risk that VRS would be liable for expenses if the litigation is unsuccessful (e.g., the "loser pays" risk is assumed by a third party), and VRS could assume a passive role in its participation in the case after an initial filing of transactional data supporting the VRS claim. Under those circumstances, the Loss Threshold does not come into play as the only way for VRS to participate in a foreign case to maximize its potential recovery is to take affirmative action.

VRS staff should obtain assurances and recommendations from its outside counsel and the OAG in the review and evaluation of foreign actions. In cases where there is no risk that VRS will be liable for expenses in the event of a loss, the decision to participate in a foreign action may be made, with the advice of counsel, by the Director and CIO. The VRS Board shall be notified

as soon as practicable upon the exercise of such authority, and shall receive a summary of the action. Consistent with the *Code of Virginia,* VRS staff will coordinate its efforts with OAG or the Governor's Office as appropriate under the circumstances.

ii. Participation in State Law Actions

Another option that is sometimes available with a foreign loss is to bring an action under state law in the United States. Because there are numerous issues that must be considered beforehand, the VRS Board should consider an action under state law only under very rare circumstances and after extensive consultation with staff, OAG, and outside counsel. In most cases, decisions regarding bringing a state law action related to a given foreign case will be submitted, in advance, to the VRS Board at a regular meeting or, where immediate action is necessary, at a special meeting. However, where it is determined that immediate action is required in order to preserve the rights or interests of VRS by such involvement, and the matter cannot be timely presented at a regular or special meeting, or where a quorum cannot be reached at such meeting, the decision may be made, with the advice of counsel, by the Director and CIO. The VRS Board shall be notified as soon as practicable upon the exercise of such authority, and shall receive a summary of the action.

iii. Settlement or Other Disposition/Resolution

In most cases, decisions to settle a case or to pursue other disposition or resolution in a given case will be submitted, in advance, to the VRS Board at a regular meeting or, where immediate action is necessary, at a special meeting. However, where it is determined that immediate action is required in order to preserve the rights or interests of VRS by such settlement or other disposition, and the matter cannot be timely presented at a regular or special meeting, or where a quorum cannot be reached at such meeting, the decision may be made, with the advice of counsel, by the Director and CIO. The VRS Board shall be notified as soon as practicable upon the exercise of such authority, and shall receive a summary of the action.

iv. Monitoring Procedures

VRS recognizes the importance of developing a protocol to stay informed and make prudent decisions relating to its involvement in foreign actions. VRS will use outside counsel and other entities to assist in monitoring foreign actions. This will ensure that VRS has the greatest possible visibility into applicable deadlines so VRS can make a timely and informed decision on whether to participate in a given foreign action and in what manner such participation will occur.

The VRS Board should receive an annual report on the total asset recoveries from foreign securities litigation received during the year.

5. Other Litigation

In all other types of litigation, with the exception of cases under the Administrative Process Act, such as those cases where VRS is a defendant and settlement negotiations may be ongoing, VRS staff will submit recommendations for actions (e.g., approval of a settlement), in advance, to the VRS Board at a regular meeting or, where immediate action is necessary, at a special meeting. However, where it is determined that immediate action is required in order to preserve the rights or interests of VRS, and the matter cannot be timely presented at a regular or special meeting, or where a quorum cannot be reached at such meeting, the Director and CIO, with the advice of counsel, are authorized to make the decision. The VRS Board shall be notified as soon as practicable upon the exercise of such authority, and shall receive a summary of the action. Consistent with the *Code of Virginia,* VRS staff will coordinate its efforts with OAG or the Governor's Office as appropriate under the circumstances.

III. INTERPRETATION

The Board of Trustees intends that this Policy should be construed broadly to provide the flexibility necessary for VRS to take immediate action where it is required to protect the best interests of the Fund's members, retirees and beneficiaries. In all cases, any such action must be reported to the Board at the earliest practicable opportunity and the Board shall receive a summary of the action.

Governance

United States

Global Board-Aligned Proxy Voting Guidelines

2026 Policy Recommendations

Effective for Meetings on or after February 1, 2026
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INTRODUCTION

ISS' Global Board-Aligned Policy is designed to enable subscribing investors to vote in a manner that upholds many foundational corporate governance principles as a means of protecting and maximizing their investments, whilst generally aligning with issuers' board recommendations for voting on environmental and social matters.

On matters of corporate governance, executive compensation, and corporate structure, the Global Board-Aligned Policy guidelines are focused on a range of widely accepted good standards of corporate governance and shareholder rights protection, and on the creation and preservation of economic value. On environmental or social matters, the Global Board-Aligned Policy will generally be in line with the board's recommendations, with support limited to circumstances where it is considered that greater disclosure will directly enhance or protect shareholder value and is reflective of a clearly established reporting standard in the market. Although board diversity is a widely accepted factor in assessing board composition and good standards of corporate governance in many markets globally and for many investors, the Global Board-Aligned Policy excludes consideration of board diversity, or any lack thereof, in determining vote recommendations under the policy, taking the approach that the consideration of such matters is the responsibility of the board.

Details of the full policy are as further described in these guidelines.

1. Board of Directors

Voting on Director Nominees in Uncontested Elections

Four fundamental principles apply when determining votes on director nominees:

Independence: Boards should be sufficiently independent from management (and significant shareholders) to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

Composition: Companies should ensure that directors add value to the board through their specific skills and expertise and by having sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate sufficient expertise, perspectives and independence, while ensuring active and collaborative participation by all members.

Responsiveness: Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.

Accountability: Boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.

General Recommendation: Generally vote for director nominees, except under the following circumstances (with new nominees[1] considered on case-by-case basis):

Independence

Vote against[2] or withhold from non-independent directors (Executive Directors and Non-Independent Non-Executive Directors per ISS' Classification of Directors) when:

[1] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.

[2] In general, companies with a plurality vote standard use "Withhold" as the contrary vote option in director elections; companies with a majority vote standard use "Against". However, it will vary by company and the proxy must be checked to determine the valid contrary vote option for the particular company.

- Independent directors comprise 50 percent or less of the board;
- The non-independent director serves on the audit, compensation, or nominating committee;
- The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee; or
- The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee.

ISS Classification of Directors – U.S.

1. Executive Director

1.1 Current officer[1] of the company or one of its affiliates[2].

2. Non-Independent Non-Executive Director

Board Identification

2.1 Director identified as not independent by the board.

Controlling/Significant Shareholder

2.2 Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).

Current Employment at Company or Related Company

2.3 Non-officer employee of the firm (including employee representatives).

2.4 Officer[1], former officer, or general or limited partner of a joint venture or partnership with the company.

Former Employment

2.5 Former CEO of the company.[3,4]

2.6 Former non-CEO officer[1] of the company or an affiliate[2] within the past five years.

2.7 Former officer[1] of an acquired company within the past five years.[4]

2.8 Officer[1] of a former parent or predecessor firm at the time the company was sold or split off within the past five years.

2.9 Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.[5]

Family Members

2.10 Immediate family member[6] of a current or former officer[1] of the company or its affiliates[2] within the last five years.

2.11 Immediate family member[6] of a current employee of company or its affiliates[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

Professional, Transactional, and Charitable Relationships

2.12 Director who (or whose immediate family member[6]) currently provides professional services[7] in excess of $10,000 per year to: the company, an affiliate[2], or an individual officer of the company

or an affiliate; or who is (or whose immediate family member[6] is) a partner, employee, or controlling shareholder of an organization which provides the services.

2.13 Director who (or whose immediate family member[6]) currently has any material transactional relationship[8] with the company or its affiliates[2]; or who is (or whose immediate family member[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has the material transactional relationship[8] (excluding investments in the company through a private placement).

2.14 Director who (or whose immediate family member[6]**)** is a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments[8] from the company or its affiliates[2].

Other Relationships

2.15 Party to a voting agreement[9] to vote in line with management on proposals being brought to shareholder vote.

2.16 Has (or an immediate family member[6] has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee.[10]

2.17 Founder[11] of the company but not currently an employee.

2.18 Director with pay comparable to Named Executive Officers.

2.19 Any material[12] relationship with the company.

3. Independent Director

3.1 No material[12] connection to the company other than a board seat.

Footnotes:

1. The definition of officer will generally follow that of a "Section 16 officer" (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will generally be classified as a Non-Independent Non-Executive Director under "Any material relationship with the company." However, if the company provides explicit disclosure that the director is not receiving additional compensation exceeding $10,000 per year for serving in that capacity, then the director will be classified as an Independent Director.

2. "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation. The manager/advisor of an externally managed issuer (EMI) is considered an affiliate.

3. Includes any former CEO of the company prior to the company's initial public offering (IPO).

4. When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director's independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

5. ISS will look at the terms of the interim officer's employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was under way for a full-time officer at the time.

6. "Immediate family member" follows the SEC's definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

7. Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include but are not limited to the following: investment banking/financial advisory services, commercial banking (beyond deposit services), investment services, insurance services, accounting/audit services, consulting services, marketing services, legal services, property management services, realtor services, lobbying services, executive search services, and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services, IT tech support services, educational services, and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. "Of Counsel" relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of $10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

8. A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity, exceeding the greater of: $200,000 or 5 percent of the recipient's gross revenues, for a company that follows NASDAQ listing standards; or the greater of $1,000,000 or 2 percent of the recipient's gross revenues, for a company that follows NYSE listing standards. For a company that follows neither of the preceding standards, ISS will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

9. Dissident directors who are parties to a voting agreement pursuant to a settlement or similar arrangement may be classified as Independent Directors if an analysis of the following factors indicates that the voting agreement does not compromise their alignment with all shareholders' interests: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

10. Interlocks include: executive officers serving as directors on each other's compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other's boards and at least one serves on the other's compensation or similar committees (or, in the absence of such a committee, on the board).

11. The operating involvement of the founder with the company will be considered; if the founder was never employed by the company, ISS may deem him or her an Independent Director.

12. For purposes of ISS's director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Composition

***Attendance* at Board and Committee Meetings:** Generally vote against or withhold from directors (except nominees who served only part of the fiscal year[3]) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an

[3] Nominees who served for only part of the fiscal year are generally exempted from the attendance policy.

acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:

- Medical issues/illness;
- Family emergencies; and
- Missing only one meeting (when the total of all meetings is three or fewer).

In cases of chronic poor attendance without reasonable justification, in addition to voting against the director(s) with poor attendance, generally vote against or withhold from appropriate members of the nominating/governance committees or the full board.

If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote against or withhold from the director(s) in question.

Overboarded Directors: Generally vote against or withhold from individual directors who:

- Sit on more than five public company boards; or
- Are CEOs of public companies who sit on the boards of more than two public companies besides their own—withhold only at their outside boards[4].

Responsiveness

Vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if:

- The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year or failed to act on a management proposal seeking to ratify an existing charter/bylaw provision that received opposition of a majority of the shares cast in the previous year. Factors that will be considered are:
  - Disclosed outreach efforts by the board to shareholders in the wake of the vote;
  - Rationale provided in the proxy statement for the level of implementation;
  - The subject matter of the proposal;
  - The level of support for and opposition to the resolution in past meetings;
  - Actions taken by the board in response to the majority vote and its engagement with shareholders;
  - The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
  - Other factors as appropriate.

[4] Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

- The board failed to act on takeover offers where the majority of shares are tendered;
- At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote.

Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) and/or the say on pay proposal when the company's previous say-on-pay received support of less than 70 percent of votes cast. Factors that will be considered in assessing board responsiveness include:

- Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support (including the timing and frequency of engagements and whether independent directors participated);
- Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition; and
- Disclosure of specific and meaningful actions taken to address shareholders' concerns.

If the company discloses meaningful engagement efforts, but in addition states that it was unable to obtain specific feedback, ISS will assess company actions taken in response to the say-on-pay vote as well as the company's explanation as to why such actions are beneficial for shareholders.

Additional factors that may be considered include:

- Whether the issues raised are recurring or isolated;
- The company's ownership structure;
- Significant corporate activity, such as a recent merger or proxy contest; and
- Any other compensation action or factor considered relevant to assessing board responsiveness.

If the say-on-pay support level was less than 50 percent of votes cast, this would warrant the highest degree of responsiveness, as assessed under the factors noted above.

Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) if the board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

Accountability

Problematic Takeover Defenses, Capital Structure, and Governance Structure

Poison Pills: Generally vote against or withhold from all nominees (except new nominees[1], who should be considered case-by-case) if:

- The company has a poison pill with a deadhand or slowhand feature[5];
- The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or
- The company has a long-term poison pill (with a term of over one year) that was not approved by the public shareholders[6].

Vote case-by-case on nominees if the board adopts an initial short-term pill[5] (with a term of one year or less) without shareholder approval, taking into consideration:

- The trigger threshold and other terms of the pill;
- The disclosed rationale for the adoption;
- The context in which the pill was adopted, (e.g., factors such as the company's size and stage of development, sudden changes in its market capitalization, and extraordinary industry-wide or macroeconomic events);
- A commitment to put any renewal to a shareholder vote;
- The company's overall track record on corporate governance and responsiveness to shareholders; and
- Other factors as relevant.

Unequal Voting Rights: Generally vote withhold or against directors individually, committee members, or the entire board (except new nominees[1], who should be considered case-by-case), if the company employs a multi-class capital structure with unequal voting rights[7].

Exceptions to this policy will generally be limited to:

- Newly-public companies[8] with a sunset provision of no more than seven years from the date of going public;
- Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;
- Convertible preferred shares that vote on an "as-converted" basis;

[5] If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, ISS will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.

[6] Approval prior to, or in connection, with a company's becoming publicly-traded, or in connection with a de-SPAC transaction, is insufficient.

7 This generally includes classes of common or preferred stock that have more votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights ("loyalty shares").

Preferred shares that have voting rights only with respect to items that affect the rights of their holders as a class are not generally considered a problematic capital structure.

[8] Includes companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.

- Situations where the enhanced voting rights are limited in duration and applicability, such as where they are intended to overcome low voting turnout and ensure approval of a specific non-controversial agenda item and "mirrored voting" applies;
- Situations where the super-voting shares represent less than 5% of total voting power and therefore considered to be *de minimis*; or
- The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained.

Classified Board Structure: The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election. All appropriate nominees (except new) may be held accountable.

Removal of Shareholder Discretion on Classified Boards: The company has opted into, or failed to opt out of, state laws requiring a classified board structure.

Problematic Governance Structure: For companies that hold or held their first annual meeting[8] of public shareholders after Feb. 1, 2015, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[1], who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights:

- Supermajority vote requirements to amend the bylaws or charter;
- A classified board structure; or
- Other egregious provisions.

A provision which specifies that the problematic structure(s) will be sunset within seven years of the date of going public will be considered a mitigating factor.

Unless the adverse provision is reversed or removed, vote case-by-case on director nominees in subsequent years.

Unilateral Bylaw/Charter Amendments: Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[1], who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors:

- The board's rationale for adopting the bylaw/charter amendment without shareholder ratification;
- Disclosure by the company of any significant engagement with shareholders regarding the amendment;
- The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter;

- The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions;
- The company's ownership structure;
- The company's existing governance provisions;
- The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and
- Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.

Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote case-by-case on director nominees. Generally vote against (except new nominees[1], who should be considered case-by-case) if the directors:

- Classified the board;
- Adopted supermajority vote requirements to amend the bylaws or charter;
- Eliminated shareholders' ability to amend bylaws;
- Adopted a fee-shifting provision; or
- Adopted another provision deemed egregious.
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Restricting Binding Shareholder Proposals: Generally vote against or withhold from the members of the governance committee if:

- The company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include but are not limited to: outright prohibition on the submission of binding shareholder proposals or share ownership requirements, subject matter restrictions, or time holding requirements in excess of SEC Rule 14a-8. Vote against or withhold on an ongoing basis.

Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding bylaw amendments will generally be viewed as an insufficient restoration of shareholders' rights. Generally continue to vote against or withhold on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.

Director Performance Evaluation: The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one-, three-, and five-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's operational metrics and other factors as warranted. Problematic provisions include but are not limited to:

- A classified board structure;
- A supermajority vote requirement;

- Either a plurality vote standard in uncontested director elections, or a majority vote standard in contested elections;
- The inability of shareholders to call special meetings;
- The inability of shareholders to act by written consent;
- A multi-class capital structure; and/or
- A non-shareholder-approved poison pill.

Management Proposals to Ratify Existing Charter or Bylaw Provisions: Vote against/withhold from individual directors, members of the governance committee, or the full board, where boards ask shareholders to ratify existing charter or bylaw provisions considering the following factors:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board's ratification request;
- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

Problematic Audit-Related Practices

Generally vote against or withhold from the members of the Audit Committee if:

- The non-audit fees paid to the auditor are excessive;
- The company receives an adverse opinion on the company's financial statements from its auditor; or
- There is persuasive evidence that the Audit Committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote case-by-case on members of the Audit Committee and potentially the full board if:

- Poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.

Problematic Compensation Practices

In the absence of an Advisory Vote on Executive Compensation (Say on Pay) ballot item or in egregious situations, vote against or withhold from the members of the Compensation Committee and potentially the full board if:

- There is an unmitigated misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices; or
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Generally vote against or withhold from the Compensation Committee chair, other committee members, or potentially the full board if:

- The company fails to include a Say on Pay ballot item when required under SEC provisions, or under the company's declared frequency of say on pay; or
- The company fails to include a Frequency of Say on Pay ballot item when required under SEC provisions.

High Non-Employee Director Pay: Generally vote against members of the board committee responsible for approving/setting non-employee director compensation if there is a pattern (i.e. two or more consecutive or non-consecutive years/across multiple years) of awarding excessive or otherwise problematic[9] non-employee director compensation without disclosing a compelling rationale or other mitigating factors.

Adverse recommendations may be warranted in the first year for director pay issues that are considered egregious.

Problematic Pledging of Company Stock: Vote against the members of the committee that oversees risks related to pledging, or the full board, where a significant level of pledged company stock by executives or directors raises concerns. The following factors will be considered:

- The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity;
- The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value, and trading volume;
- Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time;
- Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and
- Any other relevant factors.

[9] May include performance awards, retirement benefits, or problematic perquisites.

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Governance Failures

Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight[10], or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Voting on Director Nominees in Contested Elections

Vote-No Campaigns

General Recommendation: In cases where companies are targeted in connection with public "vote-no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

Proxy Contests/Proxy Access

General Recommendation: Vote case-by-case on the election of directors in contested elections, considering the following factors:

- Long-term financial performance of the company relative to its industry;
- Management's track record;
- Background to the contested election;
- Nominee qualifications and any compensatory arrangements;
- Strategic plan of dissident slate and quality of the critique against management;
- Likelihood that the proposed goals and objectives can be achieved (both slates); and
- Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, vote case-by-case considering any applicable factors listed above or additional factors which may be relevant, including those that are

[10] Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlement; or hedging of company stock.

specific to the company, to the nominee(s) and/or to the nature of the election (such as whether there are more candidates than board seats).

Other Board-Related Proposals

Adopt Anti-Hedging/Pledging/Speculative Investments Policy

General Recommendation: Generally vote for proposals seeking a policy that prohibits named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan. However, the company's existing policies regarding responsible use of company stock will be considered.

Board Refreshment

Board refreshment is best implemented through an ongoing program of individual director evaluations, conducted annually, to ensure the evolving needs of the board are met and to bring in fresh perspectives, skills, and experience as needed.

Term/Tenure Limits

General Recommendation: Vote case-by-case on management proposals regarding director term/tenure limits, considering:

- The rationale provided for adoption of the term/tenure limit;
- The robustness of the company's board evaluation process;
- Whether the limit is of sufficient length to allow for a broad range of director tenures;
- Whether the limit would disadvantage independent directors compared to non-independent directors; and
- Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner.

Vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, considering:

- The scope of the shareholder proposal; and
- Evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment.

Age Limits

General Recommendation: Generally vote against management and shareholder proposals to limit the tenure of independent directors through mandatory retirement ages. Vote for proposals to remove mandatory age limits.

Board Size

General Recommendation: Vote for proposals seeking to fix the board size or designate a range for the board size.

Vote against proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

Classification/Declassification of the Board

General Recommendation: Vote against proposals to classify (stagger) the board.

Vote for proposals to repeal classified boards and to elect all directors annually.

CEO Succession Planning

General Recommendation: Generally vote for proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

- The reasonableness/scope of the request; and
- The company's existing disclosure on its current CEO succession planning process.

Cumulative Voting

General Recommendation: Generally vote against management proposals to eliminate cumulate voting, and for shareholder proposals to restore or provide for cumulative voting, unless:

- The company has proxy access[11], thereby allowing shareholders to nominate directors to the company's ballot; and
- The company has adopted a majority vote standard, with a carve-out for plurality voting in situations where there are more nominees than seats, and a director resignation policy to address failed elections.

Vote for proposals for cumulative voting at controlled companies (insider voting power > 50%).

Director and Officer Indemnification, Liability Protection, and Exculpation

General Recommendation: Vote case-by-case on proposals on director and officer indemnification, liability protection, and exculpation[12].

[11] A proxy access right that meets the recommended guidelines.

[12] **Indemnification**: the condition of being secured against loss or damage.
Limited liability: a person's financial liability is limited to a fixed sum, or personal financial assets are not at risk if the individual loses a lawsuit that results in financial award/damages to the plaintiff.
Exculpation: to eliminate or limit the personal liability of a director or officer to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director or officer.

Consider the stated rationale for the proposed change. Also consider, among other factors, the extent to which the proposal would:

- Eliminate directors' and officers' liability for monetary damages for violating the duty of care.
- Eliminate directors' and officers' liability for monetary damages for violating the duty of loyalty.
- Expand coverage beyond just legal expenses to liability for acts that are more serious violations of fiduciary obligation than mere carelessness.
- Expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board (*i.e.*, "permissive indemnification"), but that previously the company was not required to indemnify.

Vote for those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

- If the individual was found to have acted in good faith and in a manner that the individual reasonably believed was in the best interests of the company; and

If only the individual's legal expenses would be covered.

Establish/Amend Nominee Qualifications

General Recommendation: Vote case-by-case on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and the degree to which they may preclude dissident nominees from joining the board.

Vote case-by-case on shareholder resolutions seeking a director nominee who possesses a particular subject matter expertise, considering:

- The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
- The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;
- The company's disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
- The scope and structure of the proposal.

Establish Other Board Committee Proposals

General Recommendation: Generally vote against shareholder proposals to establish a new board committee, as such proposals seek a specific oversight mechanism/structure that potentially limits a company's flexibility to determine an appropriate oversight mechanism for itself. However, the following factors will be considered:

- Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought;

- Level of disclosure regarding the issue for which board oversight is sought;
- Company performance related to the issue for which board oversight is sought;
- Board committee structure compared to that of other companies in its industry sector; and
- The scope and structure of the proposal.

Filling Vacancies/Removal of Directors

General Recommendation: Vote against proposals that provide that directors may be removed only for cause. Vote for proposals to restore shareholders' ability to remove directors with or without cause.

Vote against proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote for proposals that permit shareholders to elect directors to fill board vacancies.

Independent Board Chair

General Recommendation: Generally vote for shareholder proposals requiring that the board chair position be filled by an independent director, taking into consideration the following:

- The scope and rationale of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

The following factors will increase the likelihood of a "for" recommendation:

- A majority non-independent board and/or the presence of non-independent directors on key board committees;
- A weak or poorly-defined lead independent director role that fails to serve as an appropriate counterbalance to a combined CEO/chair role;
- The presence of an executive or non-independent chair in addition to the CEO, a recent recombination of the role of CEO and chair, and/or departure from a structure with an independent chair;
- Evidence that the board has failed to oversee and address material risks facing the company;
- A material governance failure, particularly if the board has failed to adequately respond to shareholder concerns or if the board has materially diminished shareholder rights; or
- Evidence that the board has failed to intervene when management's interests are contrary to shareholders' interests.
-

Majority of Independent Directors/Establishment of Independent Committees

General Recommendation: Vote for shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by ISS' definition of Independent Director (See ISS' Classification of Directors.)

Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors unless they currently meet that standard.

Majority Vote Standard for the Election of Directors

General Recommendation: Generally vote for management proposals to adopt a majority of votes cast standard for directors in uncontested elections. Vote against if no carve-out for a plurality vote standard in contested elections is included.

Generally vote for precatory and binding shareholder resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

Proxy Access

General Recommendation: Generally vote for management and shareholder proposals for proxy access with the following provisions:

- **Ownership threshold:** maximum requirement not more than three percent (3%) of the voting power;
- **Ownership duration:** maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- **Aggregation:** minimal or no limits on the number of shareholders permitted to form a nominating group;
- **Cap:** cap on nominees of generally twenty-five percent (25%) of the board.

Review for reasonableness any other restrictions on the right of proxy access. Generally vote against proposals that are more restrictive than these guidelines.

Require More Nominees than Open Seats

General Recommendation: Vote against shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Shareholder Engagement Policy (Shareholder Advisory Committee)

General Recommendation: Generally vote for shareholder proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

- Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board;
- Effectively disclosed information with respect to this structure to its shareholders;
- Company has not ignored majority-supported shareholder proposals, or a majority withhold vote on a director nominee; and
- The company has an independent chair or a lead director, according to ISS' definition. This individual must be made available for periodic consultation and direct communication with major shareholders.

2. Audit-Related

Auditor Indemnification and Limitation of Liability

General Recommendation: Vote case-by-case on the issue of auditor indemnification and limitation of liability. Factors to be assessed include, but are not limited to:

- The terms of the auditor agreement—the degree to which these agreements impact shareholders' rights;
- The motivation and rationale for establishing the agreements;
- The quality of the company's disclosure; and
- The company's historical practices in the audit area.

