

# Proxy Presentation

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# Proxy Basics

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Required document provided to shareholders pertaining to company matters

- In conjunction with annual meeting or extraordinary circumstances

Common:

- Board of director elections, auditor selection, restricted share grants

Less common:

- Non-represented Shareholder proposals, adding number of board seats, golden parachute provisions

# Basic Proxy Objectives

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Approve general business workings

- Approve Auditor
- Capital Structure

Align the board with our interests

- Staggered boards
- Independent chairman
- Simple majority vote
- Mergers and Acquisitions

Ensure appropriate CEO pay

- Proper incentives

# SDIC Proxy Policy Administration

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Related to securities internally managed by the SDIC.

Managed by two portfolio managers, reports to State Investment Officer.

ProxyEdge is custodian for voting and record keeping.

Educate staff on proxy importance.

Collaborate with staff on contentious proposals.

# Proxy purpose for SDIC

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Voting proxies is a fiduciary duty of investment managers. The Investment Council (SDIC) votes proxies consistent with statutory and fiduciary requirements.

Timing of voting varies, and are clustered around February-March

Large range in complexity and nuance.

# State Law Pertaining to Proxies

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Implemented 2010

Section 3-12C-223

“The assets of the system may not be managed in any manner for the purposes of social investment. The State Investment Council shall invest member trust funds in a manner that is solely designed to provide for the exclusive benefit of the members and benefit recipients of the system.”

Section 3-12C-101-80

Social investment is defined as an "investment, divestment, or prohibition of investment of the assets of the system for purposes other than maximum risk-adjusted investment return, which other purposes include ideological purposes, environmental purposes, political purposes, religious purposes, or purposes of local or regional economic development"

# Current Proxy Issues

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DEI (Diversity, Equity, and Inclusion) and ESG (Environmental, Social, and Governance).

- South Dakota law does not allow management of assets for purposes of social investment.
- The Investment Council will invest in companies favored by DEI and ESG advocates but only on the basis of maximizing risk-adjusted returns.
- Proxy votes on DEI and ESG issues for those companies are voted in the interest of maximizing risk-adjusted returns.

# Current Proxy Issues Cont.

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## Contested proxies

- By-Law changes; Competing board member slate
  - Activists with different priorities than SDIC
  - This requires the most diligence with portfolio manager
    - Case by case basis.

## Examples

- Disney
- Tesla



What questions can we answer for you?

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