



**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.

### **II. 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.