Vote against or withhold from members of an audit committee in situations where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Auditor Ratification

General Recommendation: Vote for proposals to ratify auditors unless any of the following apply:

- 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 that is neither accurate nor indicative of the company's financial position;
- Poor accounting practices are identified that rise to a serious level of concern, such as fraud or misapplication of GAAP; or
- Fees for non-audit services ("Other" fees) are excessive.

Non-audit fees are excessive if:

- Non-audit ("other") fees > audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns and refund claims, and tax payment planning. All other services in the tax category, such as tax advice, planning, or consulting, should be added to "Other" fees. If the breakout of tax fees cannot be determined, add all tax fees to "Other" fees.

In circumstances where "Other" fees include fees related to significant one-time capital structure events (such as initial public offerings, bankruptcy emergence, and spin-offs) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

Shareholder Proposals Limiting Non-Audit Services

General Recommendation: Vote case-by-case on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

Shareholder Proposals on Audit Firm Rotation

General Recommendation: Vote case-by-case on shareholder proposals asking for audit firm rotation, taking into account:

- The tenure of the audit firm;
- The length of rotation specified in the proposal;
- Any significant audit-related issues at the company;
- The number of Audit Committee meetings held each year;
- The number of financial experts serving on the committee; and
- Whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

3. Shareholder Rights & Defenses

Advance Notice Requirements for Shareholder Proposals/Nominations

General Recommendation: Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review.

To be reasonable, the company's deadline for shareholder notice of a proposal/nominations must be no earlier than 120 days prior to the anniversary of the previous year's meeting and have a submittal window of no shorter than 30 days from the beginning of the notice period (also known as a 90-120-day window). The submittal window is the period under which shareholders must file their proposals/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Amend Bylaws without Shareholder Consent

General Recommendation: Vote against proposals giving the board exclusive authority to amend the bylaws.

Vote case-by-case on proposals giving the board the ability to amend the bylaws in addition to shareholders, taking into account the following:

- Any impediments to shareholders' ability to amend the bylaws (i.e. supermajority voting requirements);
- The company's ownership structure and historical voting turnout;
- Whether the board could amend bylaws adopted by shareholders; and
- Whether shareholders would retain the ability to ratify any board-initiated amendments.

Control Share Acquisition Provisions

General Recommendation: Vote for proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote against proposals to amend the charter to include control share acquisition provisions.

Vote for proposals to restore voting rights to the control shares.

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareholder vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares.

Control Share Cash-Out Provisions

General Recommendation: Vote for proposals to opt out of control share cash-out statutes.

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position. In other words, when an investor crosses a preset threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price.

Disgorgement Provisions

General Recommendation: Vote for proposals to opt out of state disgorgement provisions.

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company's stock to disgorge, or pay back, to the company any profits realized from the sale of that company's stock purchased 24 months before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor's gaining control status are subject to these recapture-of-profits provisions.

Fair Price Provisions

General Recommendation: Vote case-by-case 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.

Generally vote against fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

Freeze-Out Provisions

General Recommendation: Vote for proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

Greenmail

General Recommendation: Vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company’s ability to make greenmail payments.

Vote case-by-case on anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

Greenmail payments are targeted share 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.

Shareholder Litigation Rights

Federal Forum Selection Provisions

Federal forum selection provisions require that U.S. federal courts be the sole forum for shareholders to litigate claims arising under federal securities law.

General Recommendation: Generally vote for federal forum selection provisions in the charter or bylaws that specify "the district courts of the United States" as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

Vote against provisions that restrict the forum to a particular federal district court; unilateral adoption (without a shareholder vote) of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy.

Exclusive Forum Provisions for State Law Matters

Exclusive forum provisions in the charter or bylaws restrict shareholders' ability to bring derivative lawsuits against the company, for claims arising out of state corporate law, to the courts of a particular state (generally the state of incorporation).

General Recommendation: Generally vote for charter or bylaw provisions that specify courts located within the state of Delaware as the exclusive forum for corporate law matters for Delaware corporations, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

For states other than Delaware, vote case-by-case on exclusive forum provisions, taking into consideration:

- The company's stated rationale for adopting such a provision;
- Disclosure of past harm from duplicative shareholder lawsuits in more than one forum;
- The breadth of application of the charter or bylaw provision, including the types of lawsuits to which it would apply and the definition of key terms; and
- Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections.

Generally vote against provisions that specify a state other than the state of incorporation as the exclusive forum for corporate law matters, or that specify a particular local court within the state;

unilateral adoption of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy.

Fee shifting

Fee-shifting provisions in the charter or bylaws require that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers.

General Recommendation: Generally vote against provisions that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., including cases where the plaintiffs are partially successful).

Unilateral adoption of a fee-shifting provision will generally be considered an ongoing failure under the Unilateral Bylaw/Charter Amendments policy.

Net Operating Loss (NOL) Protective Amendments

General Recommendation: Vote against proposals to adopt a protective amendment for the stated purpose of protecting a company's net operating losses (NOL) if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case, considering the following factors, for management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold (NOL protective amendments generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the protective amendment upon exhaustion or expiration of the NOL);
- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Poison Pills (Shareholder Rights Plans)

Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy

General Recommendation: Vote for shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it unless the company has: (1) A shareholder-approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

- Shareholders have approved the adoption of the plan; or

- The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking stockholder approval (i.e., the "fiduciary out" provision). A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote for the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

Management Proposals to Ratify a Poison Pill

General Recommendation: Vote case-by-case on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

- No lower than a 20 percent trigger, flip-in or flip-over;
- A term of no more than three years;
- No deadhand, slowhand, no-hand, or similar feature that limits the ability of a future board to redeem the pill;
- Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

In addition, the rationale for adopting the pill should be thoroughly explained by the company. In examining the request for the pill, take into consideration the company's existing governance structure, including: board independence, existing takeover defenses, and any problematic governance concerns.

Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)

General Recommendation: Vote against proposals to adopt a poison pill for the stated purpose of protecting a company's net operating losses (NOL) if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case on management proposals for poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold to transfer (NOL pills generally have a trigger slightly below 5 percent);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision, or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);

- The company's existing governance structure, including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Proxy Voting Disclosure, Confidentiality, and Tabulation

General Recommendation: Vote case-by-case on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered under the policy include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

While a variety of factors may be considered in each analysis, the guiding principles are: transparency, consistency, and fairness in the proxy voting process. The factors considered, as applicable to the proposal, may include:

- The scope and structure of the proposal;
- The company's stated confidential voting policy (or other relevant policies) and whether it ensures a "level playing field" by providing shareholder proponents with equal access to vote information prior to the annual meeting;
- The company's vote standard for management and shareholder proposals and whether it ensures consistency and fairness in the proxy voting process and maintains the integrity of vote results;
- Whether the company's disclosure regarding its vote counting method and other relevant voting policies with respect to management and shareholder proposals are consistent and clear;
- Any recent controversies or concerns related to the company's proxy voting mechanics;
- Any unintended consequences resulting from implementation of the proposal; and
- Any other factors that may be relevant.

Ratification Proposals: Management Proposals to Ratify Existing Charter or Bylaw Provisions

General Recommendation: Generally vote against management proposals to ratify provisions of the company’s existing charter or bylaws, unless these governance provisions align with best practice.

In addition, voting against/withhold from individual directors, members of the governance committee, or the full board may be warranted, considering:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board’s ratification request;

- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

Reimbursing Proxy Solicitation Expenses

General Recommendation: Vote case-by-case on proposals to reimburse proxy solicitation expenses.

When voting in conjunction with support of a dissident slate, vote for the reimbursement of all appropriate proxy solicitation expenses associated with the election.

Generally vote for shareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

- The election of fewer than 50 percent of the directors to be elected is contested in the election;
- One or more of the dissident's candidates is elected;
- Shareholders are not permitted to cumulate their votes for directors; and
- The election occurred, and the expenses were incurred, after the adoption of this bylaw.

Reincorporation Proposals

General Recommendation: Management or shareholder proposals to change a company's state of incorporation should be evaluated case-by-case, giving consideration to both financial and corporate governance concerns including the following:

- Reasons for reincorporation;
- Comparison of company's governance practices and provisions prior to and following the reincorporation; and
- Comparison of corporation laws of original state and destination state.

Vote for reincorporation when the economic factors outweigh any neutral or negative governance changes.

Shareholder Ability to Act by Written Consent

General Recommendation: Generally vote against management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

Generally vote for management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

- Shareholders' current right to act by written consent;
- The consent threshold;
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management's response to, previous shareholder proposals.

Vote case-by-case on shareholder proposals if, in addition to the considerations above, the company has the following governance and antitakeover provisions:

- An unfettered[13] right for shareholders to call special meetings at a 10 percent threshold;
- A majority vote standard in uncontested director elections;
- No non-shareholder-approved pill; and
- An annually elected board.

Shareholder Ability to Call Special Meetings

General Recommendation: Vote against management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings.

Generally vote for management or shareholder proposals that provide shareholders with the ability to call special meetings taking into account the following factors:

- Shareholders' current right to call special meetings;
- Minimum ownership threshold necessary to call special meetings (10 percent preferred);
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management's response to, previous shareholder proposals.

Stakeholder Provisions

General Recommendation: Vote against proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

[13] "Unfettered" means no restrictions on agenda items, no restrictions on the number of shareholders who can group together to reach the 10 percent threshold, and only reasonable limits on when a meeting can be called: no greater than 30 days after the last annual meeting and no greater than 90 prior to the next annual meeting.

State Antitakeover Statutes

General Recommendation: Vote case-by-case on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

Supermajority Vote Requirements

General Recommendation: Vote against proposals to require a supermajority shareholder vote.

Vote for management or shareholder proposals to reduce supermajority vote requirements. However, for companies with shareholder(s) who have significant ownership levels, vote case-by-case, taking into account:

- Ownership structure;
- Quorum requirements; and
- Vote requirements.

Virtual Shareholder Meetings

General Recommendation: Generally vote for management proposals allowing for the convening of shareholder meetings by electronic means, so long as they do not preclude in-person meetings. Companies are encouraged to disclose the circumstances under which virtual-only[14] meetings would be held, and to allow for comparable rights and opportunities for shareholders to participate electronically as they would have during an in-person meeting.

Vote case-by-case on shareholder proposals concerning virtual-only meetings, considering:

- Scope and rationale of the proposal; and
- Concerns identified with the company's prior meeting practices.

[14] Virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively using technology without a corresponding in-person meeting.

4. Capital/Restructuring

Capital

Adjustments to Par Value of Common Stock

General Recommendation: Vote for management proposals to reduce the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.

Vote for management proposals to eliminate par value.

Common Stock Authorization

General Authorization Requests

General Recommendation: Vote case-by-case on proposals to increase the number of authorized shares of common stock that are to be used for general corporate purposes:

- If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to **50**% of current authorized shares.
- If share usage is 50% to 100% of the current authorized, vote for an increase of up to **100**% of current authorized shares.
- If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.
- In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.

Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:

- The proposal seeks to increase the number of authorized shares of the class of common stock that has superior voting rights to other share classes;
- On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;
- The company has a non-shareholder approved poison pill (including an NOL pill); or
- The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.

However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:

- In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;
- The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or
- A government body has in the past year required the company to increase its capital ratios.
- For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.

Specific Authorization Requests

General Recommendation: Generally vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:

- twice the amount needed to support the transactions on the ballot, and
- the allowable increase as calculated for general issuances above.

Dual Class Structure

General Recommendation: Generally vote against proposals to create a new class of common stock unless:

- The company discloses a compelling rationale for the dual-class capital structure, such as:
- The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or
- The new class of shares will be transitory;
- The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
- The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

Issue Stock for Use with Rights Plan

General Recommendation: Vote against proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder-approved shareholder rights plan (poison pill).

Preemptive Rights

General Recommendation: Vote case-by-case on shareholder proposals that seek preemptive rights, taking into consideration:

- The size of the company;

- The shareholder base; and
- The liquidity of the stock.

Preferred Stock Authorization

General Authorization Requests

General Recommendation: Vote case-by-case on proposals to increase the number of authorized shares of preferred stock that are to be used for general corporate purposes:

- If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to **50**% of current authorized shares.
- If share usage is 50% to 100% of the current authorized, vote for an increase of up to **100**% of current authorized shares.
- If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.
- In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.
- If no preferred shares are currently issued and outstanding, vote against the request, unless the company discloses a specific use for the shares.

Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:

- If the shares requested are blank check preferred shares that can be used for antitakeover purposes;[15]
- The company seeks to increase a class of non-convertible preferred shares entitled to more than one vote per share on matters that do not solely affect the rights of preferred stockholders "supervoting shares");
- The company seeks to increase a class of convertible preferred shares entitled to a number of votes greater than the number of common shares into which they are convertible ("supervoting shares") on matters that do not solely affect the rights of preferred stockholders;
- The stated intent of the increase in the general authorization is to allow the company to increase an existing designated class of supervoting preferred shares;
- On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;
- The company has a non-shareholder approved poison pill (including an NOL pill); or

[15] To be acceptable, appropriate disclosure would be needed that the shares are "declawed": i.e., representation by the board that it will not, without prior stockholder approval, issue or use the preferred stock for any defensive or anti-takeover purpose or for the purpose of implementing any stockholder rights plan.

- The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.

However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:

- In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;
- The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or
- A government body has in the past year required the company to increase its capital ratios.
- For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.

Specific Authorization Requests

General Recommendation: Generally vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:

- twice the amount needed to support the transactions on the ballot, and
- the allowable increase as calculated for general issuances above.

Recapitalization Plans

General Recommendation: Vote case-by-case 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; and
- Other alternatives considered.

Reverse Stock Splits

General Recommendation: Vote for management proposals to implement a reverse stock split if:

- The number of authorized shares will be proportionately reduced; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.

Vote case-by-case on proposals that do not meet either of the above conditions, taking into consideration the following factors:

- Stock exchange notification to the company of a potential delisting;
- Disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing;
- The company's rationale; or
- Other factors as applicable.

Share Issuance Mandates at U.S. Domestic Issuers Incorporated Outside the U.S.

General Recommendation: For U.S. domestic issuers incorporated outside the U.S. and listed solely on a U.S. exchange, generally vote for resolutions to authorize the issuance of common shares up to 20 percent of currently issued common share capital, where not tied to a specific transaction or financing proposal.

For pre-revenue or other early-stage companies that are heavily reliant on periodic equity financing, generally vote for resolutions to authorize the issuance of common shares up to 50 percent of currently issued common share capital. The burden of proof will be on the company to establish that it has a need for the higher limit.

Renewal of such mandates should be sought at each year's annual meeting.

Vote case-by-case on share issuances for a specific transaction or financing proposal.

Share Repurchase Programs

General Recommendation: For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding:

- Greenmail;
- The use of buybacks to inappropriately manipulate incentive compensation metrics;
- Threats to the company's long-term viability; or
- Other company-specific factors as warranted.

Vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.

Share Repurchase Programs Shareholder Proposals

General Recommendation: Generally vote against shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. Vote for the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Stock Distributions: Splits and Dividends

General Recommendation: Generally vote for management proposals to increase the common share authorization for stock split or stock dividend, provided that the effective increase in authorized shares is equal to or is less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.

Tracking Stock

General Recommendation: Vote case-by-case 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; and
- Alternatives such as spin-off.

Restructuring

Appraisal Rights

General Recommendation: Vote for proposals to restore or provide shareholders with rights of appraisal.

Asset Purchases

General Recommendation: Vote case-by-case on asset purchase proposals, considering the following factors:

- Purchase price;
- Fairness opinion;
- Financial and strategic benefits;

- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives for the business;
- Non-completion risk.

Asset Sales

General Recommendation: Vote case-by-case on asset sales, considering the following factors:

- Impact on the balance sheet/working capital;
- Potential elimination of diseconomies;
- Anticipated financial and operating benefits;
- Anticipated use of funds;
- Value received for the asset;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest.

Bundled Proposals

General Recommendation: Vote case-by-case on bundled or "conditional" proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, vote against the proposals. If the combined effect is positive, support such proposals.

Conversion of Securities

General Recommendation: Vote case-by-case on proposals regarding conversion of securities. When evaluating these proposals, the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

Vote for the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans

General Recommendation: Vote case-by-case on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- Dilution to existing shareholders' positions;

- Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- Management's efforts to pursue other alternatives;
- Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- Conflict of interest - arm's length transaction, managerial incentives.

Vote for the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Formation of Holding Company

General Recommendation: Vote case-by-case on proposals regarding the formation of a holding company, taking into consideration the following:

- The reasons for the change;
- Any financial or tax benefits;
- Regulatory benefits;
- Increases in capital structure; and
- Changes to the articles of incorporation or bylaws of the company.

Absent compelling financial reasons to recommend for the transaction, vote against the formation of a holding company if the transaction would include either of the following:

- Increases in common or preferred stock in excess of the allowable maximum (see discussion under “Capital”); or
- Adverse changes in shareholder rights.

Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)

General Recommendation: Vote case-by-case on going private transactions, taking into account the following:

- Offer price/premium;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives/offers considered; and
- Non-completion risk.

Vote case-by-case on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

- Whether the company has attained benefits from being publicly-traded (examination of trading volume, liquidity, and market research of the stock);
- Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:
- Are all shareholders able to participate in the transaction?
- Will there be a liquid market for remaining shareholders following the transaction?
- Does the company have strong corporate governance?
- Will insiders reap the gains of control following the proposed transaction?
- Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

Joint Ventures

General Recommendation: Vote case-by-case on proposals to form joint ventures, taking into account the following:

- Percentage of assets/business contributed;
- Percentage ownership;
- Financial and strategic benefits;
- Governance structure;
- Conflicts of interest;
- Other alternatives; and
- Non-completion risk.

Liquidations

General Recommendation: Vote case-by-case on liquidations, taking into account the following:

- Management's efforts to pursue other alternatives;
- Appraisal value of assets; and
- The compensation plan for executives managing the liquidation.

Vote for the liquidation if the company will file for bankruptcy if the proposal is not approved.

Mergers and Acquisitions

General Recommendation: Vote case-by-case on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction, and strategic rationale.
- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.
- *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.
- *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Private Placements/Warrants/Convertible Debentures

General Recommendation: Vote case-by-case on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

- Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.
- Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):

  - The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.
  - When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry, and anticipation of future performance.
- Financial issues:
  - The company's financial condition;
  - Degree of need for capital;
  - Use of proceeds;
  - Effect of the financing on the company's cost of capital;
  - Current and proposed cash burn rate;
  - Going concern viability and the state of the capital and credit markets.
- Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger, or sale of part or all of the company.
- Control issues:
  - Change in management;
  - Change in control;
  - Guaranteed board and committee seats;
  - Standstill provisions;
  - Voting agreements;
  - Veto power over certain corporate actions; and
  - Minority versus majority ownership and corresponding minority discount or majority control premium.
- Conflicts of interest:
  - Conflicts of interest should be viewed from the perspective of the company and the investor.
  - Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?
- Market reaction:
  - The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.

Vote for the private placement, or for the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

Reorganization/Restructuring Plan (Bankruptcy)

General Recommendation: Vote case-by-case on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

- Estimated value and financial prospects of the reorganized company;
- Percentage ownership of current shareholders in the reorganized company;
- Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an Official Equity Committee);
- The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- Existence of a superior alternative to the plan of reorganization; and
- Governance of the reorganized company.

Special Purpose Acquisition Corporations (SPACs)

General Recommendation: Vote case-by-case on SPAC mergers and acquisitions taking into account the following:

- *Valuation* - Is the value being paid by the SPAC reasonable? SPACs generally lack an independent fairness opinion and the financials on the target may be limited. Compare the conversion price with the intrinsic value of the target company provided in the fairness opinion. Also, evaluate the proportionate value of the combined entity attributable to the SPAC IPO shareholders versus the pre-merger value of SPAC. Additionally, a private company discount may be applied to the target if it is a private entity.
- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction may be a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.
- *Deal timing* - A main driver for most transactions is that the SPAC charter typically requires the deal to be complete within 18 to 24 months, or the SPAC is to be liquidated. Evaluate the valuation, market reaction, and potential conflicts of interest for deals that are announced close to the liquidation date.
- *Negotiations and process* - What was the process undertaken to identify potential target companies within specified industry or location specified in charter? Consider the background of the sponsors.
- *Conflicts of interest* - How are sponsors benefiting from the transaction compared to IPO shareholders? Potential conflicts could arise if a fairness opinion is issued by the insiders to qualify the deal rather than a third party or if management is encouraged to pay a higher price for the target because of an 80 percent rule (the charter requires that the fair market value of the

target is at least equal to 80 percent of net assets of the SPAC). Also, there may be sense of urgency by the management team of the SPAC to close the deal since its charter typically requires a transaction to be completed within the 18-24-month timeframe.

- *Voting agreements* - Are the sponsors entering into enter into any voting agreements/tender offers with shareholders who are likely to vote against the proposed merger or exercise conversion rights?
- *Governance* - What is the impact of having the SPAC CEO or founder on key committees following the proposed merger?

Special Purpose Acquisition Corporations (SPACs) - Proposals for Extensions

General Recommendation: Generally support requests to extend the termination date by up to one year from the SPAC's original termination date (inclusive of any built-in extension options, and accounting for prior extension requests).

Other factors that may be considered include: any added incentives, business combination status, other amendment terms, and, if applicable, use of money in the trust fund to pay excise taxes on redeemed shares.

Spin-offs

General Recommendation: Vote case-by-case on spin-offs, considering:

- Tax and regulatory advantages;
- Planned use of the sale proceeds;
- Valuation of spinoff;
- Fairness opinion;
- Benefits to the parent company;
- Conflicts of interest;
- Managerial incentives;
- Corporate governance changes;
- Changes in the capital structure.

Value Maximization Shareholder Proposals

General Recommendation: Vote case-by-case on shareholder proposals seeking to maximize shareholder value by:

- Hiring a financial advisor to explore strategic alternatives;
- Selling the company; or
- Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

- Prolonged poor performance with no turnaround in sight;
- Signs of entrenched board and management (such as the adoption of takeover defenses);
- Strategic plan in place for improving value;
- Likelihood of receiving reasonable value in a sale or dissolution; and
- The company actively exploring its strategic options, including retaining a financial advisor.

5. Compensation

Executive Pay Evaluation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk "pay for failure": This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (*e.g.*, including access to independent expertise and advice when needed);
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;
5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors is reasonable and does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Advisory Votes on Executive Compensation—Management Proposals (Say-on-Pay)

General Recommendation: Vote case-by-case on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation.

Vote against Advisory Votes on Executive Compensation (Say-on-Pay or "SOP") if:

- There is an unmitigated misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices;
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Vote against or withhold from the members of the Compensation Committee and potentially the full board if:

- There is no SOP on the ballot, and an against vote on an SOP would otherwise be warranted due to pay-for-performance misalignment, problematic pay practices, or the lack of adequate responsiveness on compensation issues raised previously, or a combination thereof;
- The board fails to respond adequately to a previous SOP proposal that received less than 70 percent support of votes cast;
- The company has recently practiced or approved problematic pay practices, such as option repricing or option backdating; or
- The situation is egregious.

Primary Evaluation Factors for Executive Pay

Pay-for-Performance Evaluation

ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the S&P1500, Russell 3000, or Russell 3000E Indices, this analysis considers the following:

Peer Group[16] Alignment:

- The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a five-year period.
- The rankings of CEO total pay and company financial performance within a peer group, each measured over a five-year period.
- The multiple of the CEO's total pay relative to the peer group median over one-and three-year periods.

Absolute Alignment[17] – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, a misalignment between pay and performance is otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to an evaluation of how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

- The overall ratio of performance-based compensation to fixed or discretionary pay;

[16] The ISS peer group is generally comprised of 14-24 companies that are selected using factors such as market cap, revenue, assets, GICS industry group, and the company-selected peers' GICS industry group, ISS' peer selection methodology is detailed in the U.S. Peer Group FAQ.

[17] Russell 3000E Index companies (excluding S&P1500 and Russell 3000 companies) are not subject to the Absolute Alignment analysis.

- The ratio of performance- to time-based long-term incentive awards;
- The rigor of performance goals;
- The complexity and risks around pay program design;
- The transparency and clarity of disclosure;
- The company's peer group benchmarking practices;
- Financial/operational results, both absolute and relative to peers;
- Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);
- Realizable and/or realized pay compared to granted pay; and
- Any other factors deemed relevant.

Problematic Pay Practices

Problematic pay elements are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. The focus is on executive compensation practices that contravene the global pay principles, including:

- Problematic practices related to non-performance-based compensation elements;
- Incentives that may motivate excessive risk-taking or present a windfall risk; and
- Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

The list of examples below highlights certain problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- Repricing or replacing of underwater stock options/SARs without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
- Extraordinary perquisites or tax gross-ups;
- New or materially amended agreements that provide for:
- Excessive termination or CIC severance payments (generally exceeding 3 times base salary and average/target/most recent bonus);
- CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers) or in connection with a problematic Good Reason definition;
- CIC excise tax gross-up entitlements (including "modified" gross-ups);
- Multi-year guaranteed awards that are not at risk due to rigorous performance conditions;
- Liberal CIC definition combined with any single-trigger CIC benefits;
- Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible;

- Severance payments made when the termination is not clearly disclosed as involuntary (for example, a termination without cause or resignation for good reason);
- Any other provision or practice deemed to be egregious and present a significant risk to investors.

The above examples are not an exhaustive list. Please refer to ISS' U.S. Compensation Policies FAQ document for additional detail on specific pay practices that have been identified as problematic and may lead to negative vote recommendations.

Options Backdating

The following factors should be examined case-by-case to allow for distinctions to be made between "sloppy" plan administration versus deliberate action or fraud:

- Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;
- Duration of options backdating;
- Size of restatement due to options backdating;
- Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and
- Adoption of a grant policy that prohibits backdating and creates a fixed grant schedule or window period for equity grants in the future.

Compensation Committee Communications and Responsiveness

Consider the following factors case-by-case when evaluating ballot items related to executive pay on the board's responsiveness to investor input and engagement on compensation issues:

- Failure to respond to majority-supported shareholder proposals on executive pay topics; or
- Failure to adequately respond to the company's previous say-on-pay proposal that received low support, taking into account the factors identified under the Responsiveness section in the Board of Directors policy with respect to say-on-pay.

Frequency of Advisory Vote on Executive Compensation ("Say When on Pay")

General Recommendation: Vote for annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale

General Recommendation: Vote case-by-case on say on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive officers but also considering new or extended arrangements.

Features that may result in an "against" recommendation include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

- Single- or modified-single-trigger cash severance;
- Single-trigger acceleration of unvested equity awards;
- Full acceleration of equity awards granted shortly before the change in control;
- Acceleration of performance awards above the target level of performance without compelling rationale;
- Excessive cash severance (generally >3x base salary and bonus);
- Excise tax gross-ups triggered and payable;
- Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or
- Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis. However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), ISS will evaluate the say-on-pay proposal in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

Equity-Based and Other Incentive Plans

Please refer to ISS' U.S. Equity Compensation Plans FAQ document for additional details on the Equity Plan Scorecard policy.

General Recommendation: Vote case-by-case on equity plan proposals subject to the Equity Plan Scorecard framework, where positive factors may counterbalance negative factors under three pillars:

- **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - SVT based only on new shares requested plus shares remaining for future grants.
- **Plan Features:**

- Quality of disclosure around vesting upon a change in control (CIC);
- Discretionary vesting authority;
- Liberal share recycling on various award types;
- Lack of minimum vesting period for grants made under the plan;
- Dividends payable prior to award vesting; and
- Cash-denominated award limits for non-employee directors.

- **Grant Practices:**
  - The company's three-year burn rate relative to its industry/market cap peers;
  - Vesting requirements in CEO's recent equity grants;
  - The estimated duration of the plan;
  - The proportion of the CEO's most recent equity grants/awards classified by ISS as performance-based;
  - Whether the company maintains a sufficient claw-back policy;
  - Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors ("overriding factors") apply:

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature;
- The plan lacks sufficient positive features under the Plan Features pillar; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

Further Information on certain EPSC Factors:

Shareholder Value Transfer (SVT)

The cost of the equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans,

unless limitations are placed on the most expensive types of awards (for example, full-value awards), the assumption is made that all awards to be granted will be the most expensive types.

For proposals that are not subject to the Equity Plan Scorecard evaluation, Shareholder Value Transfer is reasonable if it falls below a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size, and cash compensation into the industry cap equations to arrive at the company's benchmark.[18]

Three-Year Value-Adjusted Burn Rate

A "Value-Adjusted Burn Rate" is used for stock plan evaluations. Value-Adjusted Burn Rate benchmarks are calculated as the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P 500) and non-Russell 3000 index; and (2) a *de minimis* threshold established separately for each of the S&P 500, the Russell 3000 index less the S&P 500, and the non-Russell 3000 index. Year-over-year burn-rate benchmark changes will be limited to a predetermined range above or below the prior year's burn-rate benchmark.

The Value-Adjusted Burn Rate is calculated as follows:

Value-Adjusted Burn Rate = ((# of options * option's dollar value using a Black-Scholes model) + (# of full-value awards * stock price)) / (Weighted average common shares * stock price).

Egregious Factors

Liberal Change in Control Definition

Generally vote against equity plans if the plan has a liberal definition of change in control and the equity awards could vest upon such liberal definition of change in control, even though an actual change in control may not occur. Examples of such a definition include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a "potential" takeover, shareholder approval of a merger or other transactions, or similar language.

Repricing Provisions

Vote against plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval. "Repricing" typically includes the ability to do any of the following:

[18] For plans evaluated under the Equity Plan Scorecard policy, the company's SVT benchmark is considered along with other factors.

- Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
- Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs;
- Cancel underwater options in exchange for stock awards; or
- Provide cash buyouts of underwater options.

While the above cover most types of repricing, ISS may view other provisions as akin to repricing depending on the facts and circumstances.

Also, vote against or withhold from members of the Compensation Committee who approved repricing (as defined above or otherwise determined by ISS), without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote against plans that do not expressly prohibit repricing or cash buyout of underwater options without shareholder approval if the company has a history of repricing/buyouts without shareholder approval, and the applicable listing standards would not preclude them from doing so.

Problematic Pay Practices or Significant Pay-for-Performance Disconnect

If the equity plan on the ballot is a vehicle for problematic pay practices, vote against the plan.

ISS may recommend a vote against the equity plan if the plan is determined to be a vehicle for pay-for-performance misalignment. Considerations in voting against the equity plan may include, but are not limited to:

- Severity of the pay-for-performance misalignment;
- Whether problematic equity grant practices are driving the misalignment; and/or
- Whether equity plan awards have been heavily concentrated to the CEO and/or the other NEOs.

Amending Cash and Equity Plans (including Approval for Tax Deductibility (162(m))

General Recommendation: Vote case-by-case on amendments to cash and equity incentive plans.

Generally vote for proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Addresses administrative features only; or
- Seeks approval for Section 162(m) purposes only, and the plan administering committee consists entirely of independent directors, per ISS' Classification of Directors. Note that if the company is presenting the plan to shareholders for the first time for any reason (including after the company's initial public offering), or if the proposal is bundled with other material plan amendments, then the recommendation will be case-by-case (see below).

Vote against proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Seeks approval for Section 162(m) purposes only, and the plan administering committee does not consist entirely of independent directors, per ISS' Classification of Directors.

Vote case-by-case on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company's IPO and/or proposals that bundle material amendment(s) other than those for Section 162(m) purposes.

Vote case-by-case on all other proposals to amend equity incentive plans, considering the following:

- If the proposal requests additional shares and/or the amendments include a term extension or addition of full value awards as an award type, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of the amendments.
- If the plan is being presented to shareholders for the first time (including after the company's IPO), whether or not additional shares are being requested, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of any amendments.
- If there is no request for additional shares and the amendments do not include a term extension or addition of full value awards as an award type, then the recommendation will be based entirely on an analysis of the overall impact of the amendments, and the EPSC evaluation will be shown only for informational purposes.

In the first two case-by-case evaluation scenarios, the EPSC evaluation/score is the more heavily weighted consideration.

Specific Treatment of Certain Award Types in Equity Plan Evaluations

Dividend Equivalent Rights

Options that have Dividend Equivalent Rights (DERs) associated with them will have a higher calculated award value than those without DERs under the binomial model, based on the value of these dividend streams. The higher value will be applied to new shares, shares available under existing plans, and shares awarded but not exercised per the plan specifications. DERS transfer more shareholder equity to employees and non-employee directors and this cost should be captured.

Operating Partnership (OP) Units in Equity Plan Analysis of Real Estate Investment Trusts (REITs)

For Real Estate Investment Trusts (REITS), include the common shares issuable upon conversion of outstanding Operating Partnership (OP) units in the share count for the purposes of determining: (1) market capitalization in the Shareholder Value Transfer (SVT) analysis and (2) shares outstanding in the burn rate analysis.

Other Compensation Plans

401(k) Employee Benefit Plans

General Recommendation: Vote for proposals to implement a 401(k) savings plan for employees.

Employee Stock Ownership Plans (ESOPs)

General Recommendation: 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).

Employee Stock Purchase Plans—Qualified Plans

General Recommendation: Vote case-by-case on qualified employee stock purchase plans. Vote for employee stock purchase plans where all of the following apply:

- Purchase price is at least 85 percent of fair market value;
- Offering period is 27 months or less; and
- The number of shares allocated to the plan is 10 percent or less of the outstanding shares.

Vote against qualified employee stock purchase plans where when the plan features do not meet all of the above criteria.

Employee Stock Purchase Plans—Non-Qualified Plans

General Recommendation: Vote case-by-case on nonqualified employee stock purchase plans. Vote for nonqualified employee stock purchase plans with all the following features:

- Broad-based participation;
- Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value; and
- No discount on the stock price on the date of purchase when there is a company matching contribution.

Vote against nonqualified employee stock purchase plans when the plan features do not meet all of the above criteria. If the matching contribution or effective discount exceeds the above, ISS may evaluate the SVT cost of the plan as part of the assessment.

Option Exchange Programs/Repricing Options

General Recommendation: Vote case-by-case on management proposals seeking approval to exchange/reprice options taking into consideration:

- Historic trading patterns--the stock price should not be so volatile that the options are likely to be back "in-the-money" over the near term;
- Rationale for the re-pricing--was the stock price decline beyond management's control?;
- Is this a value-for-value exchange?;
- Are surrendered stock options added back to the plan reserve?;

- Timing--repricing should occur at least one year out from any precipitous drop in company's stock price;
- Option vesting--does the new option vest immediately or is there a black-out period?;
- Term of the option--the term should remain the same as that of the replaced option;
- Exercise price--should be set at fair market or a premium to market;
- Participants--executive officers and directors must be excluded.

If the surrendered options are added back to the equity plans for re-issuance, then also take into consideration the company's total cost of equity plans and its three-year average burn rate.

In addition to the above considerations, evaluate the intent, rationale, and timing of the repricing proposal. The proposal should clearly articulate why the board is choosing to conduct an exchange program at this point in time. Repricing underwater options after a recent precipitous drop in the company's stock price demonstrates poor timing and warrants additional scrutiny. Also, consider the terms of the surrendered options, such as the grant date, exercise price and vesting schedule. Grant dates of surrendered options should be far enough back (two to three years) so as not to suggest that repricings are being done to take advantage of short-term downward price movements. Similarly, the exercise price of surrendered options should be above the 52-week high for the stock price.

Vote for shareholder proposals to put option repricings to a shareholder vote.

Stock Plans in Lieu of Cash

General Recommendation: Vote case-by-case on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock.

Vote for non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote case-by-case on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, ISS will not make any adjustments to carve out the in-lieu-of cash compensation.

Transfer Stock Option (TSO) Programs

General Recommendation: One-time Transfers: Vote against or withhold from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

Vote case-by-case on one-time transfers. Vote for if:

- Executive officers and non-employee directors are excluded from participating;
- Stock options are purchased by third-party financial institutions at a discount to their fair value using option pricing models such as Black-Scholes or a Binomial Option Valuation or other appropriate financial models; and

- There is a two-year minimum holding period for sale proceeds (cash or stock) for all participants.

Additionally, management should provide a clear explanation of why options are being transferred to a third-party institution and whether the events leading up to a decline in stock price were beyond management's control. A review of the company's historic stock price volatility should indicate if the options are likely to be back "in-the-money" over the near term.

Ongoing TSO program: Vote against equity plan proposals if the details of ongoing TSO programs are not provided to shareholders. Since TSOs will be one of the award types under a stock plan, the ongoing TSO program, structure, and mechanics must be disclosed to shareholders. The specific criteria to be considered in evaluating these proposals include, but not limited, to the following:

- Eligibility;
- Vesting;
- Bid-price;
- Term of options;
- Cost of the program and impact of the TSOs on company's total option expense; and
- Option repricing policy.

Amendments to existing plans that allow for introduction of transferability of stock options should make clear that only options granted post-amendment shall be transferable.

Director Compensation

Shareholder Ratification of Director Pay Programs

General Recommendation: Vote case-by-case on management proposals seeking ratification of non-employee director compensation, based on the following factors:

- If the equity plan under which non-employee director grants are made is on the ballot, whether or not it warrants support; and
- An assessment of the following qualitative factors:
- The relative magnitude of director compensation as compared to companies of a similar profile;
- The presence of problematic pay practices relating to director compensation;
- Director stock ownership guidelines and holding requirements;
- Equity award vesting schedules;
- The mix of cash and equity-based compensation;
- Meaningful limits on director compensation;
- The availability of retirement benefits or perquisites; and
- The quality of disclosure surrounding director compensation.

Equity Plans for Non-Employee Directors

General Recommendation: Vote case-by-case on compensation plans for non-employee directors, based on:

- The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants;
- The company's three-year burn rate relative to its industry/market cap peers (in certain circumstances); and
- The presence of any egregious plan features (such as an option repricing provision or liberal CIC vesting risk).

On occasion, non-employee director stock plans will exceed the plan cost or burn-rate benchmarks when combined with employee or executive stock plans. In such cases, vote case-by-case on the plan taking into consideration the following qualitative factors:

- The relative magnitude of director compensation as compared to companies of a similar profile;
- The presence of problematic pay practices relating to director compensation;
- Director stock ownership guidelines and holding requirements;
- Equity award vesting schedules;
- The mix of cash and equity-based compensation;
- Meaningful limits on director compensation;
- The availability of retirement benefits or perquisites; and
- The quality of disclosure surrounding director compensation.

Non-Employee Director Retirement Plans

General Recommendation: Vote against retirement plans for non-employee directors. Vote for shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

Bonus Banking/Bonus Banking "Plus"

General Recommendation: Vote case-by-case on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

- The company's past practices regarding equity and cash compensation;

- Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
- Whether the company has a rigorous claw-back policy in place.

Compensation Consultants—Disclosure of Board or Company's Utilization

General Recommendation: Generally vote for shareholder proposals seeking disclosure regarding the company, board, or compensation committee's use of compensation consultants, such as company name, business relationship(s), and fees paid.

Disclosure/Setting Levels or Types of Compensation for Executives and Directors

General Recommendation: Generally vote for shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Generally vote against shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation (such as types of compensation elements or specific metrics) to be used for executive or directors.

Generally vote against shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Vote case-by-case on all other shareholder proposals regarding executive and director pay, taking into account relevant factors, including but not limited to: company performance, pay level and design versus peers, history of compensation concerns or pay-for-performance disconnect, and/or the scope and prescriptive nature of the proposal.

Golden Coffins/Executive Death Benefits

General Recommendation: Generally vote for proposals calling for companies to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, 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 is eligible.

Hold Equity Past Retirement or for a Significant Period of Time

General Recommendation: Vote case-by-case on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain a portion of net shares acquired through compensation plans. The following factors will be taken into account:

- The percentage/ratio of net shares required to be retained;
- The time period required to retain the shares;

- Whether the company has equity retention, holding period, and/or stock ownership requirements in place and the robustness of such requirements;
- Whether the company has any other policies aimed at mitigating risk taking by executives;
- Executives' actual stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's existing requirements; and
- Problematic pay practices, current and past, which may demonstrate a short-term versus long-term focus.

Pay Disparity

General Recommendation: Vote case-by-case on proposals calling for an analysis of the pay disparity between corporate executives and other non-executive employees. The following factors will be considered:

- The company's current level of disclosure of its executive compensation setting process, including how the company considers pay disparity;
- If any problematic pay practices or pay-for-performance concerns have been identified at the company; and
- The level of shareholder support for the company's pay programs.

Generally vote against proposals calling for the company to use the pay disparity analysis or pay ratio in a specific way to set or limit executive pay.

Pay for Performance/Performance-Based Awards

General Recommendation: Vote case-by-case on shareholder proposals requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

- First, vote for shareholder proposals advocating the use of performance-based equity awards, such as performance contingent options or restricted stock, indexed options, or premium-priced options, unless the proposal is overly restrictive or if the company has demonstrated that it is using a "substantial" portion of performance-based awards for its top executives. Standard stock options and performance-accelerated awards do not meet the criteria to be considered as performance-based awards. Further, premium-priced options should have a meaningful premium to be considered performance-based awards.
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- Second, assess the rigor of the company's performance-based equity program. If the bar set for the performance-based program is too low based on the company's historical or peer group comparison, generally vote for the proposal. Furthermore, if target performance results in an above target payout, vote for the shareholder proposal due to program's poor design. If the company does not disclose the performance metric of the performance-based equity program, vote for the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote for the shareholder proposal if the company does not meet both of the above two steps.

Pay for Superior Performance

General Recommendation: Vote case-by-case on shareholder proposals that request the board establish a pay-for-superior performance standard in the company's executive compensation plan for senior executives. These proposals generally include the following principles:

- Set compensation targets for the plan's annual and long-term incentive pay components at or below the peer group median;
- Deliver a majority of the plan's target long-term compensation through performance-vested, not simply time-vested, equity awards;
- Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;
- Establish performance targets for each plan financial metric relative to the performance of the company's peer companies;
- Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company's performance on its selected financial performance metrics exceeds peer group median performance.

Consider the following factors in evaluating this proposal:

- What aspects of the company's annual and long-term equity incentive programs are performance driven?
- If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?
- Can shareholders assess the correlation between pay and performance based on the current disclosure?
- What type of industry and stage of business cycle does the company belong to?

Pre-Arranged Trading Plans (10b5-1 Plans)

General Recommendation: Generally vote for shareholder proposals calling for the addition of certain safeguards in prearranged trading plans (10b5-1 plans) for executives. Safeguards may include:

- Adoption, amendment, or termination of a 10b5-1 Plan must be disclosed in a Form 8-K;
- Amendment or early termination of a 10b5-1 Plan allowed only under extraordinary circumstances, as determined by the board;
- Request that a certain number of days that must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;

- Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;
- An executive may not trade in company stock outside the 10b5-1 Plan;
- Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

Prohibit Outside CEOs from Serving on Compensation Committees

General Recommendation: Generally vote against proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

Recoupment of Incentive or Stock Compensation in Specified Circumstances

General Recommendation: Vote case-by-case on proposals to recoup incentive cash or stock compensation made to senior executives if it is later determined that the figures upon which incentive compensation is earned turn out to have been in error, or if the senior executive has breached company policy or has engaged in misconduct that may be significantly detrimental to the company's financial position or reputation, or if the senior executive failed to manage or monitor risks that subsequently led to significant financial or reputational harm to the company. Many companies have adopted policies that permit recoupment in cases where an executive's fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. However, such policies may be narrow given that not all misconduct or negligence may result in significant financial restatements. Misconduct, negligence, or lack of sufficient oversight by senior executives may lead to significant financial loss or reputational damage that may have long-lasting impact.

In considering whether to support such shareholder proposals, ISS will take into consideration the following factors:

- If the company has adopted a formal recoupment policy;
- The rigor of the recoupment policy focusing on how and under what circumstances the company may recoup incentive or stock compensation;
- Whether the company has chronic restatement history or material financial problems;
- Whether the company's policy substantially addresses the concerns raised by the proponent;
- Disclosure of recoupment of incentive or stock compensation from senior executives or lack thereof; or
- Any other relevant factors.

Severance Agreements for Executives/Golden Parachutes

General Recommendation: Vote case-by-case on shareholder proposals requiring that executive severance (including change-in-control related) arrangements or payments be submitted for shareholder ratification.

Factors that will be considered include, but are not limited to:

- The company's severance or change-in-control agreements in place, and the presence of problematic features (such as excessive severance entitlements, single triggers, excise tax gross-ups, etc.);
- Any existing limits on cash severance payouts or policies which require shareholder ratification of severance payments exceeding a certain level;
- Any recent severance-related controversies; and
- Whether the proposal is overly prescriptive, such as requiring shareholder approval of severance that does not exceed market norms.

Share Buyback Impact on Incentive Program Metrics

General Recommendation: Vote case-by-case on proposals requesting the company exclude the impact of share buybacks from the calculation of incentive program metrics, considering the following factors:

- The frequency and timing of the company's share buybacks;
- The use of per-share metrics in incentive plans;
- The effect of recent buybacks on incentive metric results and payouts; and
- Whether there is any indication of metric result manipulation.

Supplemental Executive Retirement Plans (SERPs)

General Recommendation: Generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

Generally vote for shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary or those pay elements covered for the general employee population.

Tax Gross-Up Proposals

General Recommendation: Generally vote for proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

Termination of Employment Prior to Severance Payment/Eliminating Accelerated Vesting of Unvested Equity

General Recommendation: Vote case-by-case on shareholder proposals seeking a policy requiring termination of employment prior to severance payment and/or eliminating accelerated vesting of unvested equity.

The following factors will be considered:

- The company's current treatment of equity upon employment termination and/or in change-in-control situations (i.e., vesting is double triggered and/or pro rata, does it allow for the assumption of equity by acquiring company, the treatment of performance shares, etc.);
- Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally vote for proposals seeking a policy that prohibits automatic acceleration of the vesting of equity awards to senior executives upon a voluntary termination of employment or in the event of a change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).

6. Routine/Miscellaneous

Adjourn Meeting

General Recommendation: Generally vote against proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote for proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote against proposals if the wording is too vague or if the proposal includes "other business."

Amend Quorum Requirements

General Recommendation: Vote case-by-case on proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding, taking into consideration:

- The new quorum threshold requested;
- The rationale presented for the reduction;
- The market capitalization of the company (size, inclusion in indices);
- The company's ownership structure;
- Previous voter turnout or attempts to achieve quorum;
- Any provisions or commitments to restore quorum to a majority of shares outstanding, should voter turnout improve sufficiently; and
- Other factors as appropriate.

In general, a quorum threshold kept as close to a majority of shares outstanding as is achievable is preferred.

Vote case-by-case on directors who unilaterally lower the quorum requirements below a majority of the shares outstanding, taking into consideration the factors listed above.

Amend Minor Bylaws

General Recommendation: Vote for bylaw or charter changes that are of a housekeeping nature (updates or corrections).

Change Company Name

General Recommendation: Vote for proposals to change the corporate name unless there is compelling evidence that the change would adversely impact shareholder value.

Change Date, Time, or Location of Annual Meeting

General Recommendation: Vote for management proposals to change the date, time, or location of the annual meeting unless the proposed change is unreasonable.

Vote against shareholder proposals to change the date, time, or location of the annual meeting unless the current scheduling or location is unreasonable.

Other Business

General Recommendation: Vote against proposals to approve other business when it appears as a voting item.

7. Environmental and Social Issues

Global Approach – E&S-related Proposals

Environmental and social proposals will be reviewed with a focus on how, and to what extent, the issues dealt with in such proposals will directly affect shareholder value, and with a presumption on environmental and social topics that the board's recommendations should generally prevail. In those circumstances where it is widely considered that greater disclosure will directly enhance or protect shareholder value and is reflective of a clearly established reporting standard in the market, the Global Board-Aligned Policy will generally recommend in support of such proposals (*e.g.* proposals requesting greater disclosure of a company's political contributions and/or trade association spending policies and activities). In the absence of a clear determination that environmental and social proposals will have a positive effect on shareholder value or there are proposals that seek information that exceeds a widely endorsed standard in the market or place any burden upon the company beyond a reasonable and clearly established reporting standard in the market, the Global Board-Aligned policy will generally recommend voting against such proposals, or in line with the board's recommendations if different.

Say on Climate (SoC) Management Proposals

General Recommendation: Generally vote with the board's recommendation on management proposals that request shareholders to approve the company's climate transition action plan.[19]

Say on Climate (SoC) Shareholder Proposals

General Recommendation: Generally vote against shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan.

[19] Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

8. Mutual Fund Proxies

Election of Directors

General Recommendation: Vote case-by-case on the election of directors and trustees, following the same guidelines for uncontested directors for public company shareholder meetings. However, mutual fund boards do not usually have compensation committees, so do not withhold for the lack of this committee.

Closed End Funds- Unilateral Opt-In to Control Share Acquisition Statutes

General Recommendation: For closed-end management investment companies (CEFs), vote against or withhold from nominating/governance committee members (or other directors on a case-by-case basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.

Converting Closed-end Fund to Open-end Fund

General Recommendation: Vote case-by-case on conversion proposals, considering the following factors:

- Past performance as a closed-end fund;
- Market in which the fund invests;
- Measures taken by the board to address the discount; and
- Past shareholder activism, board activity, and votes on related proposals.

Proxy Contests

General Recommendation: Vote case-by-case on proxy contests, considering the following factors:

- Past performance relative to its peers;
- Market in which the fund invests;
- Measures taken by the board to address the issues;
- Past shareholder activism, board activity, and votes on related proposals;
- Strategy of the incumbents versus the dissidents;
- Independence of directors;
- Experience and skills of director candidates;
- Governance profile of the company;
- Evidence of management entrenchment.

Investment Advisory Agreements

General Recommendation: Vote case-by-case on investment advisory agreements, considering the following factors:

- Proposed and current fee schedules;
- Fund category/investment objective;
- Performance benchmarks;
- Share price performance as compared with peers;
- Resulting fees relative to peers;
- Assignments (where the advisor undergoes a change of control).

Approving New Classes or Series of Shares

General Recommendation: Vote for the establishment of new classes or series of shares.

Preferred Stock Proposals

General Recommendation: Vote case-by-case on the authorization for or increase in preferred shares, considering the following factors:

- Stated specific financing purpose;
- Possible dilution for common shares;
- Whether the shares can be used for antitakeover purposes.

1940 Act Policies

General Recommendation: Vote case-by-case on policies under the Investment Advisor Act of 1940, considering the following factors:

- Potential competitiveness;
- Regulatory developments;
- Current and potential returns; and
- Current and potential risk.

Generally vote for these amendments as long as the proposed changes do not fundamentally alter the investment focus of the fund and do comply with the current SEC interpretation.

Changing a Fundamental Restriction to a Nonfundamental Restriction

General Recommendation: Vote case-by-case on proposals to change a fundamental restriction to a non-fundamental restriction, considering the following factors:

- The fund's target investments;
- The reasons given by the fund for the change; and
- The projected impact of the change on the portfolio.

Change Fundamental Investment Objective to Nonfundamental

General Recommendation: Vote against proposals to change a fund's fundamental investment objective to non-fundamental.

Name Change Proposals

General Recommendation: Vote case-by-case on name change proposals, considering the following factors:

- Political/economic changes in the target market;
- Consolidation in the target market; and
- Current asset composition.

Change in Fund's Subclassification

General Recommendation: Vote case-by-case on changes in a fund's sub-classification, considering the following factors:

- Potential competitiveness;
- Current and potential returns;
- Risk of concentration;
- Consolidation in target industry.

Business Development Companies—Authorization to Sell Shares of Common Stock at a Price below Net Asset Value

General Recommendation: Vote for proposals authorizing the board to issue shares below Net Asset Value (NAV) if:

- The proposal to allow share issuances below NAV has an expiration date no more than one year from the date shareholders approve the underlying proposal, as required under the Investment Company Act of 1940;
- The sale is deemed to be in the best interests of shareholders by (1) a majority of the company's independent directors and (2) a majority of the company's directors who have no financial interest in the issuance; and
- The company has demonstrated responsible past use of share issuances by either:
- Outperforming peers in its 8-digit GICS group as measured by one- and three-year median TSRs; or

- Providing disclosure that its past share issuances were priced at levels that resulted in only small or moderate discounts to NAV and economic dilution to existing non-participating shareholders.

Disposition of Assets/Termination/Liquidation

General Recommendation: Vote case-by-case on proposals to dispose of assets, to terminate or liquidate, considering the following factors:

- Strategies employed to salvage the company;
- The fund's past performance;
- The terms of the liquidation.

Changes to the Charter Document

General Recommendation: Vote case-by-case on changes to the charter document, considering the following factors:

- The degree of change implied by the proposal;
- The efficiencies that could result;
- The state of incorporation;
- Regulatory standards and implications.

Vote against any of the following changes:

- Removal of shareholder approval requirement to reorganize or terminate the trust or any of its series;
- Removal of shareholder approval requirement for amendments to the new declaration of trust;
- Removal of shareholder approval requirement to amend the fund's management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
- Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund's shares;
- Removal of shareholder approval requirement to engage in and terminate subadvisory arrangements;
- Removal of shareholder approval requirement to change the domicile of the fund.

Changing the Domicile of a Fund

General Recommendation: Vote case-by-case on re-incorporations, considering the following factors:

- Regulations of both states;

- Required fundamental policies of both states;
- The increased flexibility available.

Authorizing the Board to Hire and Terminate Subadvisers Without Shareholder Approval

General Recommendation: Vote against proposals authorizing the board to hire or terminate subadvisers without shareholder approval if the investment adviser currently employs only one subadviser.

Distribution Agreements

General Recommendation: Vote case-by-case on distribution agreement proposals, considering the following factors:

- Fees charged to comparably sized funds with similar objectives;
- The proposed distributor's reputation and past performance;
- The competitiveness of the fund in the industry;
- The terms of the agreement.

Master-Feeder Structure

General Recommendation: Vote for the establishment of a master-feeder structure.

Mergers

General Recommendation: Vote case-by-case on merger proposals, considering the following factors:

- Resulting fee structure;
- Performance of both funds;
- Continuity of management personnel;
- Changes in corporate governance and their impact on shareholder rights.

Shareholder Proposals for Mutual Funds

Establish Director Ownership Requirement

General Recommendation: Generally vote against shareholder proposals that mandate a specific minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Reimburse Shareholder for Expenses Incurred

General Recommendation: Vote case-by-case on shareholder proposals to reimburse proxy solicitation expenses. When supporting the dissidents, vote for the reimbursement of the proxy solicitation expenses.

Terminate the Investment Advisor

General Recommendation: Vote case-by-case on proposals to terminate the investment advisor, considering the following factors:

- Performance of the fund's Net Asset Value (NAV);
- The fund's history of shareholder relations;
- The performance of other funds under the advisor's management.

ISS STOXX

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iss-stoxx.com

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EXHIBIT 4

Managers Not Using the ISS Proxy Voting Policy Selected by VRS

Defined Benefit Managers
Arrowstreet Global Alpha Extension
Baillie Gifford Global
Baillie Gifford Emerging Markets
J.P. Morgan U.S. Market Neutral
Lansdowne Global Long Only
Maverick 130/30 Long Enhanced
BlackRock 32 Capital
All Equity Opportunities Program Mandates

Defined Contribution Managers
Galliard Capital Management
J.P. Morgan
TIAA

EXHIBIT 5

VRS Appointed Law Firms Providing Class Action Services

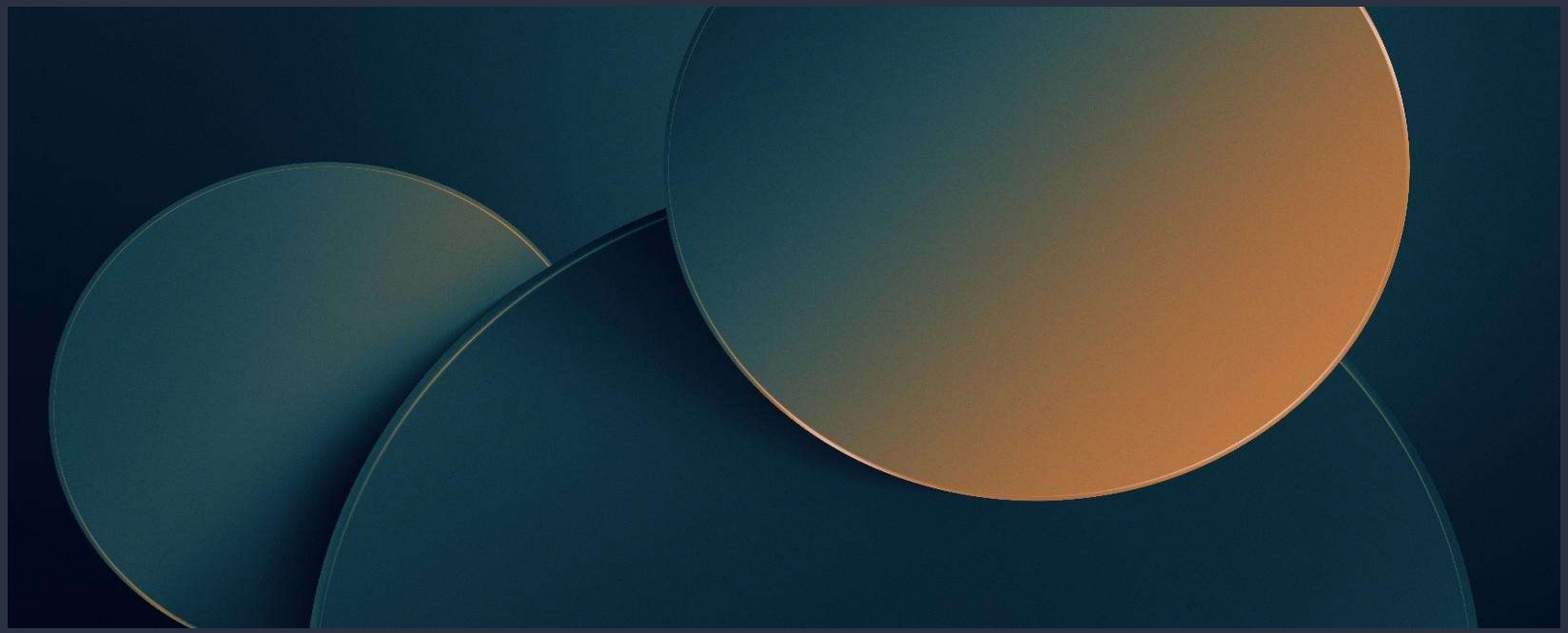
Berger Montague PC
Berstein Litowitz Berger & Grossman LLP
Bleichmar Fonti & Auld LLP
Grant & Eisenhofer P.A.
Kaplan Fox & Kilsheimer LLP
Kessler Topaz Meltzer & Check, LLP
Labaton Sucharow LLP
Robbins Geller Rudman & Dowd LLP
Scott+Scott Attorneys at Law LLP
Wolf Popper LLP

OAG Appointed Law Firms Providing Domestic Securities Litigation Services

Berstein Litowitz Berger & Grossman LLP
Bleichmar Fonti & Auld LLP
Cohen Milstein Sellers & Toll PLLC
DiCello Levitt LLP
Grant & Eisenhofer P.A.
Kaplan Fox & Kilsheimer LLP
Kessler Topaz Meltzer & Check, LLP
Labaton Sucharow LLP
Robbins Geller Rudman & Dowd LLP
Scott+Scott Attorneys at Law LLP
Wolf Popper LLP

Management Insight Report

DB INVESTMENT BENCHMARKING SUBSCRIPTION



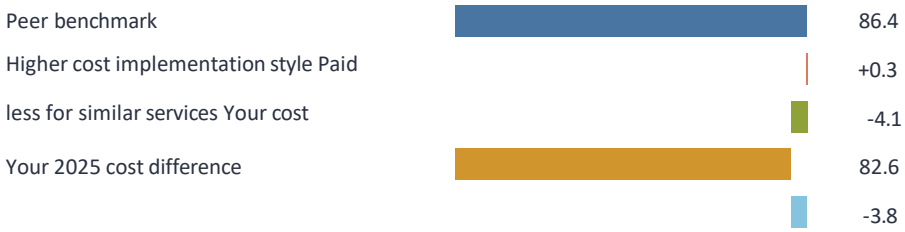
CEM

For the 5-year period ending December 31, 2025

Your 2025 investment costs, excluding private asset performance fees, were 3.8 basis points below the peer benchmark, while your 5-year net value added was 1.2%.

Total investment costs, exc. private asset perf. fees and transaction costs | 2025

Your 2025 total investment costs were 3.8 bps below the peer benchmark.



Key performance metrics | U.S. Public Universe | 2021 - 2025

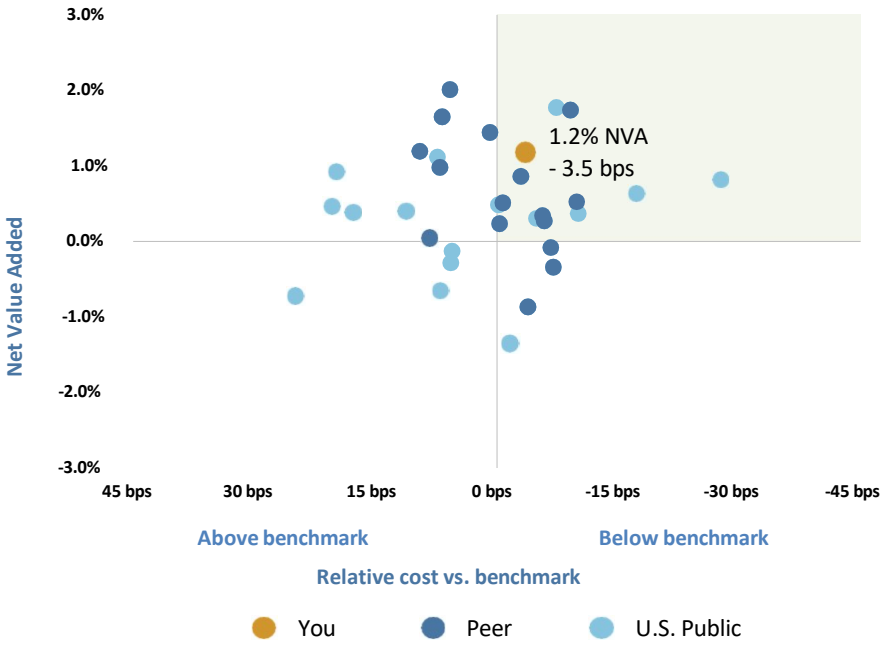
Your 5-year net value added exceeded the U.S. Public universe median by 0.7%.

	Rank vs universe*	You	Median
5-year net value added		1.2%	0.5%
5-year net return		8.7%	7.7%
2025 asset risk		11.6%	11.3%
10-year Sharpe ratio		0.92	0.76

*Chart shows your percentile rank vs. the U.S. Public universe, going 0% to 100%, left to right.

Net value added versus relative cost | 2021 - 2025

Your 5-year net value added (%) versus your 5-year relative cost (bps)



Private & Confidential

Your performance is benchmarked against the U.S. Public Universe: 37 sponsors, representing $3.1 T in CEM's Investment Benchmarking Database.

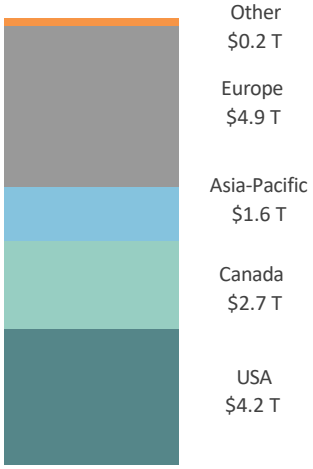
Total Investment Database

246

INSTITUTIONAL INVESTORS

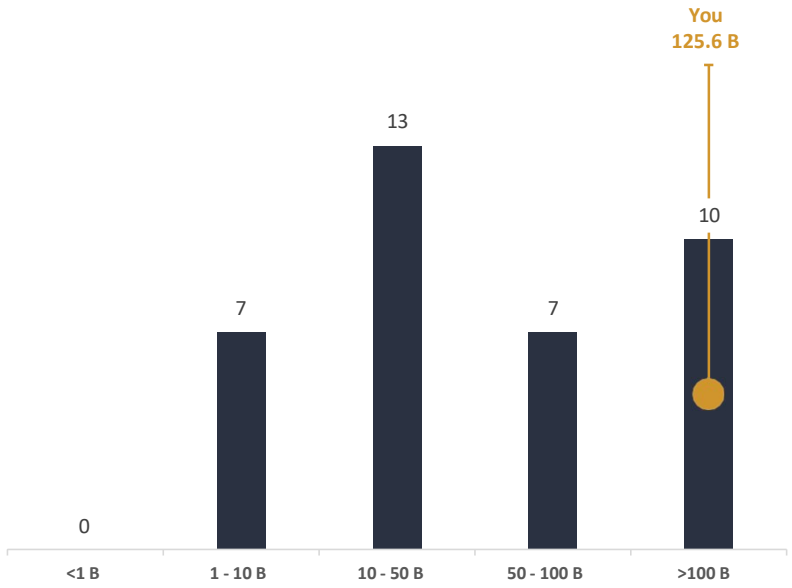
$13.6 T

IN TOTAL ASSETS

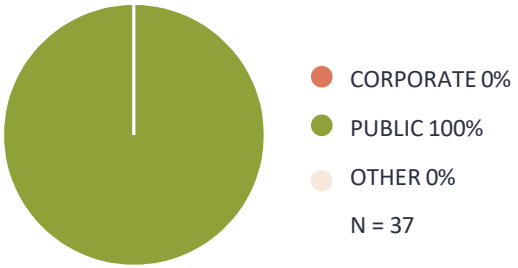


U.S. Public Universe by assets under management | $ billion, 2025

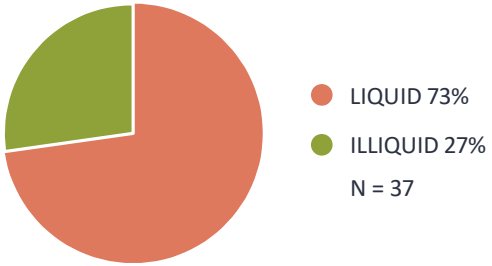
37 U.S. Public sponsors from $1.1 billion to $525.0 billion



Plan type | U.S. Public 2025



Asset mix | U.S. Public 2025

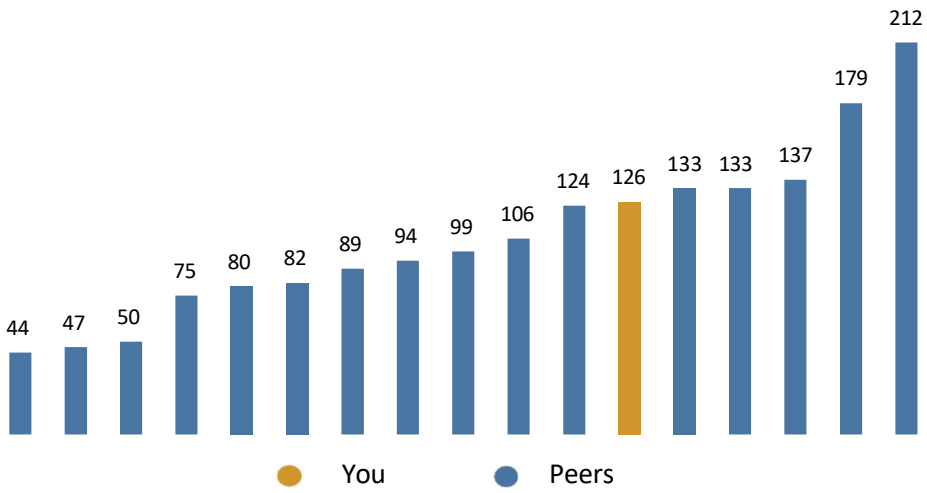


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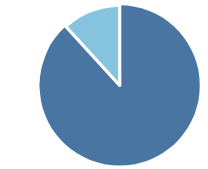
Your costs are benchmarked against a custom peer group with similar total assets under management.

Peer group by assets under management | $ billion, 2025

17 U.S. sponsors from $44.3 billion to $211.6 billion

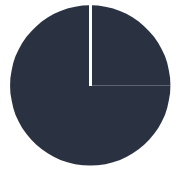


Plan type | 2025



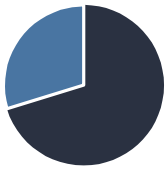
CORPORATE 0%
PUBLIC 88%
OTHER 12%
N = 17

Region | 2025



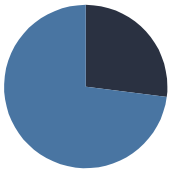
USA 100%
CANADA 0%
EUROPE 0%
N = 17

Asset mix | 2025



LIQUID 70%
ILLIQUID 30%
N = 17

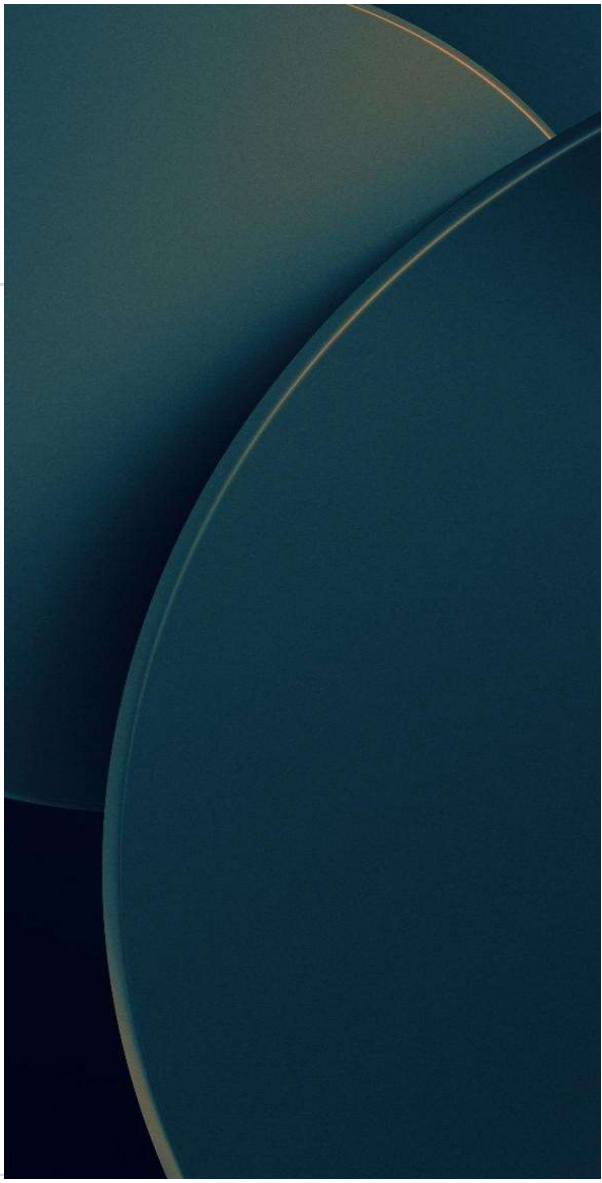
Implementation | 2025



INTERNAL 27%
EXTERNAL 73%
N = 17

Private & Confidential

Your investment costs, excluding private asset performance fees, were $1,037.2 million or 82.6 basis points in 2025.



Total fund costs by asset class, excluding private asset perf. fees and transaction costs | 2025

Asset Class	Base fees ($000)	Performance fees ($000)	Internal & other ($000)	Total ($000)	Total (bps)
Stock	54,522	1,444	14,052	70,019	20.0
Fixed income ex. cash	6,658	-	8,165	14,823	7.5
Cash	1,233	-	197	1,430	9.8
Hedge funds	98,346	166,586	4,512	269,444	208
Real estate	96,339		3,306	99,645	87.4
Infrastructure	39,674		700	40,374	121.8
Other real assets	33,118		763	33,882	110.4
Private debt	168,842		2,971	171,813	91.2
Private equity	315,360		4,968	320,328	126.1
Investment overlays	-	-	642	642	-
Fund level oversight	-	-	14,761	14,761	1.2
Total	**814,092**	**168,030**	**55,038**	**1,037,160**	**82.6**

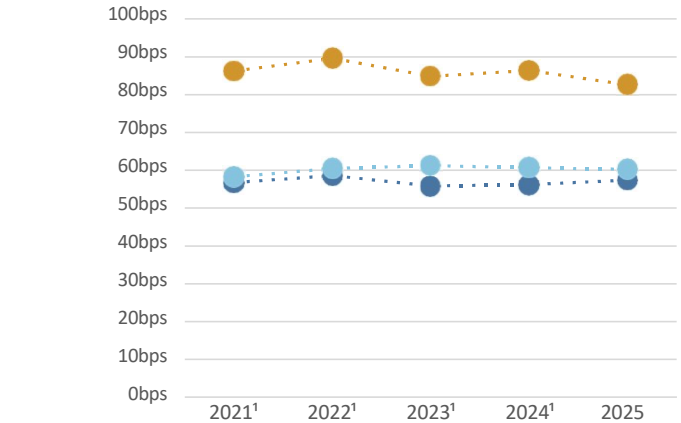
Numbers shaded are excluded from the analysis.
Base and performance fees also include the underlying fees associated with your fund-of-funds strategies.
CEM uses imputed data to address missing or incomparable costs, ensuring comparability across all participants. Refer to the Appendix of the Exhibits for CEM's data principles and imputations applied to your fund's data. Fund level costs consist of expenses not attributed to specific asset classes, including total fund oversight, trustee and custodial services, audit, consulting, and performance measurement.

Private & Confidential

Your costs decreased over the last 5 years primarily because of paying less for similar investment styles. This was partly offset by moving to a higher cost asset mix.

Total investment costs (bps) | 2021 - 2025

Your total investment costs, excluding private asset performance fees and transaction costs, dropped from 86.2 bps in 2021 to 82.6 bps in 2025.



	2021[1]	2022[1]	2023[1]	2024[1]	2025
You	86.2	89.6	84.8	86.4	82.6
Peers	56.7	58.6	55.9	56.2	57.4
U.S. Public	58.3	60.4	61.3	60.6	60.2

Average costs for the 31 U.S. Public funds and 17 peers with 5 years of consecutive data. Before adjusting for asset mix differences, the median 2025 cost for the 17 peers was 57.8 bps.

1. Prior year numbers have been restated to include estimated hedge fund performance fees.

Cost impact of your changes (bps) | 2021 - 2025

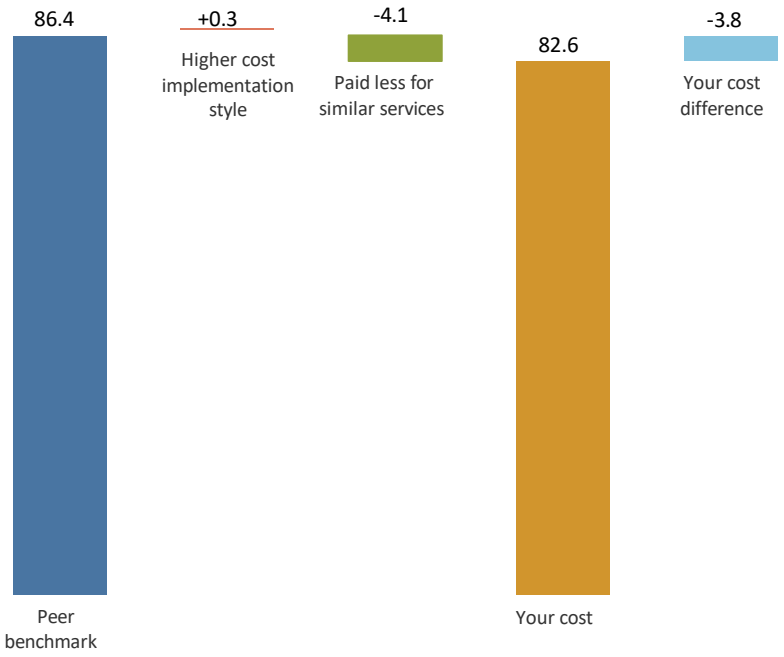
Your costs decreased over the last 5 years primarily because of paying less for similar investment styles. This was partly offset by moving to a higher cost asset mix.

Higher cost asset mix	**5.5**
Mix of Stock	3.7
3% less hedge funds & multi-asset	-3.1
3% more private debt	2.4
All other mix changes	2.5
Lower cost implementation style	**-3.8**
More internal as a % of active	-4.8
Less core, more non-core & FoF	1.3
All other implementation style changes	-0.3
Paid less in total for similar investment styles	**-5.3**
Lower fund LBO base fees	-1.9
Higher core private credit base fees	1.5
Lower external active hedge funds base fees	-1.5
Lower external active hedge funds performance fees	-2.2
Lower costs for overlays and unfunded strategies	-0.3
Higher oversight, custodial & other costs	0.3
All other differences	-1.1
Total decrease	**-3.6**

Private & Confidential

After adjusting for asset mix, benchmark cost analysis suggests that your fund was below benchmark cost by 3.8 basis points in 2025.

Cost breakdown vs. peer benchmark (bps) | 2025



Explanation of implementation style differences (bps) | 2025

Total impact of implementation style differences	**0.3**
More active management, less lower cost passive	5.3
Less external management, more lower cost internal	-4.2
More core, less non-core/value-add funds	-0.8
More fund of funds	0.6
More co-investment as a percentage of value add/co	-0.4
Differences in use of overlays	-0.3

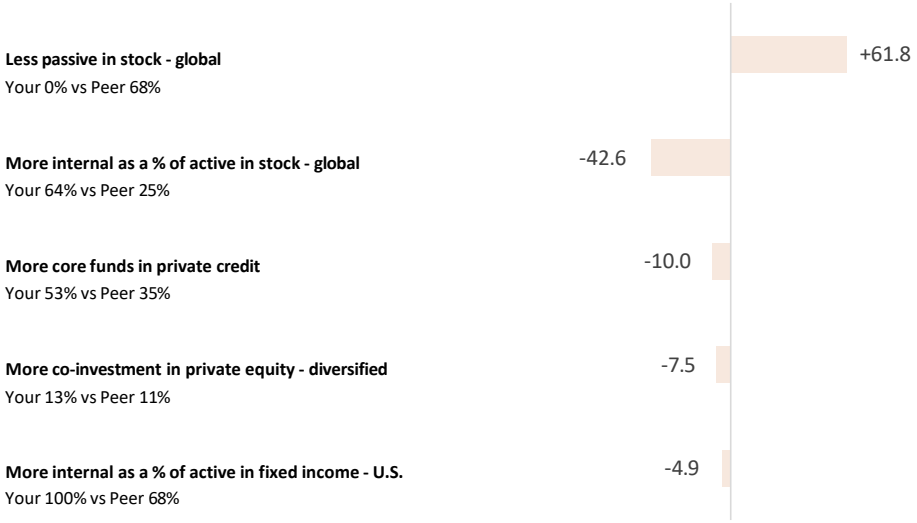
Explanation of cost differences for similar services (bps) | 2025

Total impact of paying more/less for similar services	**-4.1**
External investment management costs	-4.3
Internal investment management costs	0.3
Oversight, custodial & other costs	0.0

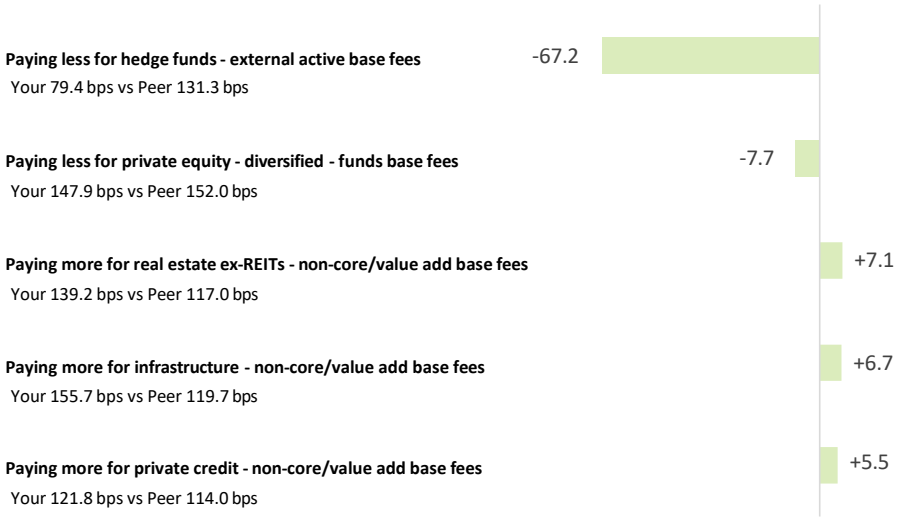
Private & Confidential

The most significant drivers of cost difference vs benchmark were implementation style differences in stock - global, and paying less for hedge funds - external active.

Top 5 implementation style impacts ($M) | 2025



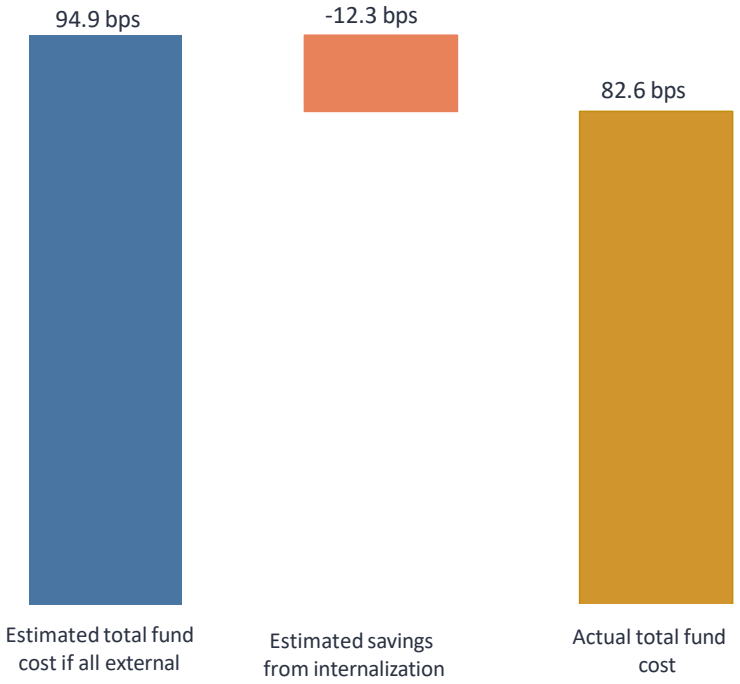
Top 5 impacts from paying more or less than your peers for similar services ($M) | 2025



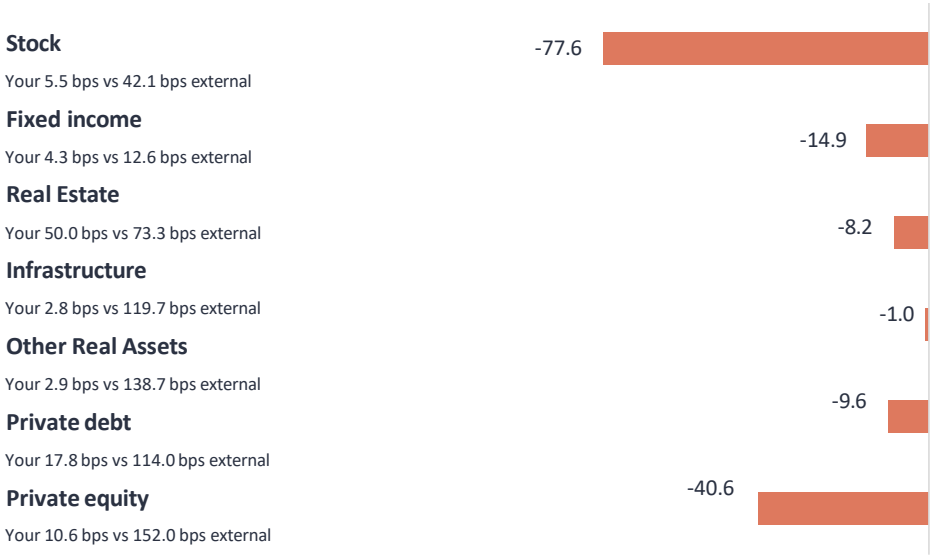
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If your internally managed assets were managed externally and you paid the peer median costs, your total fund costs would increase by around $155M or 12.3 bps.

Cost impact of internalization



Savings contributions by asset class ($M)

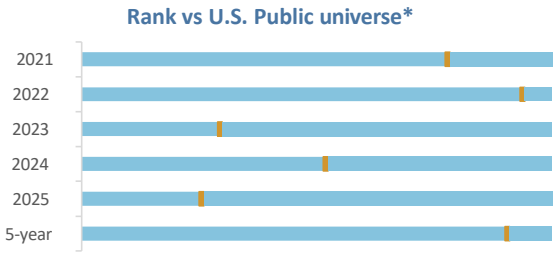


Private & Confidential

Your 5-year net value added of 1.2% compares to a median of 0.5% for the U.S. Public universe.

Return, net of all investment costs

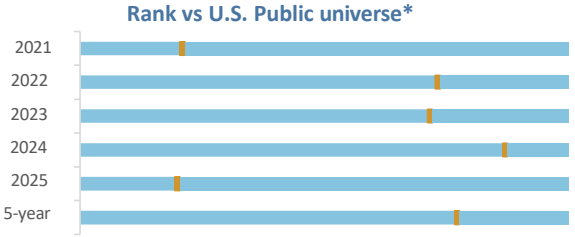
Your 5-year net total return of 8.7% was above both the U.S. Public median of 7.7% and the peer median of 7.9%.



	You	Median
2021	18.6%	16.9%
2022	-5.3%	-10.4%
2023	10.2%	11.4%
2024	8.9%	8.8%
2025	12.8%	14.0%
5-year	8.7%	7.7%

Policy return

Your 5-year policy return of 7.6% was above both the U.S. Public median of 7.0% and the peer median of 7.0%.



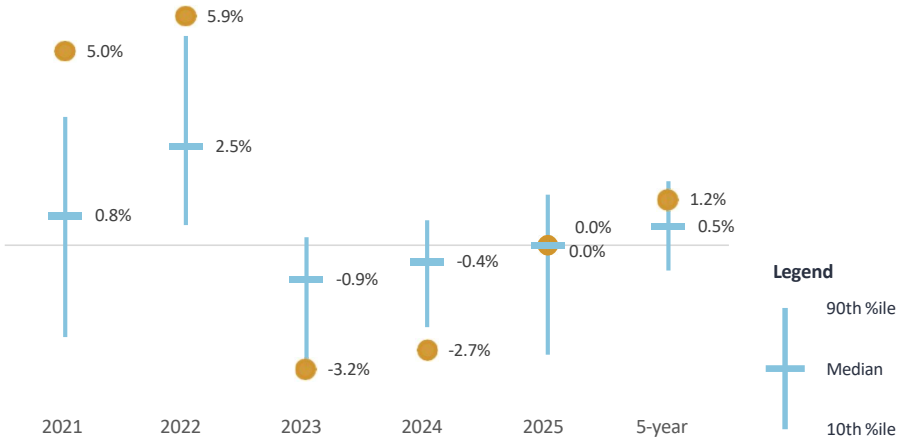
	You	Median
2021	13.6%	15.7%
2022	-11.2%	-12.7%
2023	13.4%	11.8%
2024	11.6%	9.4%
2025	12.8%	14.1%
5-year	7.6%	7.0%

*Chart shows your percentile rank vs. the U.S. Public universe, going 0% to 100%, left to right.

Net value added | Net return minus policy return, U.S. Public 2021 - 2025

Your 5-year net value added of 1.2% translates into approximately $4.6 billion of cumulative value added over 5 years. This 1.2% was above the U.S. Public median of 0.5%.

To enable fairer comparisons, the value added for each participant, except your fund, was adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your 5-year total fund value added would have been 0.3% higher.

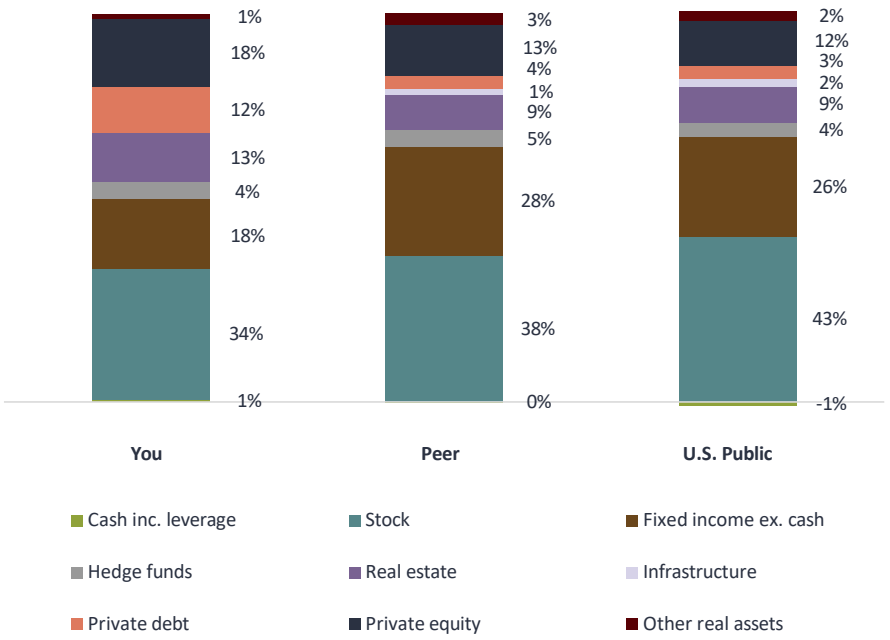


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Policy mix differences are a major driver of variance in total fund policy returns.

Policy asset mix | 2021 - 2025

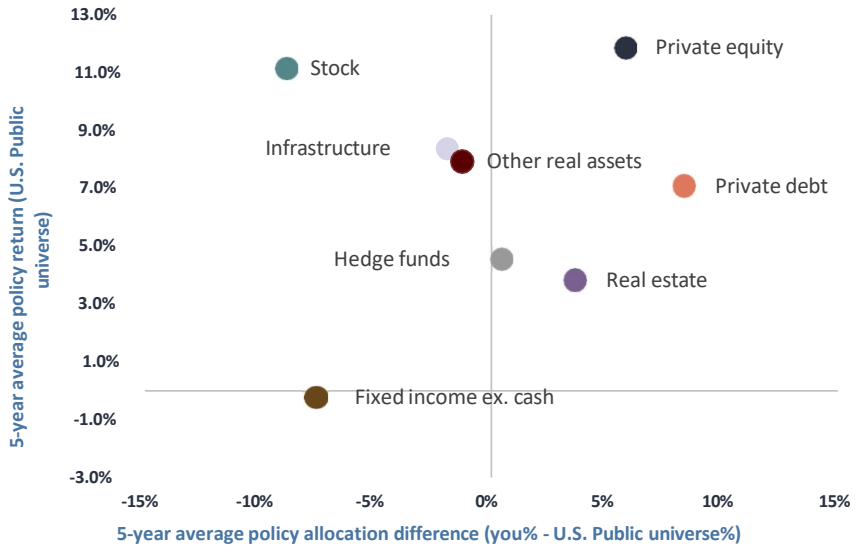
Your policy asset mix allocates 9% less to stock and 8% more to private debt than the average U.S. Public fund.



Contribution of asset classes to your fund's policy return position | 2021 - 2025

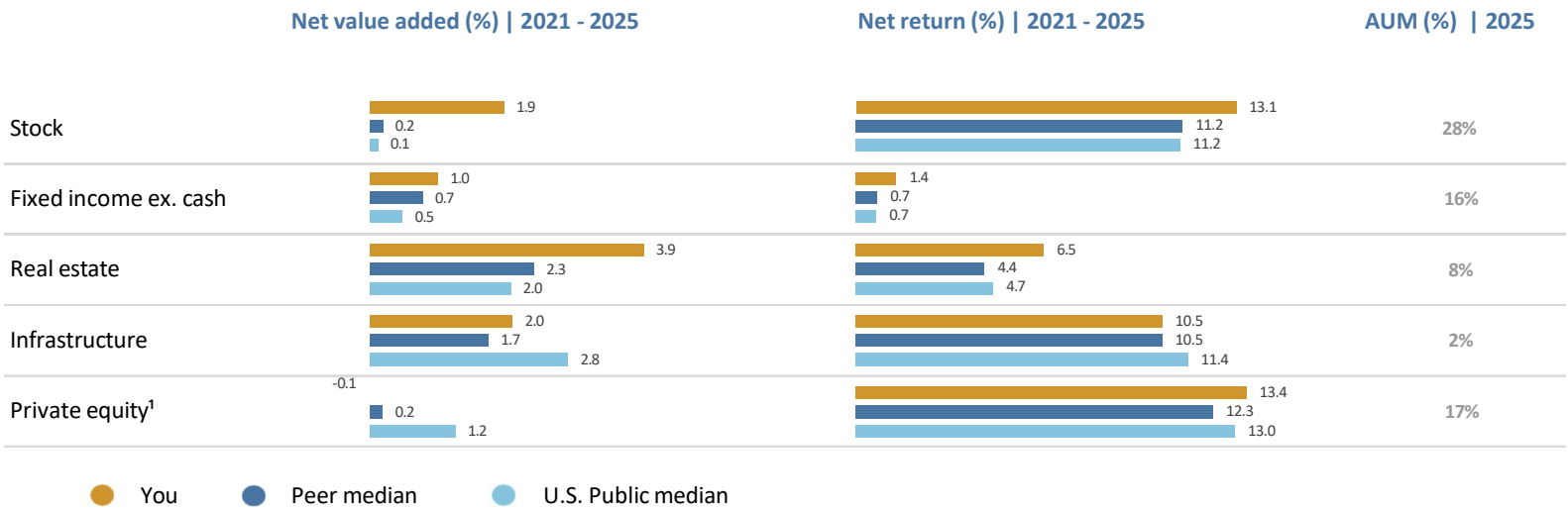
Your lower allocation to Fixed income ex. cash increased your policy return relative to the universe, due to its weaker performance than the average asset class.

To enable fairer comparisons, the private equity benchmarks of all participants, except your fund, were adjusted to reflect lagged, investable, public-market indices.



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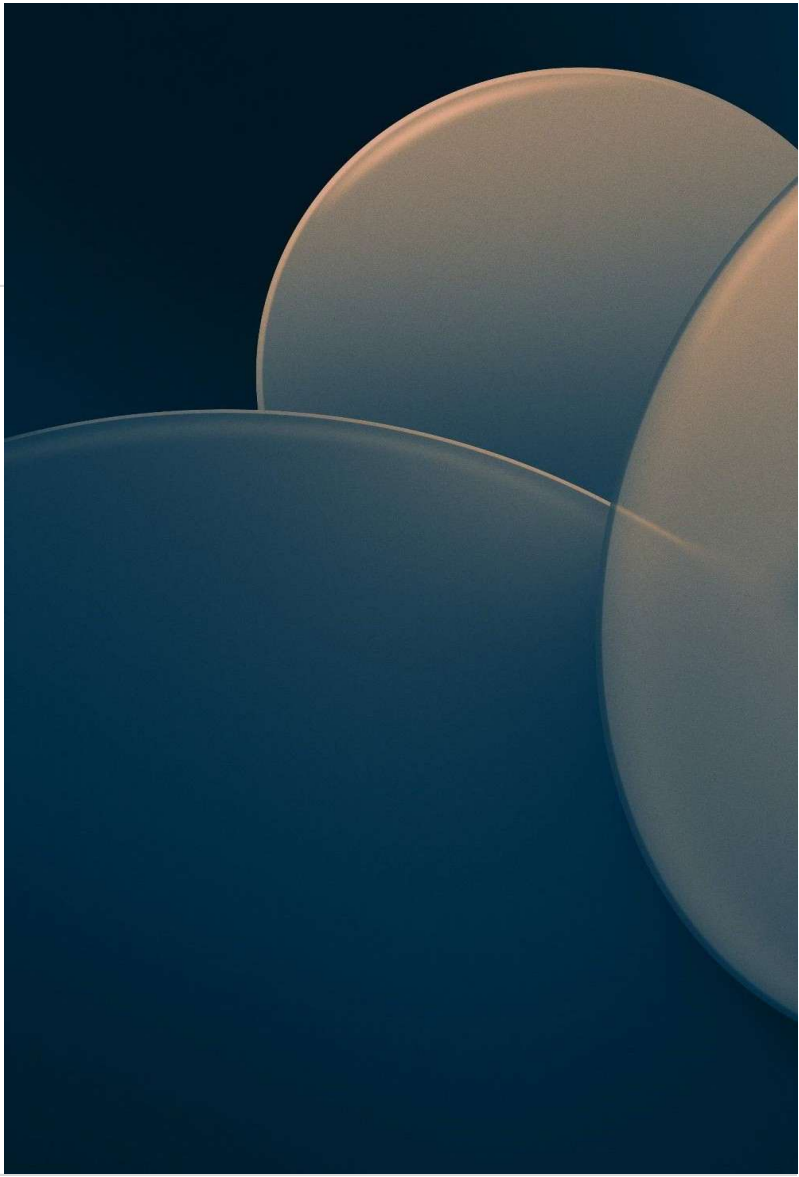
Real estate and infrastructure were your highest net value added asset classes over the last 5 years.

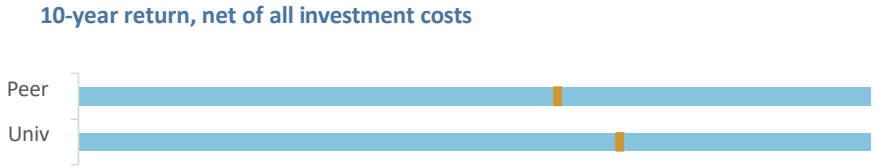


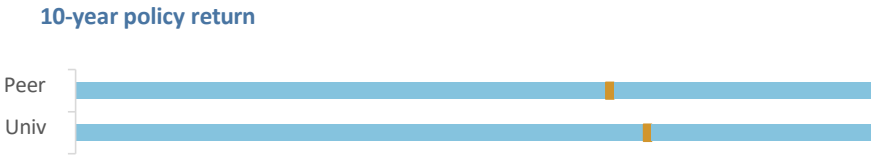
1. To enable fairer comparisons, the private equity benchmarks of all participants, except your fund, were adjusted to reflect lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your fund's 5-year private equity net value added would have been 1.6%.

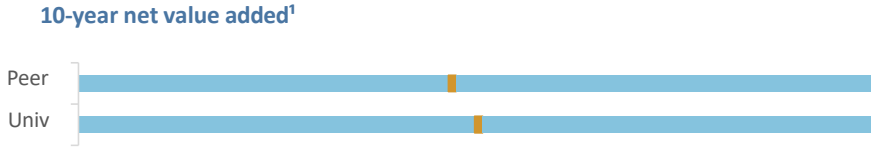
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Your 10-year net value added of 0.6% compares to a peer median of 0.6% and a U.S. Public median of 0.6%.









1. To enable fairer comparisons, the value added for each participant, except your fund, was adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your 10-year total fund value added would have been 0.5% higher.

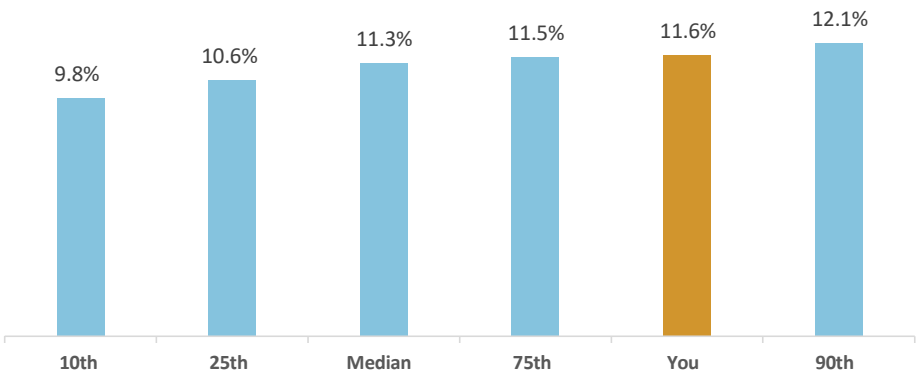
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Your asset risk of 11.6% was above the U.S. Public Universe median of 11.3%.

Asset risk (%) | 2025

Your asset risk of 11.6% was above the U.S. Public Universe median of 11.3%.

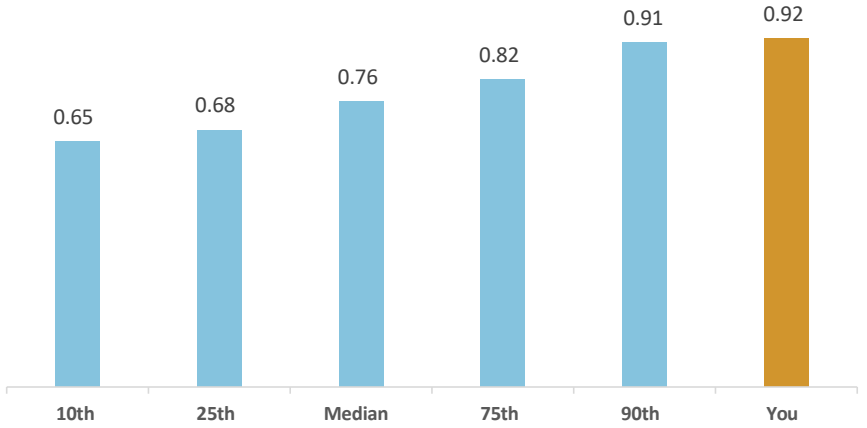
Asset risk is the standard deviation of your policy return. It is based on the historical variance of, and covariance between, the asset classes in your policy mix; standardized for all participants in the CEM database.



Realized Sharpe ratio | 10-year ending 2025

Your realized Sharpe ratio of 0.92 was above the U.S. Public Universe median of 0.76.

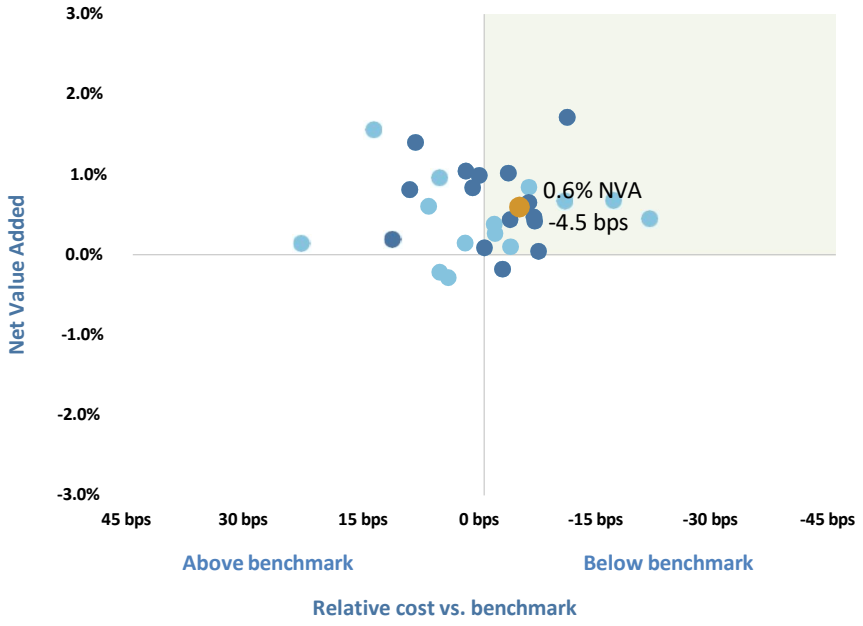
Realized Sharpe ratio is the historical excess return of your portfolio per unit of total risk. It is a function of the actual annual returns generated above the risk-free rate and the realized standard deviation of those annual returns over the 10-year observation period.



Over 10 years your investment costs were 4.5 basis points below the peer benchmark, while your 10 net value added over the period was 0.6%.

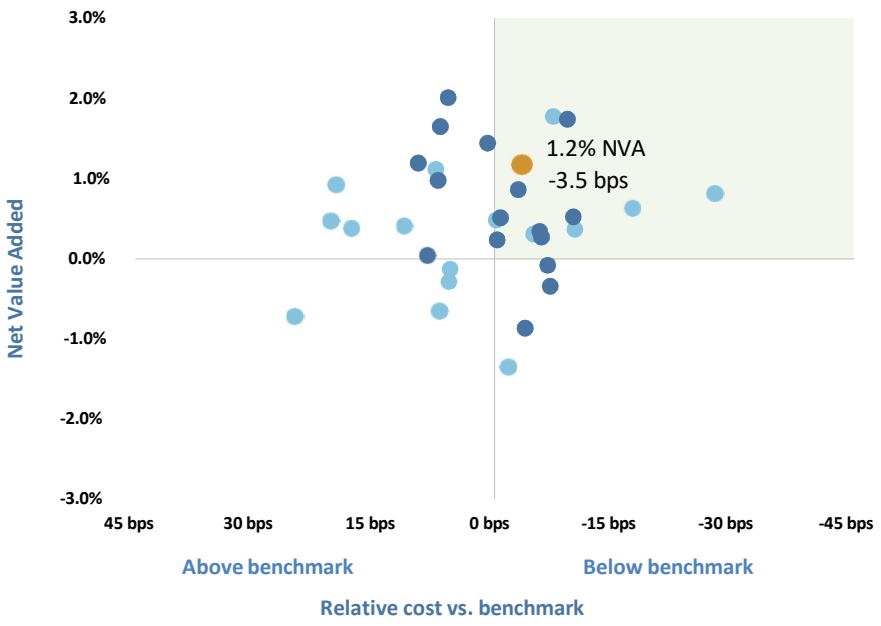
Net value added versus relative cost | 2016 - 2025

Your 10-year net value added (%) versus your 10-year relative cost (bps)



Net value added versus relative cost | 2021 - 2025

Your 5-year net value added (%) versus your 5-year relative cost (bps)



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Virginia Retirement System

DB Investment Benchmarking Subscription

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MANAGEMENT INSIGHT REPORT
October 2026

Report

The Benefits and Actuarial Committee met on November 12, 2026, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 14, 2026, meeting.

2026 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), THE LOCAL HEALTH INSURANCE CREDIT (HIC) PLANS, AND THE LINE OF DUTY ACT (LODA) FUND.

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2026, actuarial valuations for the Political Subdivision Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years, the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Similar to the statewide pension plans, the investment gains from the market value return for the total fund of 12.1% exceeded the long-term assumed rate of return of 6.75%. Pension modeling updates to better measure liabilities for members who work for multiple employers throughout their careers partially offset the investment gains. In addition, changes in the funding policy for plans that are over 100% funded were incorporated into this valuation. Funding impacts for the modeling changes varied by employer.

The OPEB plans generally experienced increases in funded status due to favorable demographic experience and investment gains. Informational contribution rates also trended lower for the OPEB plans relative to last year's valuations. Funding policy changes for plans over 100% funded were also incorporated this valuation for the OPEB plans with informational contribution rates for some local HIC plans and the VLDP for political subdivisions being impacted as a result of the new funding policy.

The LODA plan is a pay-as-go plan that must collect the funds required to pay the benefits expected to be incurred over the coming year. The informational premium rate increased due to larger than expected increases in the pre-65 healthcare premiums, increases in the health care trend assumption, as well as increases in the number beneficiaries. Legislative changes from last year allowing certain private institutions of higher education and private police departments to participate in LODA added 95 individuals across six new employers. Future rates are expected to increase due to increasing health care costs, an increasing number of beneficiaries and a static or decreasing number of full-time equivalent members over which to spread the premium costs.

GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees.

The Committee recommended approval of the following actions to the full Board of Trustees:

Request for Board Action: *The Virginia Retirement System Board of Trustees accepts the June 30, 2026, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the (i) Political Subdivision Retirement Plans; (ii) Health Insurance Credit (HIC) Plans for political subdivisions; (iii) State-Funded HIC for constitutional officers, social services employees and registrars; (iv) Virginia Local Disability Program, including Self-Funded Long-Term Care; and (v) Line of Duty Act Fund.*

Submitted to the Board of Trustees on November 12, 2026.

_____
Jessica L. Hood, Vice Chair
Benefits and Actuarial Committee

Accept the Plan Actuary's Valuations as of June 30, 2026, for the Political Subdivision Retirement Plans; Health Insurance Credit (HIC) Plans for Political Subdivisions; State-Funded HIC for Constitutional Officers, Social Services Employees, and Registrars; Virginia Local Disability Program, including the Self-Funded Long-Term Care; and Line of Duty Act Fund.

Requested Action

The Virginia Retirement System Board of Trustees accepts the June 30, 2026, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the (i) political subdivision retirement plans; (ii) Health Insurance Credit (HIC) plans for political subdivisions; (iii) state-funded HIC for constitutional officers, social services employees, and registrars; (iv) Virginia Local Disability Program, including self-funded Long-Term Care; and (v) Line of Duty Act Fund.

Description/Background

The VRS plan actuary conducts actuarial valuations annually as of the close of the fiscal year (June 30). The results of the valuations are used to establish employer contribution rates in odd-numbered years. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(3) authorizes the Board to employ an actuary as its technical advisor for the administration of the Retirement System.

The above action is approved.

_____ _____

Susan T. Gooden, Ph.D., Chair
VRS Board of Trustees

Date



Virginia Retirement System

June 30, 2026 Annual Actuarial Valuation Results

Presented by: Becky Stouffer, ASA, MAAA, FCA and Jim Anderson, FSA, EA, MAAA, FCA

GRS

Board of Trustees November 12, 2026

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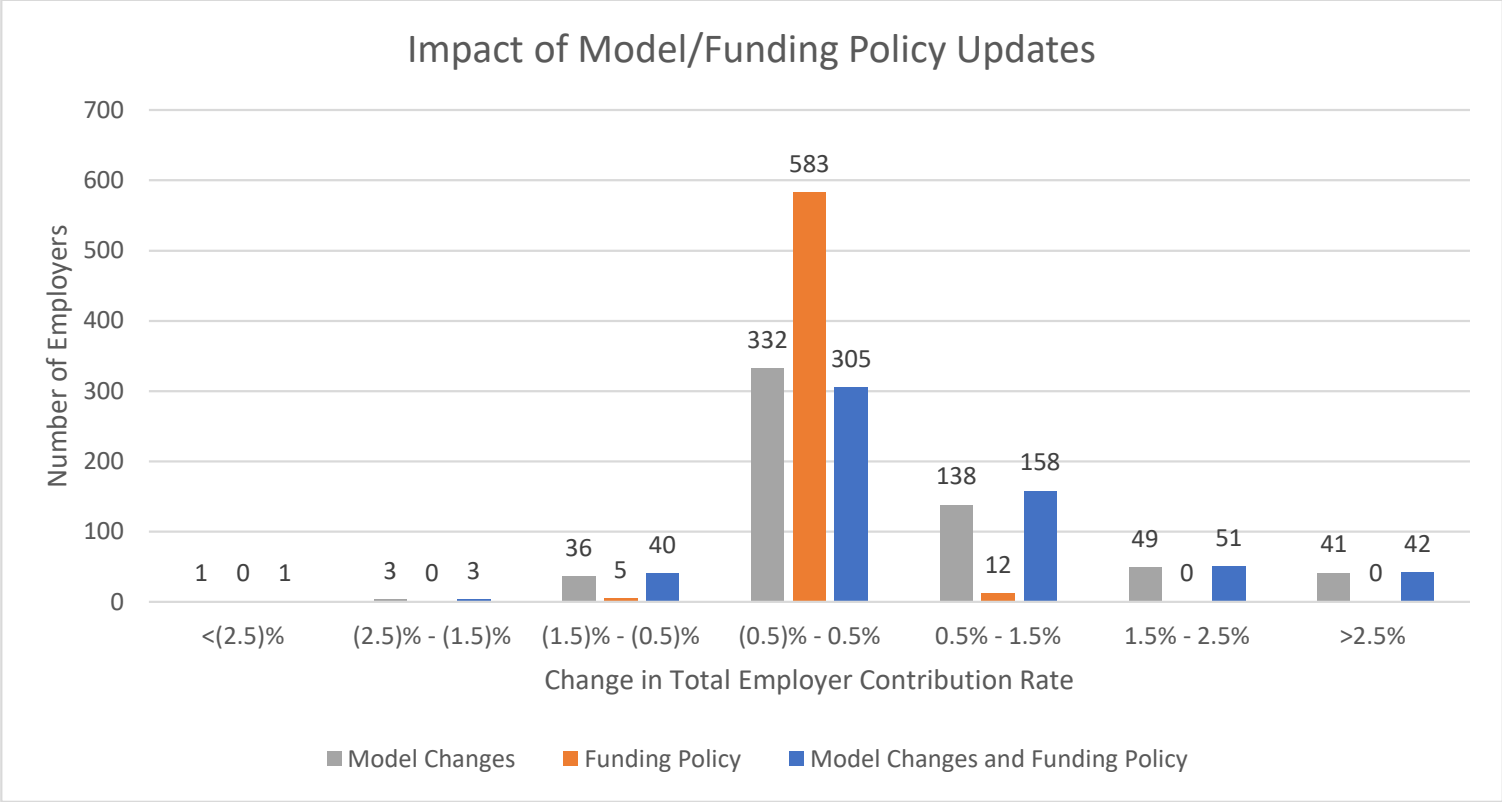
Big Picture – November Meeting Content

Pension	Other Post-Employment Benefits (OPEB)
Political Subdivisions	Health Insurance Credit (HIC) • Political Subdivisions • Constitutional Officers • Social Services Employees • Registrars
	Virginia Local Disability Program • Political Subdivisions • Teachers
	Line of Duty Act Fund LODA (separate presentation)

Valuation Results Highlights

- Experience during 2025-2026
  - Asset gains, slight COLA losses
  - Pay and other experience varied by employer
- Pension Modeling updates
- Funding policy for Plans > 100% funded
  - HIC: impacted 69 employers, 25 of those had minimal contribution rate changes
  - VLDP – Pol. Subs. – decreased rate 0.01%
  - Pension impact on following slides
- No Legislative updates
- Pension results varied by Employer
- OPEB funded status generally increased, OPEB contribution rates generally decreased

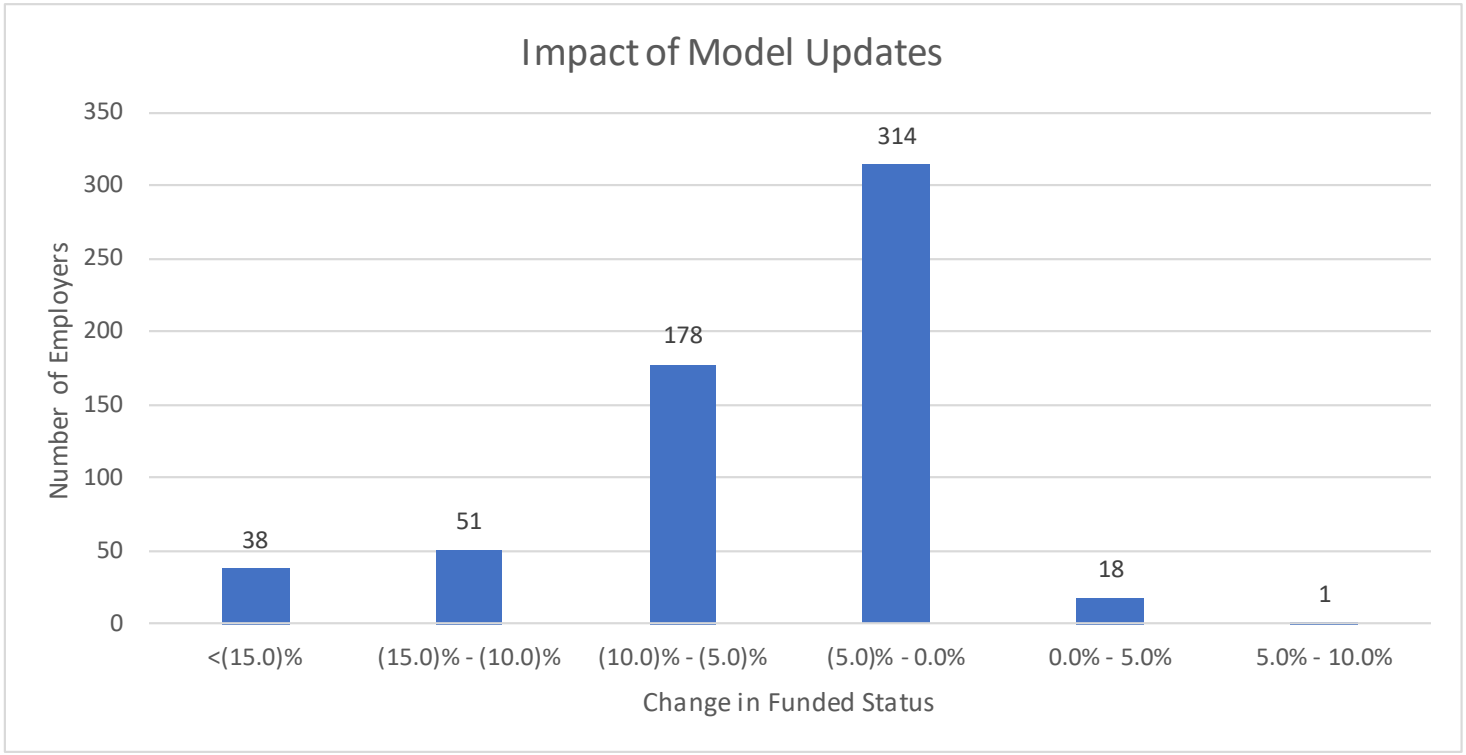
Cost Impact of Political Subdivision Pension Modeling/Funding Policy Updates



Valuation of COLA benefits and inactive/active elsewhere records (Excludes employers with 0 active employees)

(0.5)% - 0.5% Funding Policy Includes 381 employers that are below 100% funded and not impacted by Funding Policy Updates

Impact of Modeling Updates on Political Subdivision Pension Funded Status



Valuation of COLA benefits and inactive/active elsewhere records
(Excludes employers with 0 active employees)

229 employers remained over 100% funded after model updates
84 employers moved from over 100% funded to below 100% funded
12 employers moved from above 75% funded to below and may be impacted by funding surcharge

Statewide and Political Subdivision Pension Participants/% Change in 2026

ACTIVES		
State	81,700	+0.5%
Teachers	160,858	-0.1%
SPORS	1,888	-0.7%
VaLORS	7,322	-1.8%
JRS	477	+0.8%
Pol.Subs.	126,580	+2.0%
Total	378,825	

INACTIVES		
State	73,329	+5.2%
Teachers	106,425	+6.0%
SPORS	898	+7.5%
VaLORS	16,161	+6.2%
JRS	11	-26.7%
Pol.Subs.	144,465	+7.1%
Total	341,289	

RETIREES		
State	74,920	+1.2%
Teachers	116,394	+1.6%
SPORS	1,931	+2.6%
VaLORS	7,664	+2.7%
JRS	629	+2.6%
Pol.Subs.	95,288	+3.3%
Total	296,826	

Total Annual Salary: $ 27 Billion

24% are Plan 1

94% are Plan 1

Total Annual Benefit Payments: $7.2 Billion



Actives: Changes in Average Salary

System	2025	2026	% Change	% Change for Continuing[1]	
				Expected	Actual
State	$ 77,218	$ 78,035	1.1%	4.5%	2.1%
Teachers	69,331	72,027	3.9%	5.1%	5.9%
SPORS	96,071	95,891	-0.2%	4.2%	2.7%
VaLORS	58,011	58,029	0.0%	4.7%	1.4%
JRS	208,551	208,682	0.1%	4.0%	0.3%
Pol. Sub.	64,812	67,335	3.9%	4.6%	5.7%

[1] Continuing are members active in both the current and prior valuation.

Return to Work (RTW) payroll increased 25% during the fiscal year growing from $20 million to approximately $25 million

- RTW payroll is included to pay contributions for members who have retired and returned to work and not accruing benefits

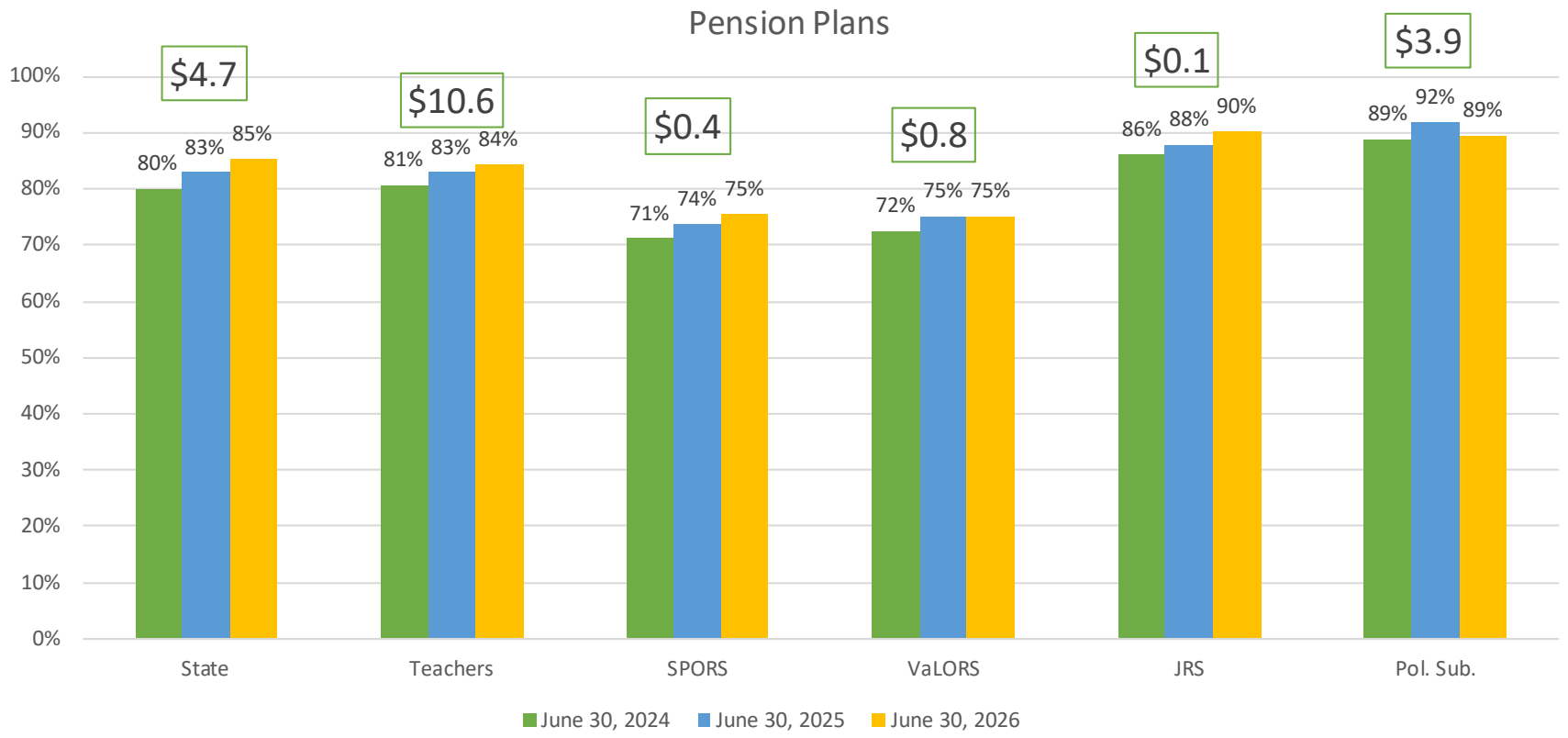
Actuarial Value Assets: Political Subdivisions Pension ($Millions) – **12.1%/8.0% MVA/AVA Return**

In chart below asset gains are positive, asset losses are negative.

	2026	2027	2028	2029	2030
Actual Investment Return	3,812				
Assumed Investment Return	2,160				
Gain/(Loss) to be Phased-in	1,652				
Phased-in Recognition -Current year	330	?	?	?	?
-1st prior year	226	330	?	?	?
-2nd prior year	162	226	330	?	?
-3rd prior year	(13)	162	226	330	?
-4th prior year	(360)	(13)	162	226	330
Total Recognized Gain/(Loss)	345	705	718	556	330

2027-2030: Expect $2.3 billion in deferred asset *GAINS*
Future investment losses could offset current deferred gains

Funded Status and Unfunded Liabilities (AVA)
June 30, 2026 Unfunded Liabilities in $Billions



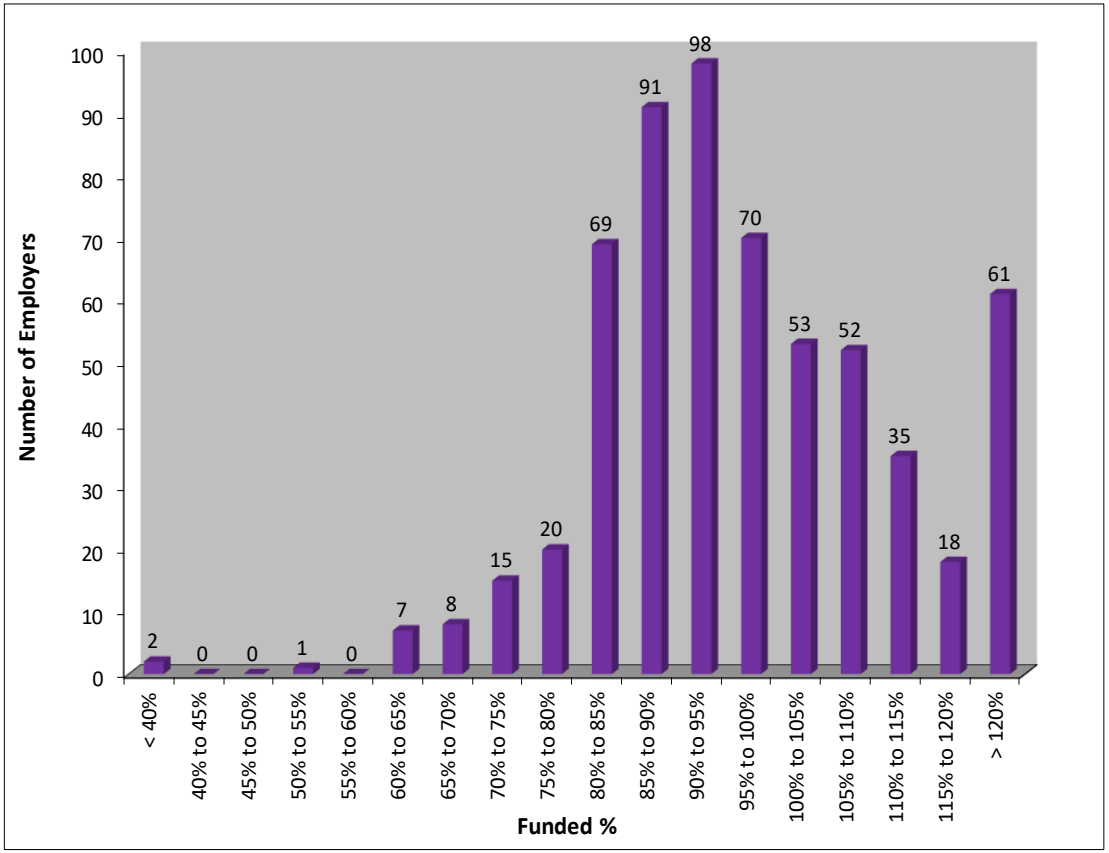
Funded Status (AVA) – Pension Plans, Political Subdivisions

Funded Status as of June 30, 2026 for 600 Employers

Average Funded Status

96.1%

Pol. Sub. With no Enhanced Hazardous Duty



Average Funded Status

87.9%

Pol. Sub. With Enhanced Hazardous Duty

Chart shows Funded status distribution, 33 employers <75% to 219 employers > 100%

The chart above shows 600 employers; employers with 0 actives are excluded.

Summary: Pension Plan Contribution Rates

	FY 2025/2026	Informational	FY 2027/2028	Informational
	2023 Valuation	2024 Valuation	2025 Valuation	2026 Valuation
State	12.52%	11.77%	11.07%	10.42%
Teachers	14.21%	13.63%	12.20%	11.86%
SPORS	31.32%	31.39%	31.67%	31.83%
VaLORS	24.60%^	23.00%	22.60%	24.11%
JRS	30.67%^	28.36%	30.49%	29.60%
Pol. Sub (Weighted Avg)	12.25%	11.76%	10.59%	10.32%

^ VaLORS and JRS contribution rates set at 2021 valuation level, increased from 22.81% and 30.66% respectively.

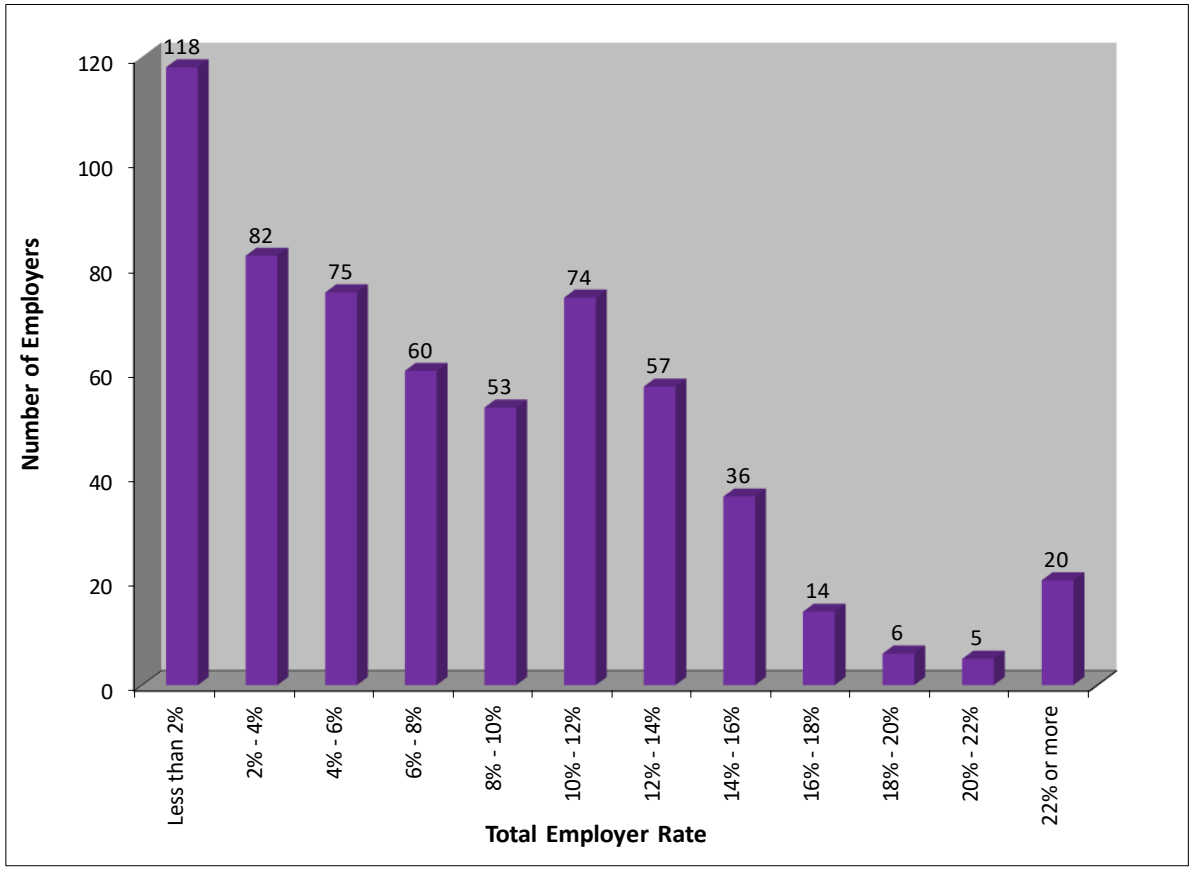
Actuarially Determined Employer Contribution (ADEC) Rates – Political Subdivisions Pension

ADEC Rate as of June 30, 2026 for 600 Employers

Average ADEC Rate

5.34%

Pol. Sub. With no Enhanced Hazardous Duty



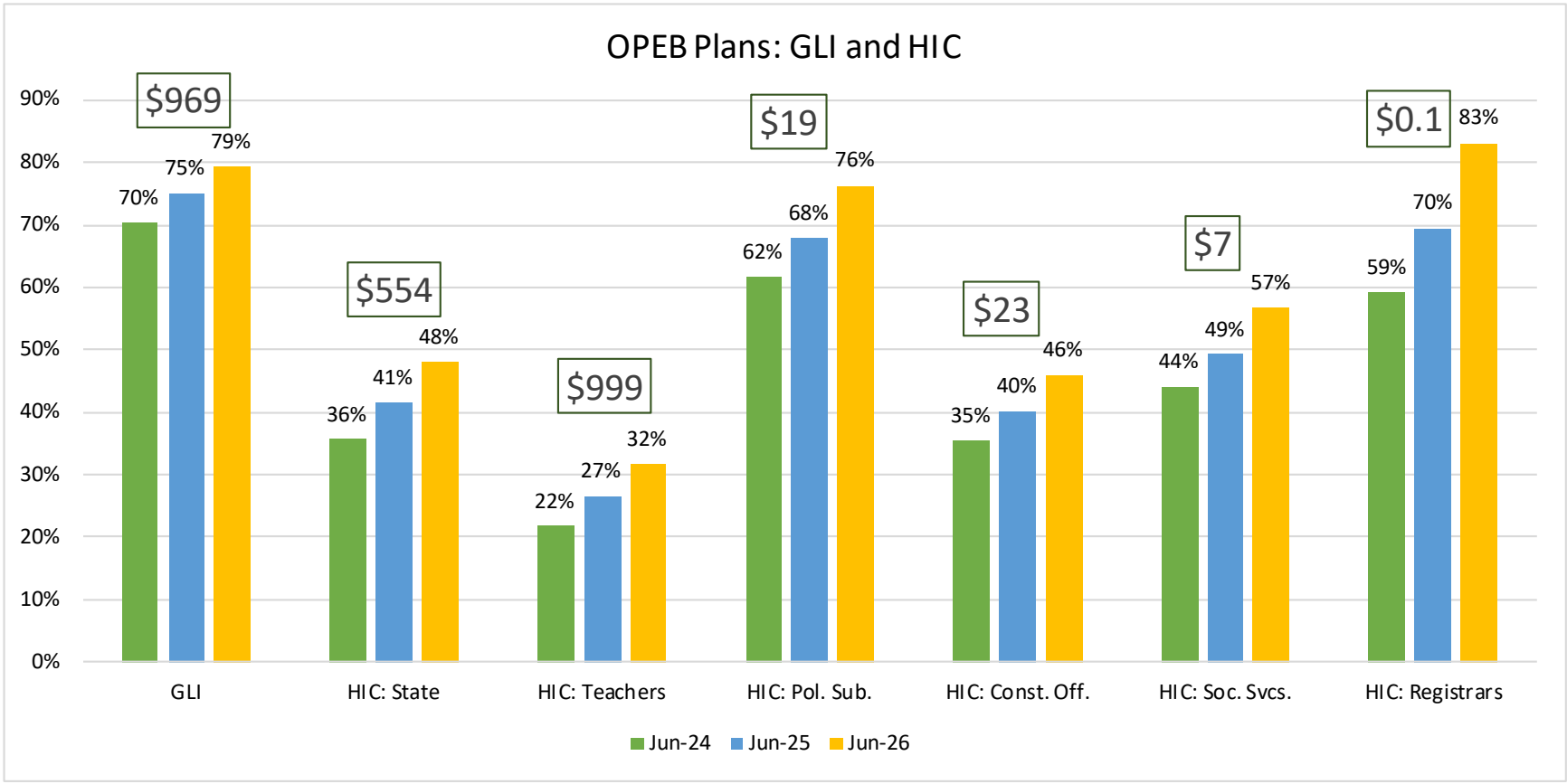
Average ADEC Rate

11.98%

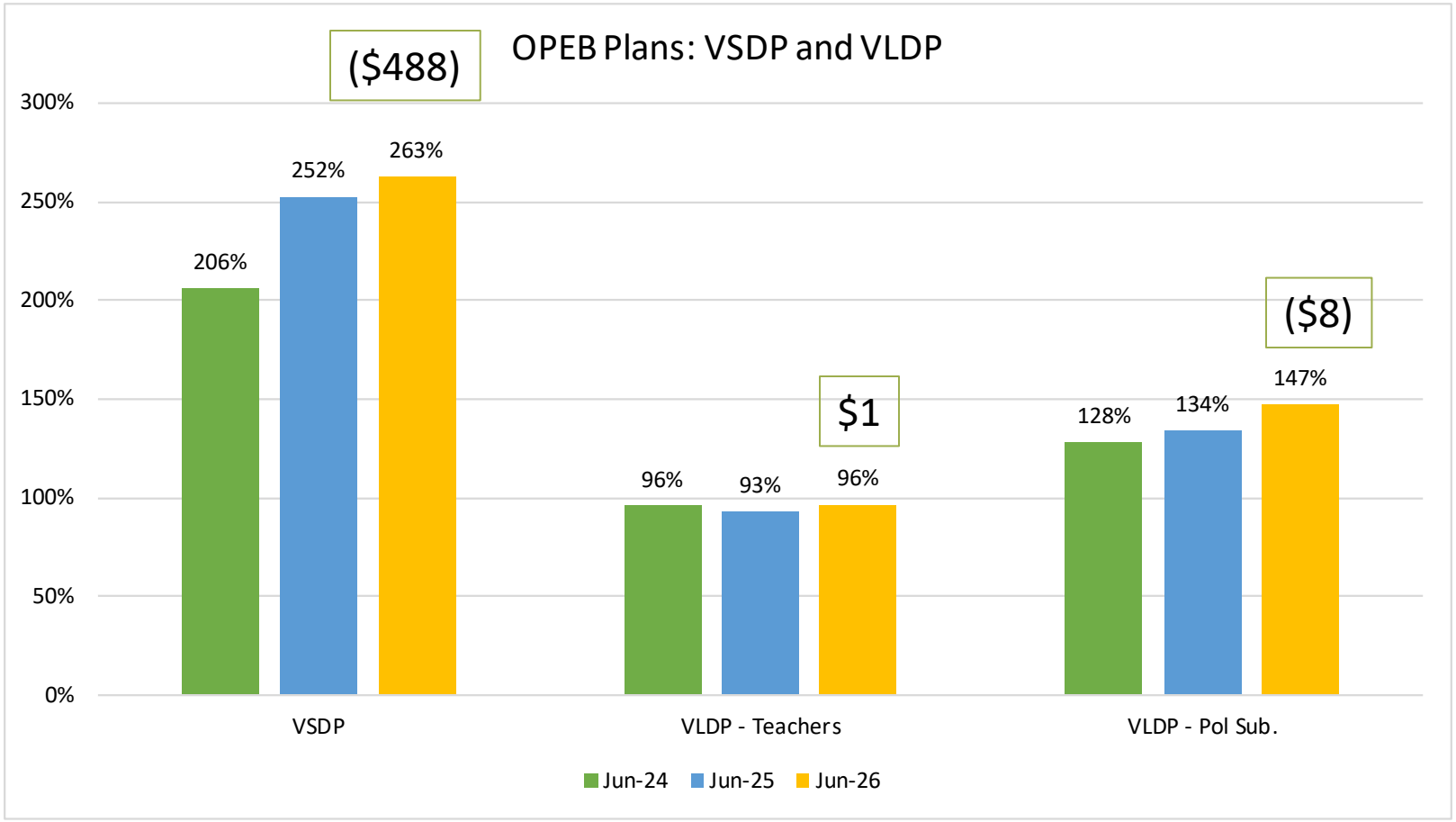
Pol. Sub. With Enhanced Hazardous Duty

The chart above shows 600 employers; employers with 0 actives are excluded.

Funded Status (AVA) and Unfunded Liabilities – OPEB Plans
June 30, 2026 Unfunded Liabilities in $Millions



Funded Status (AVA) and Unfunded Liabilities – OPEB Plans
June 30, 2026 Unfunded Liabilities in $Millions



Summary: OPEB Contribution Rates

	FY 2025/2026	Informational	FY 2027/2028	Informational
	2023 Valuation	2024 Valuation	2025 Valuation	2026 Valuation
Group Life Insurance	1.18%	1.12%	1.06%	1.03%
Health Insurance Credit (HIC)				
-- State	1.12%*	0.76%	0.70%	0.65%
-- Teachers	1.21%*	0.95%	0.88%	0.83%
-- Pol. Subs.	0.36%	0.35%	0.33%	0.25%
-- Const. Officers	0.36%*	0.28%	0.27%	0.25%
-- Social Services EEs	0.37%*	0.21%	0.20%	0.18%
-- Registrars	0.32%*	0.13%	0.13%	0.10%
VSDP	0.50%	0.48%	0.42%	0.14%
VLDP				
-- Teachers	0.45%	0.43%	0.48%	0.48%
-- Pol. Subs.	0.74%	0.71%	0.79%	0.74%

* HIC-State, HIC-Teachers, HIC-Const. Officers, HIC-Social Services EEs, and HIC-Registrars contribution rates held at 2021 valuation level; increased from 0.90%, 1.03%, 0.32%, 0.26%, and 0.17% respectively.

Funded Status (Three Year Comparison) – OPEB HIC Political Subdivisions

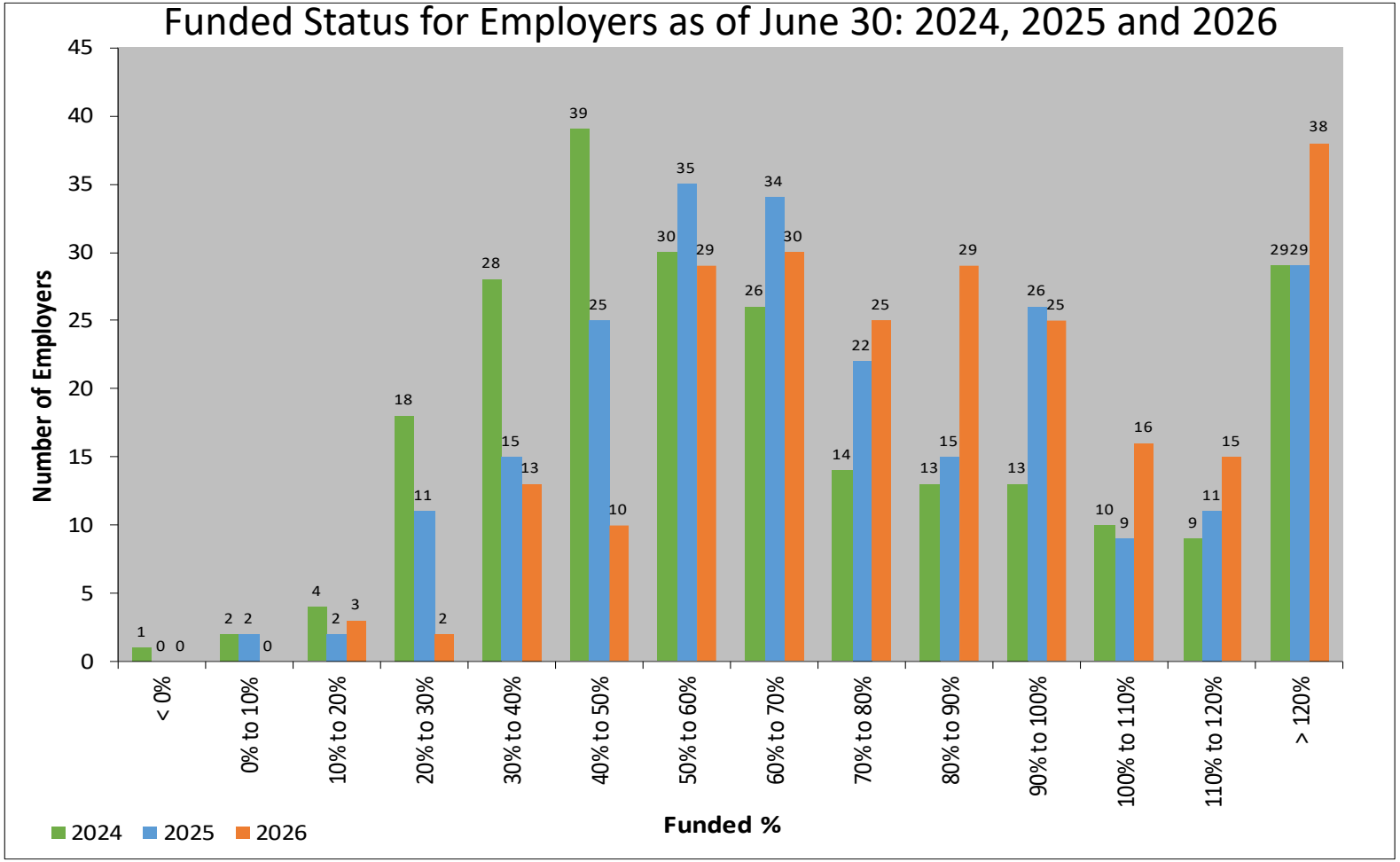
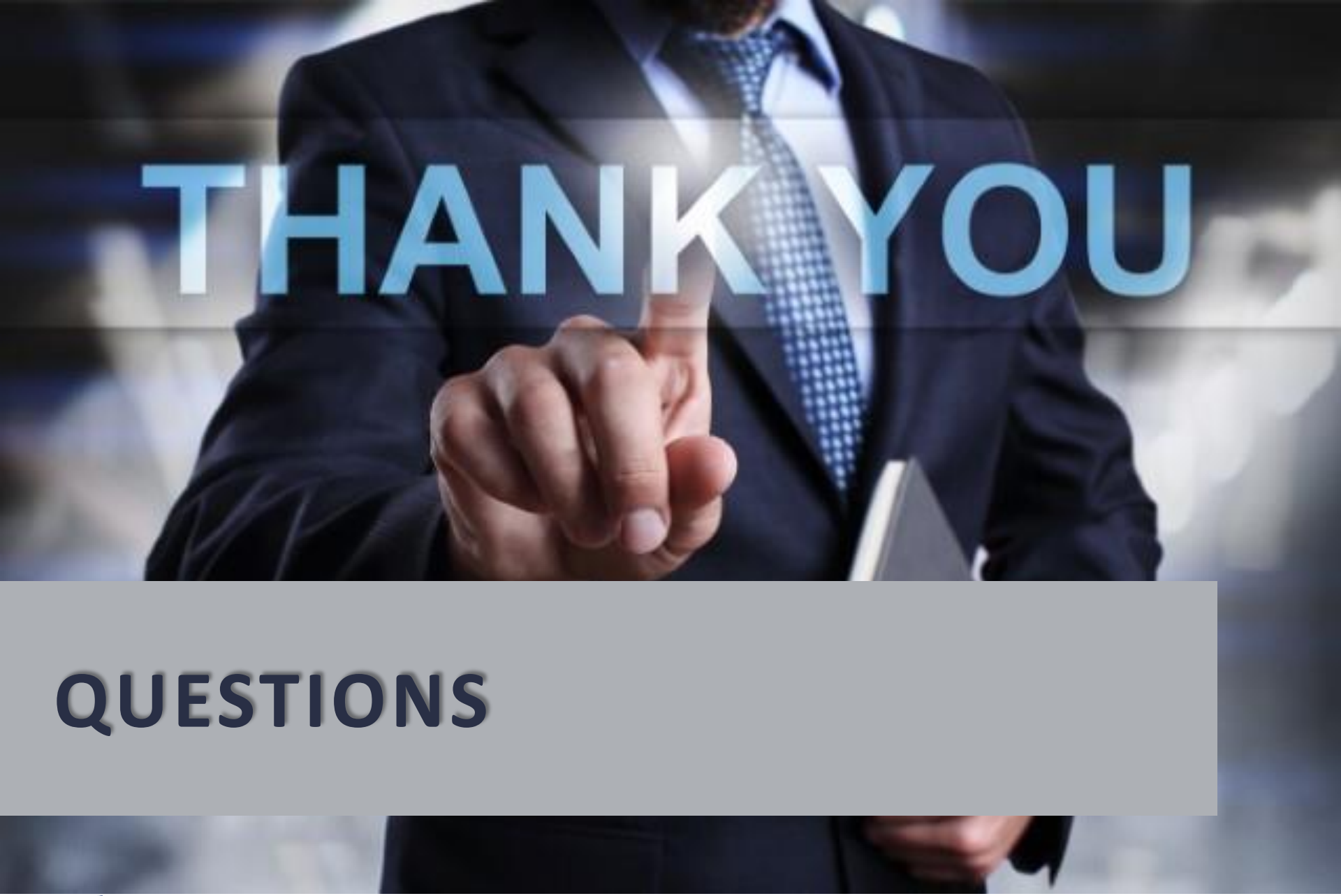


Chart includes: June 30, 2026 = 235 employers, June 30, 2025 = 236 employers, and June 30, 2024 = 236 employers; employers with 0 actives are excluded.

Conclusion



1. **Funded Status on Actuarial Asset Basis**
   - Higher than expected investment returns
   - Salary experience varied, small COLA losses
   - OPEB funded status increased
   - Political Subdivision pension funded statuses impacted by modeling refinements
2. **Contributions**
   - OPEB rates decreased relative to last year's valuations, including for overfunded disability plans to due funding policy
   - Pension rates increased for Political Subdivisions impacted by modeling refinements
   - Pension Rates decreased for overfunded Political Subdivisions due to funding policy



QUESTIONS

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Virginia Retirement System

June 30, 2026 Annual Actuarial Valuation Results – Line Of Duty Act Fund

Presented by: Becky Stouffer, ASA, MAAA, FCA;
Jim Anderson, FSA, EA, MAAA, FCA

GRS

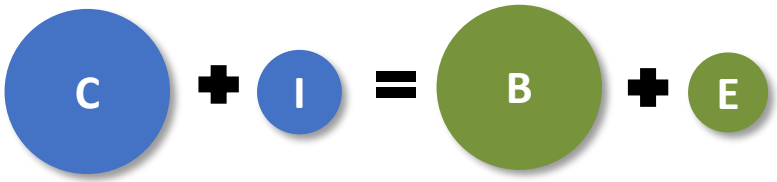
Board of Trustees Meeting November 12, 2026

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A Different Approach: LODA Based on PAYGO Financing as required by Code; Section 9.1-400.1



Pay-as-you-go Cont. based on Full Time Equivalent (FTE) Rate



% of Active Employee Payroll

Net Benefits + Expenses

- Net Benefits Comprised of:
  - \+ Death benefit payments
  - \+ Health care premium payments
  - \- Health Insurance Credit (HIC) reimbursements
- Expenses = Administration Costs

Start

Years of Time

GRS

LODA Valuation Results

The Informational Rate increased this year due to

- Increased pre-65 premiums - 18.0% vs. 7.75%
- Increased Health Care Trend assumption - 8.00% vs. 7.75%
- Population changes - More beneficiaries

- The impact of the above factors exceeded the impact of favorable investment experience

LODA Full-Time Equivalent (FTE) Rate History

- FTE = $ per full-time person
- Set at a level to cover “two” years of plan costs

Valuation Date	Fiscal Year	Board Certified Rate	Adjusted Rate	Informational Rate
6/30/2026	2028	$1,385.00	N/A	$1,400.00
6/30/2025	2027	$1,385.00	N/A	N/A
6/30/2024	2026	$995.00	$1,015.00	$970.00
6/30/2023	2025	$995.00	$1,015.00	N/A
6/30/2022	2024	$681.84	$830.00	$732.57
6/30/2021	2023	$681.84	N/A	N/A

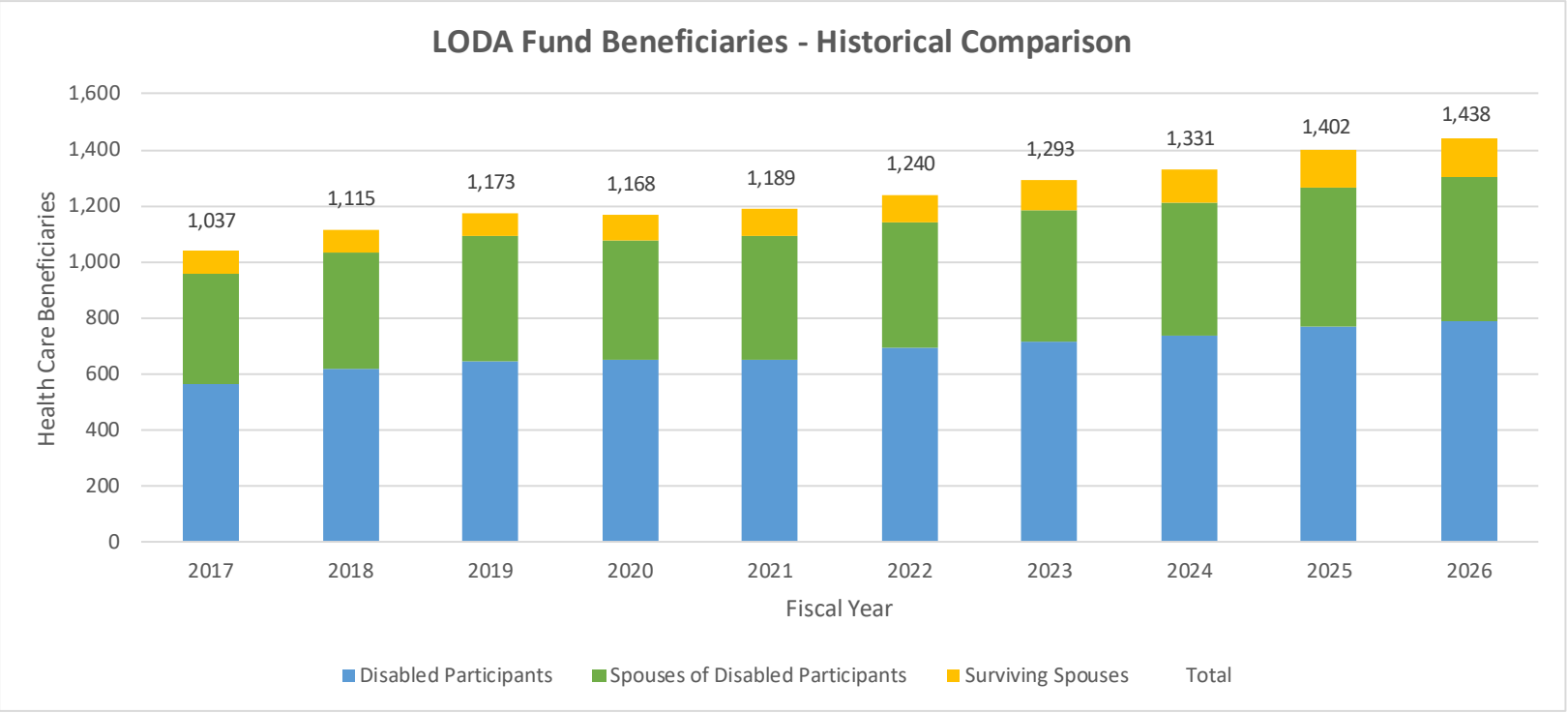
Note: Board certified rate may be re-determined in an “informational” year

LODA Active Participants

Employer Group	FY 2025 Counts	FY 2025 Weight	FY 2025 FTEs	FY 2026 Counts	FY 2026 Weight	FY 2026 FTEs
State/VaLORS/SPORS						
Full-Time	8,548	100%	8,548	8,539	100%	8,539
Part-Time	506	50%	253	442	50%	221
Volunteers				51	20%	10
Total State/VaLORS/SPORS	9,054		8,801	9,032		8,770
National Guard						
Full-Time	1,050	75%	788	1,140	75%	855
Part-Time	7,062	5%	353	7,021	5%	351
Total National Guard	8,112		1,141	8,161		1,206
Participating Pol. Sub.						
Full-Time	6,935	100%	6,935	6,808	100%	6,808
Part-Time	471	50%	236	439	50%	220
Volunteers	1,664	20%	333	1,832	20%	366
Total Pol. Sub. Employees	9,070		7,503	9,079		7,394
Private Institutions/Police Dept.						
Full-Time				91	100%	91
Part-Time				4	50%	2
Total Private Employees				95		93
Aggregated Total	26,236		17,445	26,367		17,463

Comments: Total Active Count is <u>increased slightly</u> from prior year.
A higher Full-Time Equivalent (FTE) count will decrease the rate.

Health Care Beneficiaries: 10-year History



Beneficiary Type	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Disabled Participants	566	619	647	650	653	691	713	735	770	792
Spouses of Disabled Participants	394	413	447	429	440	449	471	477	495	510
Surviving Spouses	77	83	79	89	96	100	109	119	137	136
Total	1,037	1,115	1,173	1,168	1,189	1,240	1,293	1,331	1,402	1,438

Putting It All Together: Fiscal Years 2026-2028

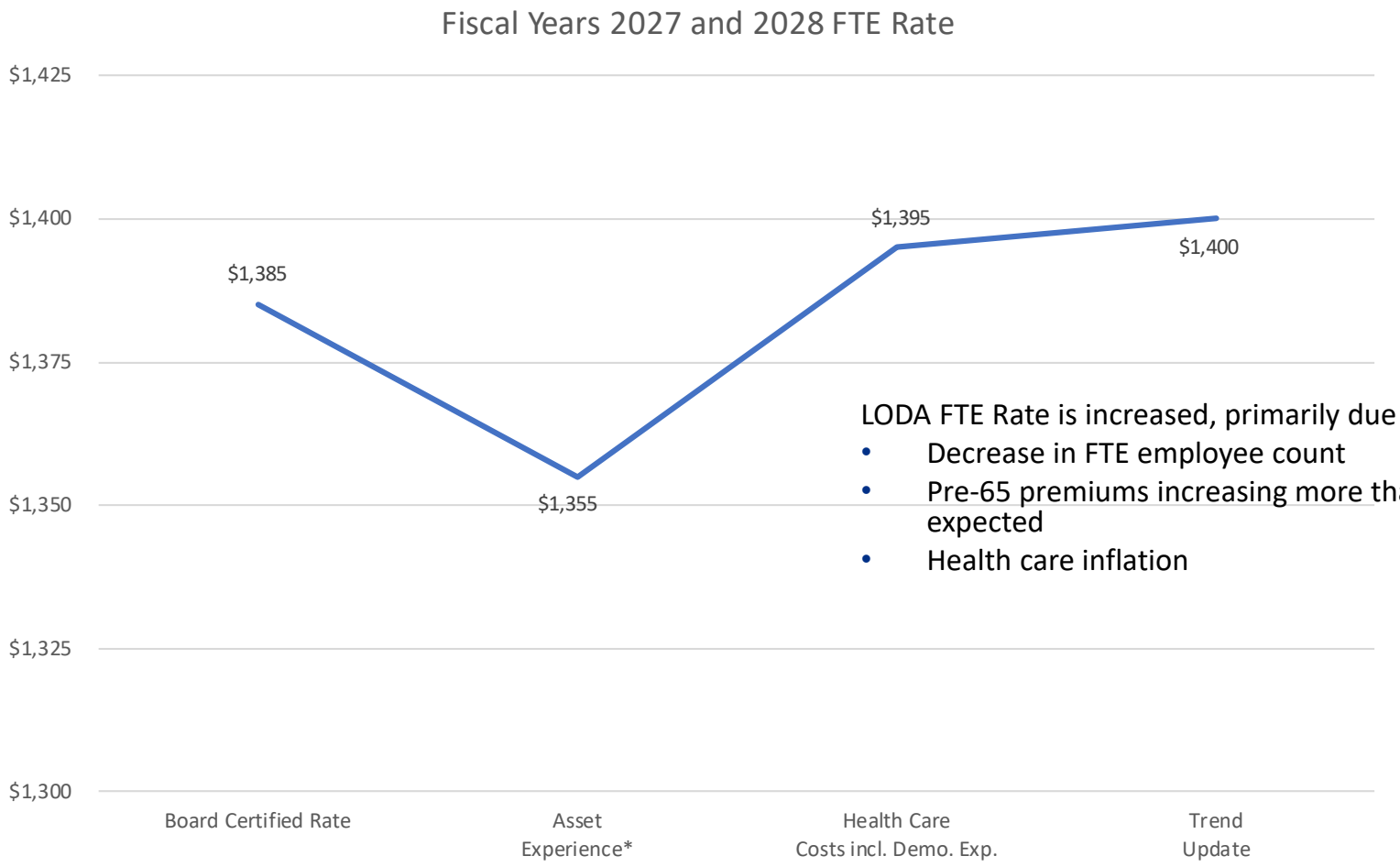
	FY 2026	FY 2027	FY 2028
FTE Employees		17,463	17,463
Employer Contributions[1]	$ 18,967,965	**$ 24,267,555**	**$ 24,430,185**
Benefit Costs	(20,384,287)	(23,838,825)	(26,808,584)
Administrative Expenses	(1,040,653)	(1,071,873)	(1,104,029)
Investment Income	1,794,297	1,088,211	1,027,916
Net Cash Flow	(662,678)	445,068	(2,454,511)
End of Year Position[2]	4,309,443	4,754,511	**2,300,000**

[1] Based on known FY 2026/2027 invoiced amounts and $1,400/FTE for FY 2028
[2] FYE 2028 target of one month claim reserve was set equal to $2,300,000
[3] Based on $1,385/FTE for FY 2028, End of year Position = $2,040,000

Combine and Project to the End of FY 2028

- Updated demographics of group
- Health care premium rates and future trend
  - Health Insurance Credit (HIC) Program Reimbursements
- Other actuarial assumptions
- Administrative Expenses

Putting it All Together: Reflecting Fiscal Year 2026 Experience and Conclusions

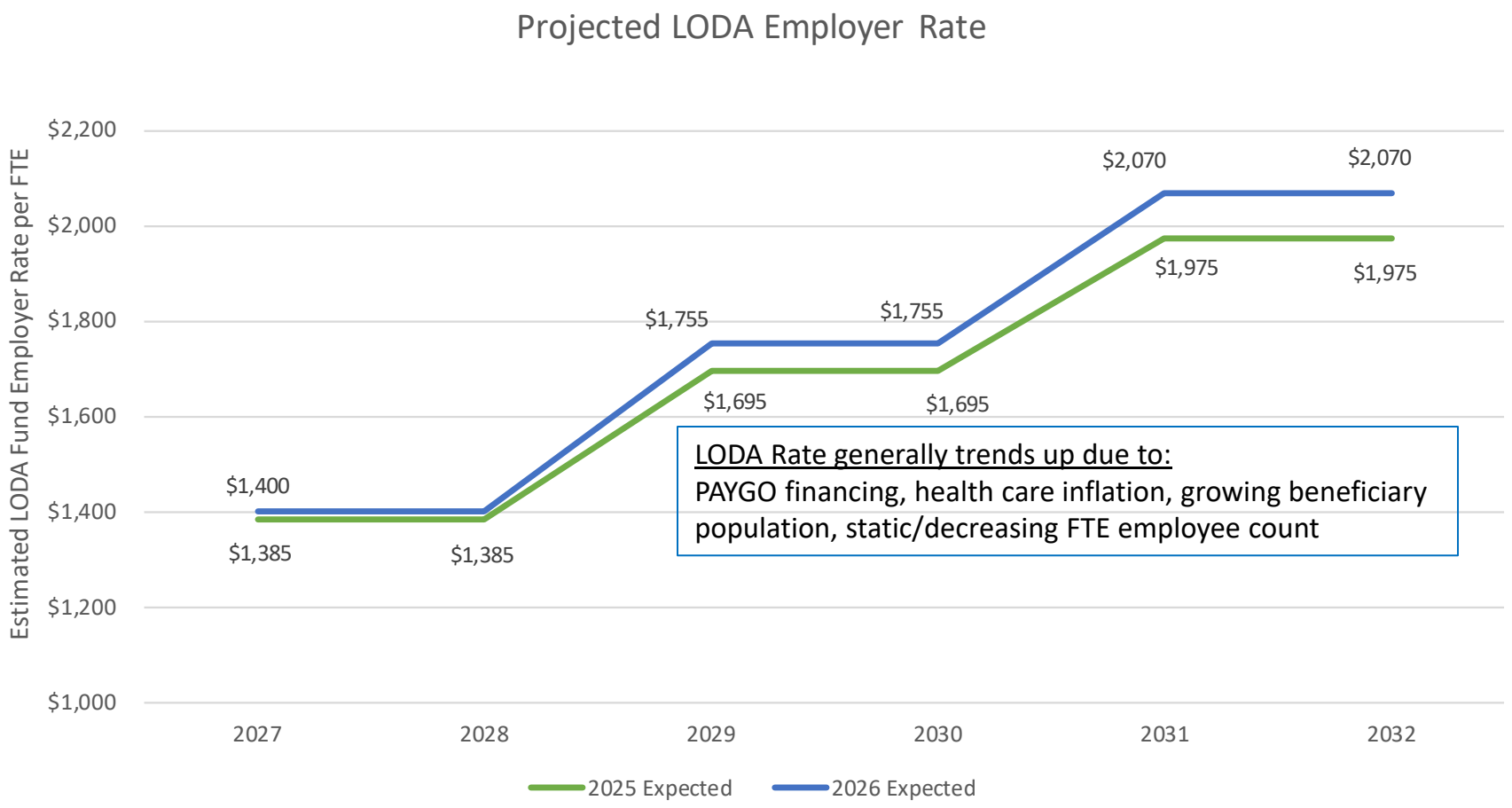


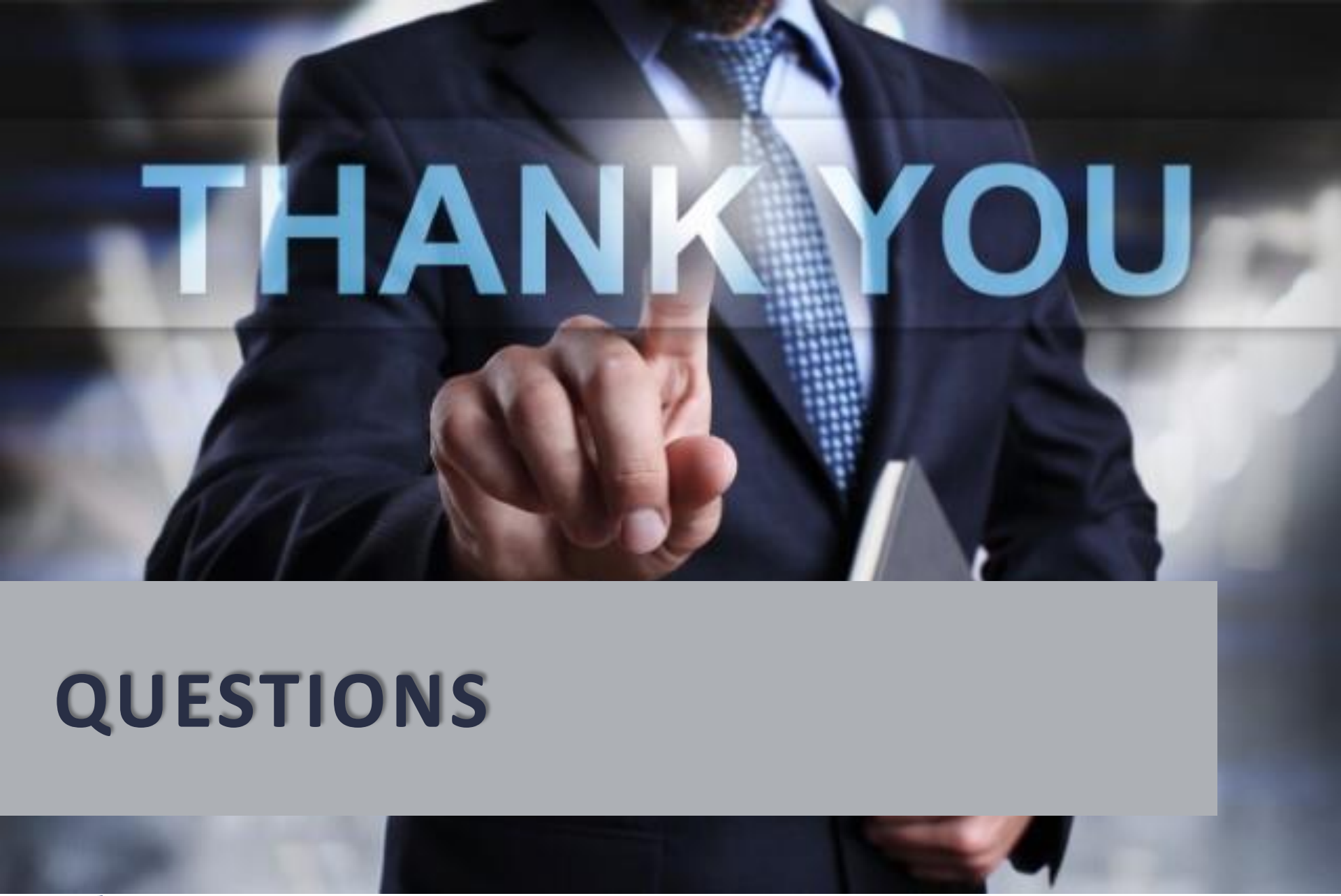
LODA FTE Rate is increased, primarily due to:

- Decrease in FTE employee count
- Pre-65 premiums increasing more than expected
- Health care inflation

* Includes Investment and Benefit Experience

LODA FTE Rate: Looking Ahead





QUESTIONS

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Virginia Retirement System

VRS Project Portfolio
FISCAL YEAR 2027
October 2026 Status Report

Status Indicator

- Proceeding as planned
- Off plan, mitigation in place
- Off plan, mitigation needed
- C — Completed
- Project timeline
- N/S — Not started

Agency Performance Objectives (APOs)	Strategic Alignment	Status
Data Quality Enhancements - Phase 3	Digital Transformation and Secure Service Delivery	
Demographic Data Collection and Maintenance - Phase 2	Digital Transformation and Secure Service Delivery	
VNAV Enhancements - Phase 3	Digital Transformation and Secure Service Delivery	
Enhance Employee Engagement Initiative	Organizational Strength, Culture and Engagement	

Agency Initiatives	Strategic Alignment	Status
Purchase of Refunded Service Process - Phase 2	Digital Transformation and Secure Service Delivery	
IRS Filing Requirement Compliance for 1099s	Digital Transformation and Secure Service Delivery	
myVRS IAM - Analysis and Enhancements	Digital Transformation and Secure Service Delivery	
Benefit Payment Policy Implementation	Superior Governance and Long-Term Financial Health	
Centralized virtual desktop delivery solution for Investments	Digital Transformation and Secure Service Delivery	
Implement AI Governance and use cases	Digital Transformation and Secure Service Delivery	
ECM Solution Implementation	Digital Transformation and Secure Service Delivery	
Vital Records Exchange	Superior Governance and Long-Term Financial Health	

Legislation (https://www.varetire.org/about/legislation/)		Status
	Legislation	

Operational/Ongoing Activities		Status
COLA 2026	Operations	C
FYE 2026	Operations	C
EDGE	Operations	
Retirement Wave 2026	Operations	C
Teacher Contracts	Operations	C
MBPs	Operations	C
Annual Code of Ethics Training	Operations	N/S
Annual Security Awareness Training	Operations	
FOIA Training	Operations	N/S
ACFR	Operations	
PAFR	Operations	
LODA Annual Report	Operations	
GASB 67	Operations	
GASB 68	Operations	N/S
GASB 74	Operations	
GASB 75	Operations	N/S
Actuarial Valuations	Operations	
myVRS Annual Updates	Operations	N/S
Update Contribution Rates in VNAV	Operations	N/S
1099/W2	Operations	N/S

Operational/Ongoing Activities		Status	2026						2027					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Annual Roadmap Review	Operations	N/S												
FYE 2027	Operations	N/S												
Retirement Wave 2027	Operations	N/S												
ORPHE Surcharge Billing for FY 2026	Operations	N/S												
Data Fixes	Operations													
ADO Backlog Prioritization	Operations													
Employer VNAV Security Review	Operations	N/S												
VRS Fund Sensitivity and Stress Testing Report for GA	Operations	N/S												
Legislation FY 2027	Operations	N/S												

Yellow Status Items

Item	Due Date	Comments
ECM Solution Implementation	TBD	Staff is moving to an RFP process for selecting an implementation partner, which will result in a better outcome but requires additional time to develop and complete.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		



Director's Report

November 12, 2026

Trish Bishop, VRS Director

Virginia Retirement System®

New Employer Coverage

Coverage Elected	Details
Tax-Deferred Purchase of Prior Service	▪ **Institute for Advanced Learning and Research** (City of Danville), effective June 1, 2026

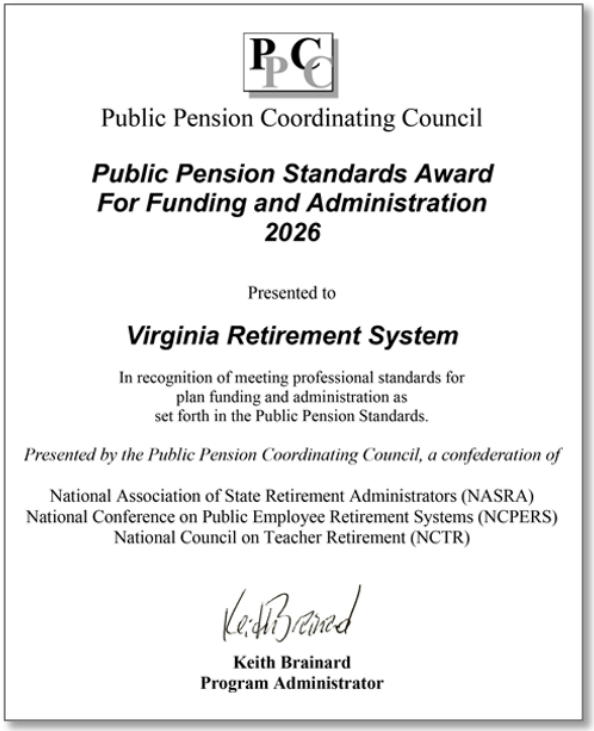
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VRS Receives PPCC Award

VRS received the **2026 Public Pension Standards Award for Funding and Administration** from the Public Pension Coordinating Council.

PPCC is a coalition of three associations:

- National Association of State Retirement Administrators
- National Conference on Public Employee Retirement Systems
- National Council on Teacher Retirement



Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2026

Presented to

Virginia Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Keith Brainard
Program Administrator

*This is the **23rd consecutive** PPCC Award for VRS*

Virginia Retirement System®

VRS Board Chair Receives Two Prestigious Awards



Susan T. Gooden, Ph.D., professor and former dean of VCU's L. Douglas Wilder School of Government and Public Affairs, has received two distinguished awards:

- Named **Commonwealth Professor,** one of VCU's highest academic distinctions
- Recipient of the **William Spriggs Memorial Award** by the Association for Public Policy Analysis & Management

The awards recognize Dr. Gooden for:

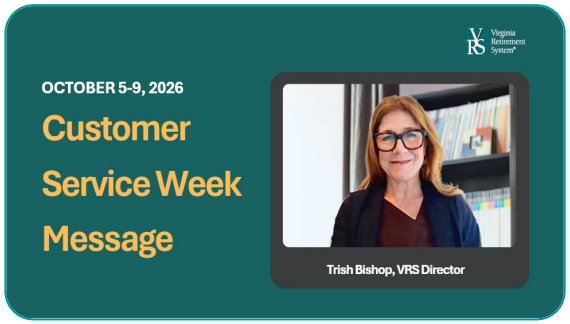
- International impact in scholarship, leadership and public service.
- Advancing the understanding of race, social equity and the role of public institutions in creating more equitable outcomes.

Virginia Retirement System®

Customer Service Week

Theme: “Going the Extra Mile”

VRS kicked off CSW with a video message from Trish.









Coffee and donuts, a Mission BBQ lunch, and a Paint by Numbers session were among the activities held for our employees to appreciate their going the extra mile for those we serve.

October 5-9, 2026

Virginia Retirement System®

Diwali

Tuesday, November 10





VRS team members assembled to celebrate Diwali, a cultural celebration that honors the triumph of good over evil and signifies new beginnings.

VRS enjoyed sweet and savory foods, tea and fun activities during this beautiful cultural gathering.

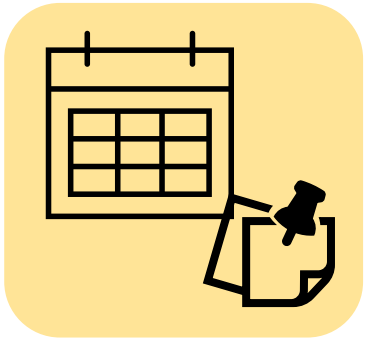
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Board Preview of Fall Meetings

Virginia Retirement System®

Preview: Fall 2026



December

- 2 – Agency Annual Meeting
- 3 – Defined Contributions Plans Advisory Committee
- 8 – Audit and Compliance Committee
- 9 – Board of Trustees
- 14 – JLARC Oversight Meeting

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